

Canada - Québec Cap-and-Trade System

General Information

Summary	<p>Status: ETS in force</p> <p>Jurisdictions: Québec</p> <p>Québec's cap-and-trade system for GHG emissions was introduced in 2012. The program's enforceable compliance obligation began on 1 January 2013. Compliance periods are three years long (two years for the initial period). Québec has been a member of the Western Climate Initiative since 2008 and formally linked its system with California on 1 January 2014 and with Ontario on 1 January 2018 (until this system's termination in mid-2018). The system covers fossil fuel combustion and industrial emissions in power, buildings, transport, and industry.</p>														
Year in Review	<p>Québec's cap-and-trade system has met the carbon pricing requirement of Canada's national 'Pan-Canadian Framework on Clean Growth and Climate Change' (scheduled to be implemented in 2019).</p> <p>Québec's system linked with Ontario in January 2018 but the link was terminated six months later. Soon after, Ontario's system regulation and legislation were canceled completely.</p>														
Overall GHG emissions (excluding LULUCF)	Emissions: 78.6 MtCO ₂ e (2016)														
Overall GHG emissions by sector	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO₂e</th> </tr> </thead> <tbody> <tr> <td>Transportation</td> <td>33.8</td> </tr> <tr> <td>Industry</td> <td>23.6</td> </tr> <tr> <td>Buildings</td> <td>8.5</td> </tr> <tr> <td>Agriculture</td> <td>7.6</td> </tr> <tr> <td>Waste</td> <td>4.9</td> </tr> <tr> <td>Power</td> <td>0.2</td> </tr> </tbody> </table>	Sector Name	MtCO ₂ e	Transportation	33.8	Industry	23.6	Buildings	8.5	Agriculture	7.6	Waste	4.9	Power	0.2
Sector Name	MtCO ₂ e														
Transportation	33.8														
Industry	23.6														
Buildings	8.5														
Agriculture	7.6														
Waste	4.9														
Power	0.2														
Overall GHG reduction target	<p>BY 2020: 20% reduction from 1990 GHG levels</p> <p>BY 2030: 37.5% reduction from 1990 GHG levels</p>														
Carbon Price	<i>Current Allowance Price (per t/CO₂e):</i> CAD 19.30 (USD 14.91) (unweighted average auction price in 2018; updated prices available here)														

ETS Size

Emissions covered by the ETS

0.8 - 0.85

GHG covered	CO ₂ , CH ₄ , N ₂ O, SF ₆ , HFCs, PFCs, NO ₃ , and other fluorinated GHGs
Sectors covered and thresholds	<p>FIRST COMPLIANCE PERIOD (2013-2014): Electricity, Industry.</p> <p>SECOND COMPLIANCE PERIOD (2015-2017) AND THIRD COMPLIANCE PERIOD (2018-2020): Sectors of first compliance period as well as distribution and importation of fuels used for consumption in the transport and building sectors, and in small- and medium-sized businesses.</p> <p>INCLUSION THRESHOLDS: >25,000 tCO₂e/year. As of 2016, fuel distributors that have distributed 200L or more of fuel (in 2015) are also subject to inclusion even if the combustion of their fuel resulted in the emission of less than 25,000 tCO₂e.</p> <p>VOLUNTARY EMITTERS (OPT-IN COVERED ENTITIES): Starting in 2019, emitters from capped sectors that reported emissions between 10,000 tCO₂e/year and 25,000 tCO₂e/year may voluntarily register to the cap-and-trade system as a covered entity. If their production activity is eligible, they could receive free allocation.</p>
Point of regulation	Mixed
Number of liable entities	149 (74 industrial entities, 75 fuel distributors) (2017) No information available yet.
Cap	<p>The following caps are given in millions of allowances:</p> <p>FIRST COMPLIANCE PERIOD (2013-2014): 23.20 each year</p> <p>SECOND COMPLIANCE PERIOD (2015-2017): 2015: 65.30; 2016: 63.19; 2017: 61.08</p> <p>THIRD COMPLIANCE PERIOD (2018-2020): 2018: 58.96; 2019: 56.85; 2020: 54.74</p> <p>FOURTH COMPLIANCE PERIOD (2021-2023): 2021: 55.26; 2022: 54.02; 2023: 52.79</p> <p>FIFTH COMPLIANCE PERIOD (2024-2026): 2024: 51.55; 2025: 50.31; 2026: 49.08;</p> <p>SIXTH COMPLIANCE PERIOD (2027-2029): 2027: 47.84; 2028: 46.61; 2029: 45.37</p> <p>After a slight increase in the cap in 2021 (due to an adjustment of the global warming potential of different GHGs), the cap will reduce by about 1.24 million allowances per year. This will result in a cap of 44.14 million allowances in 2030.</p>

Phases & Allocation

Trading period	The Québec cap-and-trade system is structured around three-year compliance periods, except for the first period (see “Compliance” below). A cap trajectory until 2030 has been set (see “Cap”). Allowances are allocated and auctioned with calendar vintage years.
Allocation	<p>FREE ALLOCATION: Emission-intensive sectors subject to international competition receive a portion of free allowances. Eligible sectors include: aluminum, lime, cement, chemical and petrochemicals, metallurgy, mining and pelletizing, pulp and paper, petroleum refining, and others (manufacturers of glass food containers, electrodes, gypsum products, and some agro-food products). Free allocation is generally based on benchmarks either for inputs of raw materials or for product-based benchmarks (output-based allocation).</p> <p>First compliance period (2013-2014): Historical emission intensity adjusted for production level and by type of emission, with 100% allocation for process emissions, 80% for combustion emissions and 100% for emissions from other sources.</p>

Second (2015-2017) and subsequent periods: Free allocation is based on increasingly strict intensity targets (declining emissions intensity per activity) and production levels. Since production volumes can vary, increasing intensity targets does not guarantee an absolute reduction in free allocation but incentive reductions of emissions intensity.

As of 2019, allocation of free allowances is made available to voluntary emitters (also known as opt-in covered entities) in alignment with what has been established for regulated entities.

Assistance factors: Assistance factors (AFs) for the 2021-2023 period vary between 1 (100%) and 0.6 (60%), with the lowest AFs for electricity and steam production and most industrial production having AFs of 1 (see Table 7 in the Appendix of the Regulation for details).

AUCTIONING: Generally, electricity and fuel distributors have to buy 100% of their allowances. Allowances are auctioned quarterly.

As of 1 January 2019, Québec had held a total of 21 auctions, 17 held jointly with California, of which two were also held jointly with Ontario.

Unsold allowances in past auctions are removed and will gradually be released for sale at auction after two consecutive auctions are held in which the sale price is higher than the minimum price.

In 2017, the latest year for which complete data are available, a little less than 70% of allowances were allocated by auction or destined to reserves. About 30% of allowances were allocated for free. Some allowances from future vintages are offered at each auction and may be traded but not used for compliance until the compliance date for the vintage year.

Flexibility

Banking and borrowing	Banking is allowed but the emitter is subject to a general holding limit. Borrowing is not allowed.
Offsets and credits	<p>QUANTITATIVE LIMIT: Up to 8% of each entity's compliance obligation.</p> <p>QUALITATIVE LIMIT: Offset credits may be generated from projects carried out according to five protocols in Québec:</p> <ol style="list-style-type: none"> (1) CH₄ destruction from covered manure storage facilities; (2) CH₄ destruction from landfill sites; (3) Destruction of ozone-depleting substances contained in insulating foam or used as refrigerant gases removed from domestic appliances in Canada; (4) CH₄ destruction from drainage systems at active coal mines; and (5) CH₄ destruction from ventilation systems of active underground coal mines. <p>Québec is currently developing an offset protocol for afforestation and reforestation projects in private lands in Québec, which will be open to public consultation at a later point. A number of new offset protocols, co-commissioned with Ontario, were also under development. With the termination of Ontario's cap-and-trade program this work was discontinued and Québec is currently assessing its priorities in terms of which protocols to keep developing.</p> <p>Offsets credits issued by jurisdictions linked with Québec are recognized as compliance instruments.</p> <p>Québec offset credits are 100% guaranteed. In cases where offset credits issued for a project were deemed illegitimate, the Minister may require the offset promoter (developer) to replace them.</p>

	<p>If credit recovery is not possible, an equivalent number of credits will be retired from the Minister's environmental integrity account. That account is filled up through a contingency reserve of 3% of issued offset credits from all offset projects.</p>
<p>Market Stability Provisions</p>	<p>Auction Reserve Price: Annual auction reserve prices are determined per jurisdiction, once a year, and increase annually by 5% plus inflation until 2030. For 2019, this annual minimum price is CAD 15.31 (USD 11.82) for Québec and USD 15.62 for California. For joint auction with California in 2019, the highest between Québec's or California's annual price, based on the exchange rate of the Bank of Canada the day prior to the auction, will be the auction reserve price for that particular auction.</p> <p>Allowance Price Containment Reserve: Reserve emission units held in the allowance price containment reserve account may be sold as "sales by mutual agreement" by the Minister in three tiers at CAD 56.96, CAD 64.07, and CAD 71.19 in 2019 (USD 43.96, USD 49.45, and USD 54.94) respectively. Only covered entities in Québec are eligible to purchase allowances from the reserve, as long as they do not have valid compliance instruments for the current period in their general account. Reserve prices increase annually by 5% plus inflation.</p>

Compliance

<p>Compliance Period</p>	<p>FIRST COMPLIANCE PERIOD: 1 January 2013 - 31 December 2014.</p> <p>SUBSEQUENT COMPLIANCE PERIODS: Three calendar years as of 1 January 2015 (2015-2017, 2018-2020, and so forth)</p> <p>Allowances must be surrendered by 1 November following the end of the compliance period</p>
<p>Monitoring, Reporting, Verification (MRV)</p>	<p>REPORTING FREQUENCY: One year. Report to be submitted by 1 June of each year.</p> <p>VERIFICATION: Emitters (and voluntary emitters) participating in ETS (higher threshold than those with regulatory reporting requirement) must send a verification report carried out by an organization accredited to ISO 14065.</p> <p>FRAMEWORK: Regulation on the mandatory reporting of certain emissions of contaminants into the atmosphere is outlined in the 'Environment Quality Act.'</p>
<p>Enforcement</p>	<p>For noncompliance, entities can be fined CAD 3,000,000 (USD 2,315,385,875) and spend up to 18 months in jail in the case of a natural person, and CAD 10,000-3,000,000 (USD 7,718-2,315,252) in the case of a legal person.</p> <p>Fines are doubled in the case of a second offence. In addition, the Minister of the Environment and the Fight against Climate Change may suspend the allocation to any emitter in case of noncompliance.</p> <p>A covered entity that fails to cover its real and verified GHG emissions with enough allowances on 1 November following the end of a compliance period must remit each missing allowance and will have to remit three additional allowances for each allowance it failed to remit to the minister.</p> <p>The person with legal responsibility for that entity would also be committing an infraction, subject to financial penalties, for each compliance instrument not surrendered as part of the compliance obligation.</p>

Linking

<p>Links with other Systems</p>	<p>On 1 January 2014, Québec linked with California. On 1 January 2018, Québec and California linked with Ontario. The latter link was effectively abolished in mid-2018 when Ontario revoked and later fully canceled its system.</p>
---------------------------------	--

Other Information

Institutions involved	<p>Ministère de l'Environnement et de la Lutte contre les changements climatiques (Ministry of the Environment and the Fight Against Climate Change);</p> <p>Direction générale de la Réglementation carbone et des données d'émission (Carbon Market Directorate)</p>
Evaluation / ETS review	<p>The regulation has been adjusted almost annually to implement changes and adjustments and, when necessary, maintain harmonization with linked jurisdictions.</p>
Revenue	<p>Since beginning of program: CAD 2.88 billion (USD 2.23 billion)</p> <p>Collected in 2018: CAD 831.44 million (USD 641.84 million)</p> <p>All auction revenues go to the Québec Green Fund, which is dedicated to the fight against climate change through Québec's 2013-2020 Climate Action Plan. Examples for spending include energy efficiency measures as well as public transport initiatives.</p>
Implementing Legislation	<p>Regulation respecting a cap-and-trade system for greenhouse gas emission allowances</p> <p>Amendments are listed and linked on the site of the Québec ministry.</p> <p>Environment Quality Act</p>

Disclaimer

Copyright © 2019 by International Carbon Action Partnership (ICAP). All rights reserved. The content provided by the ICAP ETS map is protected by copyright. You are authorized to view, download, print and distribute the copyrighted content from this website subject to the following condition: Any reproduction, in full or in part, must credit the International Carbon Action Partnership (ICAP) must include a copyright notice. If you have any questions please contact info@icapcarbonaction.com.

Developed and designed by [Lucid.Berlin](#)

In line with ICAP's mandate, the ICAP ETS map exclusively covers cap-and-trade systems for greenhouse gas emissions. Information displayed on the map is regularly updated by ICAP Secretariat staff based on official and public information as far as possible and subject to annual peer review by government representatives from the covered systems. Although the information contained in the map is assembled with utmost care, ICAP cannot be held liable for the timeliness, correctness and completeness of the information provided.

Please refer to the [imprint](#) on the website of the International Carbon Action Partnership regarding links to external websites, liability and privacy policy.