

## Canada - Québec Cap-and-Trade System

### General Information

Summary	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> 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.</p> <p>Québec has been a member of the Western Climate Initiative (WCI) since 2008 and formally linked its system with California on 1 January 2014 and with Ontario on 1 January 2018.</p> <p><a href="#">Ministry of Sustainable Development, Environment, Wildlife and Parks Website Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (as at 1 February 2013)</a></p> <p><a href="#">Technical description of Québec's cap-and-trade program (SPEDE)</a></p> <p><a href="#">Western Climate Initiative Inc.</a></p> <p><a href="#">Archive of past WCI materials</a></p>														
Overall GHG emissions (excluding LULUCF)	<b>Emissions:</b> 82.1 MtCO <sub>2e</sub> (2014)														
Overall GHG emissions by sector	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO<sub>2e</sub></th> </tr> </thead> <tbody> <tr> <td>Transport</td> <td>33.7</td> </tr> <tr> <td>Industry</td> <td>25.8</td> </tr> <tr> <td>Residential &amp; Commercial</td> <td>8.5</td> </tr> <tr> <td>Agriculture</td> <td>7.7</td> </tr> <tr> <td>Waste</td> <td>6.2</td> </tr> <tr> <td>Electricity</td> <td>0.2</td> </tr> </tbody> </table>	Sector Name	MtCO <sub>2e</sub>	Transport	33.7	Industry	25.8	Residential & Commercial	8.5	Agriculture	7.7	Waste	6.2	Electricity	0.2
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Overall GHG reduction target	<p><b>By 2020:</b> 20% reduction from 1990 GHG levels.</p> <p><b>By 2030:</b> 37.5% reduction from 1990 GHG levels.</p> <p><b>By 2050:</b> 80-95% reduction from 1990 GHG levels.</p>														
Type of ETS	Mandatory														
Cap and trajectory	<p><b>Type of Cap:</b> Absolute</p> <p>The following caps are given in millions of allowances:</p> <p><b>First compliance period (2013-2014):</b> 23.20 each year</p> <p><b>Second compliance period (2015-2017):</b> 2015: 65.30; 2016: 63.19; 2017: 61.08</p> <p><b>Third compliance period (2018-2020):</b> 2018: 58.96; 2019: 56.85; 2020: 54.74</p>														

	<p><b>Fourth compliance period(2021–2023):</b> 2021: 55.26; 2022: 54.02; 2023: 52.79</p> <p><b>Fifth copliance period(2024–2026):</b> 2024: 51.55; 2025: 50.31; 2026: 49.08</p> <p><b>Sixth compliance period (2027–2029):</b> 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>
Carbon Price	<p><i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> CAD 19.10 (USD 15.06); Clearing price at joint CAL-QC auction in November 2017.</p>

## ETS Size

Emissions covered by the ETS	0.85
GHG covered	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, SF <sub>6</sub> , HFCs, PFCs, NO <sub>3</sub> and other fluorinated GHGs.
Sectors covered and thresholds	<p><b>First compliance period (2013-2014):</b> Electricity, Industry (&gt;25,000 CO<sub>2</sub>e/year).</p> <p><b>Second compliance period (2015-2017) and third compliance period (2018-2020):</b> Sectors of first compliance period alongside the distribution and importation of fuels used for consumption in the transport and building sectors, as well as in small and medium-sized businesses.</p> <p><b>Inclusion Thresholds:</b> &gt;25,000 tCO<sub>2</sub>e/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 has resulted in the emission of less than 25,000 tCO<sub>2</sub>e.</p> <p><b>Voluntary emitters (opt-in entities):</b> Starting in 2019, emitters from capped sectors that reported emissions between 10,000 tCO<sub>2</sub>e/year and 25,000 tCO<sub>2</sub>e/year may voluntarily register to the Cap-and-Trade System as a covered entity.</p>
Number of liable entities	<p>132 (2017)</p> <p>In Québec's cap-and-trade program, an emitter is any person or municipality operating a business in a sector of activity covered by the regulation. Entities emitting 25 kt CO<sub>2</sub>e or more are subject to the system.</p>
Point of regulation	<p><b>First compliance period (2013-2014):</b> Downstream</p> <p><b>Second compliance period (2015-2017):</b> Mixed, downstream and upstream (fuel distribution)</p>

## Phases & Allocation

Compliance period	<p><b>First compliance period:</b> 1 January 2013 - 31 December 2014.</p> <p><b>Subsequent compliance periods:</b> 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>
Trading period	<p>In Québec's cap-and-trade system, a trading period is referred to as a "compliance period" (see below). Allowances are allocated and auctioned with calendar vintage years.</p>
Allocation	<p><b>Auctions:</b> Generally, electricity and fuel distributors have to buy 100% of their allowances at auction (or on the market). Allowances are auctioned quarterly.</p>

As of 1 January 2018, Québec had held a total of 17 auctions, 13 held jointly with California. 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.

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.

**Free allocation:** Emission-intensive sectors subject to international competition receive a portion of free allowances. These 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).

**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.

**Second (2015–2017) and subsequent periods:** Allocation of free allowances is based on increasingly strict intensity targets (declining emissions intensity per activity) and production levels. Since production volumes can vary, increasing intensity targets do not guarantee an absolute reduction in free allocation.

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.

## 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><b>Quantitative limit:</b> Up to 8% of each entity's compliance obligation.</p> <p><b>Qualitative limit:</b> Currently five domestic (non-Kyoto) offset types are accepted as compliance units originating from projects carried out according to five "protocols" in Québec:</p> <ol style="list-style-type: none"> <li>1) CH<sub>4</sub> destruction as part of projects to cover manure storage facilities;</li> <li>2) Capture of gas from specified landfill sites;</li> <li>3) Destruction of certain ozone depleting substances contained in insulating foam and of certain refrigerant gases recovered from domestic appliances in Canada;</li> <li>4) Capture and destruction of CH<sub>4</sub> from a CH<sub>4</sub> drainage system at an active underground or surface coal mine, except a mountaintop removal mine;</li> <li>5) Capture and destruction of CH<sub>4</sub> from the ventilation system of an active underground coal mine.</li> </ol> <p>A number of new offset-protocols, co-commissioned with Ontario, are under development. Information on the timing of their adoption is not yet available. Offsets issued by jurisdictions linked with Québec are recognized for compliance.</p> <p>The Minister may require the promoter to replace any offset credit issued to the buyer for a project, in the event that:</p> <ol style="list-style-type: none"> <li>1. Due to omissions, inaccuracies or false information in the documents provided by the promoter, the GHG emissions reductions for which the offset credits were issued were not eligible;</li> <li>2. Offset credits were applied for under another program for the same reductions as those covered by the application for credits under this regulation.</li> </ol>

	<p>In the instance that credit recovery is not possible an equivalent number of credits will be retired from the Minister's environmental integrity account. The Minister takes 3% of issued offset credits as a contingency reserve to fill that account.</p>
Provisions for price management	<p><b>Auction Reserve Price:</b> Minimum auction (reserve) price for joint auction with California and Ontario in 2018: The highest of Québec's (CAD 14.35; USD 18.63), Ontario's (CAD 14.68; USD 19.05) or California's (USD 14.53) annual price; increasing annually by 5% plus inflation until 2030.</p> <p>Reserve emission units held in the Allowance Price Containment Reserve account may be sold at CAD 53.37 (USD 69.27), 60.04 (USD 77.93), 66.71 (USD 86.59)/t CO<sub>2</sub>e in 2018.</p> <p>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

Monitoring, Reporting, Verification (MRV)	<p><b>Reporting frequency:</b> One year. Report to be submitted by 1 June of each year.</p> <p><b>Verification:</b> 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><b>Framework:</b> Regulation on the mandatory reporting of certain emissions of contaminants into the atmosphere is outlined in the Environment Quality Act.</p> <p>More information: <a href="#">Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere</a></p>
Enforcement	<p>For non-compliance, entities can be fined CAD 3,000-500,000 (EUR 2,145-357,564) and spend up to 18 months in jail in the case of a natural person, and CAD 10,000-3,000,000 (EUR 7,151-214,538) in the case of a legal person.</p> <p>Fines are doubled in the case of a second offense. In addition, the Minister of Sustainable Development, the Environment and the Fight against Climate Change may suspend the allocation to any emitter in case of non-compliance.</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 emitter responsible 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>

## Other Information

Institutions involved	<p>Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (Ministry of Sustainable Development, the Environment and the Fight Against Climate Change); Direction générale de la Réglementation carbone et des données d'émission (Carbon Market Directorate).</p>
Linkage with other schemes	<p>On 1 January 2014, Québec linked with California. On 1 January 2018, Québec and California linked with Ontario.</p>

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