International Carbon Action Partnership
ETS Detailed Information

Canada - Nova Scotia

General Information

Summary	**Status:** ETS in force **Jurisdictions:** Nova Scotia Nova Scotia's cap-and-trade program sets a cap on the total amount of GHG emissions allowed in covered sectors in the province for the years 2019-2022 (compliance period). Final cap-and-trade program regulations were passed in November 2018. The program regulates the industry, power, heat (buildings), and transport sectors and covers approximately 80% of GHG emissions in Nova Scotia. Since May 2018, Nova Scotia has been a member of the Western Climate Initiative, which provides technical support for Nova Scotia's cap-and-trade program. Nova Scotia is not linked to any other jurisdictions.
Year in Review	2019 saw the first year of operation of the Nova Scotia Cap-and-Trade Program. The first allocation of allowances occurred in April 2019 with auctioning set to begin in 2020. The Nova Scotia program was found to meet the federally set benchmark introduced in the 'Pan-Canadian Framework on Clean Growth and Climate Change' (see Canada factsheet). This means that the province is not subject to the federal carbon pricing "backstop" measure. In October 2019, Nova Scotia introduced the 'Sustainable Development Goals Act,' which sets new targets to fight climate change, including 53% below 2005 levels by 2030 and net-zero emissions by 2050.
Overall GHG emissions (excluding LULUCF)	**Emissions:** 15.9 MtCO2e $MtC0_2e$ (2017)
Overall GHG emissions by sector	Sector Name — MtCO2e Electricity and heat generation — 6.7 Transportation — 5.0 Heat (residential) — 1.3 Industry — 1.0 Agriculture and waste — 1.0 Heat (commercial) — 0.6 Oil and gas — 0.3
Overall GHG reduction target	**BY 2020:** at least 10% reduction from 1990 GHG levels **BY 2030:** 53% below 2005 levels

	BY 2050: Net-zero emissions
Carbon Price	*Current Allowance Price (per t/CO2e):* No information available yet.

ETS Size

Emissions covered by the ETS	0.80
GHG covered	CO2, CH4, N2O, SF6, NF3, HFCs, PFCs
Sectors covered and thresholds	The program covers the industrial and electricity sectors, as well as fuel suppliers (upstream coverage of transport and heating). **INCLUSION THRESHOLDS:** For the industrial and electricity sectors, facilities generating ≥ 50,000 tCO2e/year. Electricity importers responsible for >10,000 tCO2e/year are also included. For fuel suppliers, the following thresholds apply: petroleum product suppliers selling ≥ 200 liters of fuel into the Nova Scotia market and natural gas distributors producing ≥ 10,000 tCO2e/year. No provisions for voluntary ("opt-in") participation.
Point of regulation	Mixed
Number of liable entities	~26 entities (December 2019) No information available yet.
Cap	**FIRST COMPLIANCE PERIOD (2019-2022):** **2019**: 13.68 MtCO2e; **2020**: 12.72 MtCO2e **2021**: 12.26 MtCO2e; **2022**: 12.14 MtCO2e

Phases & Allocation

Trading period	Nova Scotia's cap-and-trade program is structured around compliance periods; trading periods are not defined separately. The first compliance period is 2019–2022.
Allocation	**FREE ALLOCATION, OUTPUT-BASED** **BENCHMARKS:** *Industrial Facilities:* Facilities will receive allowances based on production intensity benchmarks based on production intensity benchmarks determined using data from the period 2014–2016. At the beginning of the year, 75% of the eligible emissions allowances are distributed to participating entities. The remaining 25% will be provided in the following year together with production-level adjustments after the submission of a verified emissions report. The benchmark is based on historical facility emissions intensity, an assistant factor that varies between 1 (100%) for cement and 0.9 (90%) for pulp and paper and natural gas processing (the only defined industries). A cap adjustment factor is also applied, declining from 1 in 2019 to about 0.88 in 2022. This means that an entity would receive about 12% less allowances based on the output in 2022 compared to in 2019. **Fuel Suppliers and Electricity Importers**: Receive 80% of free allocation based on verified GHG reports for previous year's emissions. **Nova Scotia Power Inc.**: The utility will be allocated allowances based on a reduction from BAU projections; ~6.3 million allowances will be freely allocated to Nova Scotia Power Inc. in 2019. In 2020, ~5.5 million allowances will be allocated, declining to just over five million in 2022.

	AUCTIONING: The province will hold auctions two to four times per calendar year, starting in 2020. Minimum price: CAD 20 (USD 15.07) for auctions held in 2020; each subsequent year: minimum price will increase by 5% plus inflation. Auctioning in Nova Scotia has two particularities: **(1)***The option for regulated entities to consign allowances to auction:* minimize transaction costs for participants, regulated entities can consign their allowances to the government auctions. Allowances offered for sale through consignment are included in the government auctions and sold first, followed by emission allowances offered for sale by the province. 100% of the revenue from allowances sold on consignment is returned to the participants. **(2)***The purchase of limits to secure market functioning:* secure market functioning, bidders will be subject to purchasing limits that restrict how many allowances each participant can buy at any one auction. Purchasing limits are intended to mitigate the risk that one participant can manipulate the market by causing shortages and price spikes. **Purchasing Limits (for the 2019-2022 compliance period):** · Fuel suppliers: 15% of the previous year's verified GHG emissions per auction and 25% for the calendar year; · Industrial facilities: 3% of their previous year's verified GHG emissions per auction and 5% for the calendar year; and · Nova Scotia Power Inc.: 5% of the allowances available for sale at each auction.

Flexibility

Banking and borrowing	Nova Scotia's cap-and-trade program does not include banking and borrowing across compliance periods.
Offsets and credits	Nova Scotia's cap-and-trade legislation includes the possibility for an offset system. Further consultations will be undertaken, and a study is being completed in 2020 to consider this option and explore offset potential in the province's carbon market.
Market Stability Provisions	**Reserve:** In the first year of the compliance period (2019), the government will place 3% of allowances available under the yearly caps into a reserve. These emission allowances may be used for: **(1) Cost containment:** Offer for sale at set prices to participants at predetermined times throughout the year to cover their compliance obligations. Up to four reserve sales can occur in a calendar year. The initial price will be CAD 50 (USD 38.05) in 2020, rising annually by 5% plus inflation. **(2) New entrants:** Accommodate new participants in the cap-and-trade program whose GHG emissions are not currently accounted for and that qualify for free allocation. **(3) Reserve for adjustments in output-based free allocation***:* Adjust to variability in year-to-year commitments to free allowances (allowances from reserve can be used as a buffer for allocation-amount uncertainty: if projections are not accurate, commitments for free allowances according to allocation rules can be fulfilled by using allowances from the reserve).

Compliance

Compliance Period	Four years (2019-2022) (see "Phases and Allocation" above)
Monitoring, Reporting, Verification (MRV)	In Nova Scotia, MRV is referred to as "Quantification, Reporting, and Verification."

	REPORTING FREQUENCY: Annually. Report for 2018 to be submitted by 1 June 2019; verification by 1 September 2019. Starting in 2020, report and verification must be submitted by 1 May of each year for the previous calendar year (1 May 2020 for 2019, 1 May 2021 for 2020, 1 May 2022 for 2021, 1 May 2023 for 2022). **VERIFICATION:** Reports must be verified by an accredited third-party organization. **FRAMEWORK:** The rules for reporting GHG emissions are outlined in Nova Scotia's 'Quantification, Reporting, and Verification of Greenhouse Gas Emissions Regulations' and 'Standards for Quantification, Reporting, and Verification of Greenhouse Gas Emissions.'
Enforcement	Participants who do not surrender enough allowances at the end of the compliance period will pay three times the latest auction settlement price per allowance they are short. Administrative penalties for violations of other cap-and-trade regulations will be determined in further regulations. All revenue from administrative penalties will go into the Nova Scotia Green Fund.

Linking

Links with other Systems	Nova Scotia does not plan to link at this time.

Other Information

Institutions involved	Nova Scotia Environment, Climate Change Unit
Evaluation / ETS review	Annual reports on the program will be published. Nova Scotia also hasto report annually to Environment and Climate Change Canada as part of the 'Pan-Canadian Framework on Clean Growth and Climate Change.'
Revenue	No information available yet. A Green Fund was established in 2019 to receive and distribute revenues from allowance auctions, sales of reserve emission allowances, and administrative penalties. The Green Fund must be used to support measures that mitigate GHG emissions, promote adaptation, encourage innovative technology, and reduce negative economic and social effects of mitigation action. Estimated revenue for 2020: CAD 24 million (USD 18.1 million), increasing to CAD 28 million (USD 21.1 million) in 2023.
Implementing Legislation	Nova Scotia's Cap and Trade Program Regulatory Framework Cap-and-Trade Program Regulations, Section 112Q of the Environment Act Quantification, Reporting, and Verification of Greenhouse Gas Emissions Regulations Standards for Quantification, Reporting, and Verification of Greenhouse Gas Emissions Sustainable Development Goals Act Environment Act

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