

# Canada - Ontario Emissions Performance Standards program

## General Information

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### ETS Description

Ontario's Emissions Performance Standards (EPS) program came into effect in January 2022, replacing the federal output-based pricing system (OBPS) that was operational in Ontario from 2019 to 2021. It is an intensity-based ETS for large industrial emitters, in which each covered entity must surrender compliance units for emissions that exceed its annual limit. The annual emissions limit is based on facility-specific, sectoral, or historical emissions benchmarks, depending on the facility. The system applies to the same sectors and GHGs as the federal OBPS.

The cost of excess emissions units follows the path of the federal carbon pollution benchmark, with the price rising CAD 15 (USD 10.73) each year until 2030, resulting in a price of CAD 170 (USD 121.60\*) per tCO<sub>2</sub>e in 2030. The cost for 2026 compliance is CAD 110 (USD 78.68).

\*USD conversion based on 2025 IMF exchange rate; actual future exchange rates may differ.

### ETS Status

in force

### Jurisdictions

Ontario

### Year in Review

In August 2025, the "Greenhouse Gas Emissions Performance Standards Regulation" was amended to allow any facility that meets the criteria for voluntary participation at the time of the request to cancel its registration and leave the EPS program. The effective date of exit is set for the end of March 2025, applicable retroactively, if the request was made on or before December 31, 2025.

Corresponding changes were also made to the "EPS Methodology, Reporting Regulation", and the "Guideline for Quantification, Reporting and Verification of Greenhouse Gas Emissions" to allow for the calculation of verified emissions, production and emissions limits for the portion of the year between January 1 and the effective date of the cancellation of registration.

### Sectoral coverage

Mining and extractives

Industry

Power

### Revenue usage

Climate mitigation

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

159 MtCO<sub>2</sub>e (2023)

## Current Allowance Price (per t/CO<sub>2</sub>e)

Set price: CAD 95 (USD 67.95)

## Size & Phases

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### Covered emissions (2022)

24.00%

### Verified ETS Emissions

38.20MtCO<sub>2</sub>e

### GHGs covered

CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, HFCs, PFCs, NF<sub>3</sub>

### Phases

The Ontario EPS is not divided into phases, but rather “reduction periods”, each one lasting one year.

### Cap or total emissions limit

The total emissions limit under the Ontario EPS changes as the production (output) levels of the regulated facilities and stringency factors are subject to changes.

The total annual emissions limit is the sum of the bottom-up output-based annual emissions limits based on facility-specific, sectoral, or historical emissions benchmarks for all individual covered entities. The limit is therefore not set ex-ante and is only known after the compliance period ends.

### Sectors and thresholds

**SECTORS:** Industry and electricity generation

**INCLUSION THRESHOLDS:** Coverage is mandatory for facilities with emissions of at least 50,000 tCO<sub>2</sub>e/year. Smaller emitters (with emissions of at least 10,000 tCO<sub>2</sub>e/year) may also be covered by the system, on an opt-in basis.

### Point of regulation

Point source (Mining and extractives, power, industry)

### Type of entities

Facilities

### Number of entities

191 active facilities, of which 149 have a compliance obligation (2022)

## Allowance Allocation & Revenue

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### Allowance allocation

The generation of emissions performance units (EPUs) is determined in relation to annual emissions limits based on emissions intensity benchmarks.

Entities that emit less than their emissions limit receive EPUs, free of charge, corresponding to how many tonnes of CO<sub>2</sub>e they are below their annual limit. These EPUs can be banked for up to five years or sold to entities that emit more than their emissions limits (see section ‘Compliance Mechanism’).

2025

### Use of Revenues

Funds that are collected from EPS proceeds are tracked and managed in a designated purpose account. Funds in this account can only be used for the purposes established in the “Environmental Protection Act” (i.e., carrying out or supporting GHG reduction initiatives).

The primary use of proceeds from the EPS program (approximately CAD 407 million (USD 292.74 million) to the end of FY2025) will be climate mitigation by investing in GHG reduction projects at eligible industrial facilities and investments in clean electricity infrastructure.

In 2024, Ontario launched the Emissions Performance Program (EPP), which directs the proceeds collected for compliance under the EPS program to fund capital or study-based projects to reduce GHG emissions at eligible industrial facilities. Eligible facilities need to submit applications for review by the ministry for eligible GHG reduction projects and be registered in the EPS, have purchased excess emissions units (EEUs), and not have electricity generation as their main industrial activity.

Examples of capital or study-based projects that are eligible include stationary equipment retrofits for energy efficiency and fuel switching, heat recovery, industrial process changes and carbon capture and storage.

In addition, as per Ontario's integrated energy plan, proceeds from electricity sector participants go to the Future Clean Electricity Fund (FCEF).

## Flexibility & Linking

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### Offset credits

The use of offset credits is not allowed.

### Banking and borrowing

Banking is allowed, but each EPU has an expiry date of December 15 in the year that is five years after the compliance period for which it is distributed.

Borrowing is not allowed.

### Links with other Systems

The Ontario EPS is not linked with any other system.

### Other carbon pricing instruments in the jurisdiction

None

## Compliance

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### Compliance mechanism

Covered entities can achieve compliance through either:

1. Reducing GHG emissions; or
2. Obtaining compliance units, which include:
  - EEUs: non-tradeable units purchased from the government of Ontario that must be used in the year in which they are purchased; and
  - EPUs: tradeable units that are distributed to facilities which emit below their limit. These are bankable for up to five years.

Since 2023, the Ontario EPS has been recognizing CO<sub>2</sub> emissions that are captured and stored permanently in certain CCS projects as emissions reductions.

Covered entities must have enough compliance units in their account to meet their compliance obligation (i.e., the amount of GHG emissions that exceed the facility's annual emissions limit) by December 15 of the year following the compliance period.

### Compliance Period

One year.

### Monitoring, Reporting, Verification (MRV)

**FRAMEWORK:** The rules for reporting GHG emissions are outlined in Ontario’s “Greenhouse Gas Emissions: Quantification, Reporting and Verification” regulation, and the incorporated reference document “Guideline for Quantification, Reporting and Verification of Greenhouse Gas Emissions”.

**MONITORING:** According to the regulation, facilities required to monitor and report their emissions are those that: a) import electricity, b) emit at least 10,000 tCO<sub>2</sub>e per year, or c) are registered, or required to register, under the EPS regulation.

**REPORTING:** GHG emissions reports, including an electricity importation report, must be submitted annually by June 1 of the year following the reporting period. Reporting must take place using Environment and Climate Change Canada’s Single Window System.

**VERIFICATION:** The owner or operator of EPS-registered facilities must submit a verification statement and a verification report from an accredited verification body by September 1 of the year in which the report to be verified is required to be submitted. In verifying reports under the regulation, an accredited verification body must comply with the ISO 14065 and ISO 14064-3 standards.

### **Penalties and enforcement**

If a covered entity does not meet its compliance obligation by December 15 of the year following the compliance period, the operator must ensure that additional compliance units are in their account equal to three times the amount of the compliance obligation shortfall by February 15 in the year that is two years after the compliance period.

## **Market Regulation**

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### **Market Stability Provisions**

#### **Excess Emissions Units**

**Instrument type:** Set price or set price trajectory

**Functioning:** Covered entities can purchase and surrender EEU at the fixed cost set out in the regulation, which is aligned with the federal minimum carbon price (CAD 110, USD 78.68 in 2026). The regulated price of EEU acts as a price ceiling for EPU. The price of EEU increases by CAD 15 (USD 10.73) each year until 2030, resulting in a price of CAD 170 (USD 121.60) per tCO<sub>2</sub>e in 2030.

#### **Market Design**

**MARKET PARTICIPATION:** Compliance entities including mandatorily and voluntarily covered entities (for inclusion thresholds see ‘Sectors and Thresholds’ section.)

#### **MARKET TYPES:**

**Primary:** Compliance units are currently not auctioned. Facilities can purchase EEU from the government to address any emissions in excess of their annual limits.

**Secondary:** Covered entities may purchase EPU from other covered entities that have outperformed their emissions limit.

Transactions are reflected in a registry that is managed by the Director appointed by the Ontario Minister of the Environment, Conservation and Parks.

## **Other Information**

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### **Institutions involved**

**Ontario Ministry of the Environment, Conservation and Parks:** Department responsible for administering and enforcing the regulatory framework in Ontario. The Director appointed by the Minister is in charge of the operation of the EPS program.

### **Regulatory Framework**

[Environmental Protection Act](#)

[Emissions Performance Standards Regulation \(O. Reg. 241/19\)](#)

[Greenhouse Gas Emissions: Quantification, Reporting, and Verification \(O. Reg. 390/18\)](#)

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