

Canada - Ontario Emissions Performance Standards program

General Information

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 emissions 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 gases as the federal OBPS.

The federal fuel charge took effect in Ontario in 2019 and remains in effect, with the price rising CAD 15 (USD 10.95) each year until 2030, resulting in a price of CAD 170 (USD 124.15) per tCO₂e in 2030.

ETS Status

in force

Jurisdictions

Ontario

Year in Review

In 2024, Ontario launched the Emissions Performance Program, which directs the resources 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: be registered in the EPS, have purchased Excess Emissions Units (EEUs), and not have electricity generation as their main industrial activity.

Additionally, Ontario made amendments to the EPS and GHG Reporting Programs to clarify program requirements, improve program implementation and administration, and address fundamental changes in some Ontario industries. Amendments included adding industrial activities, changing the terminology for production parameters, changing the total annual emissions limit determination, assigning and revoking baseline emissions intensities, and clarifying GHG emissions to be reported, among others.

Aligning with the federal benchmark requirement pricing trajectory, the EPS program price rose to CAD 80 (USD 58.42) per tCO₂e in 2024 and is planned to increase to CAD 95 (USD 69.38) per tCO₂e in April 2025.

Sectoral coverage

Mining and extractives

Industry

Power

Revenue usage

Climate mitigation

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

157 MtCO₂e (2022)

GHG reduction targets

By 2030: 30% below 2005 level by 2030

Current Allowance Price (per t/CO₂e)

CAD 80 (USD 58.42)

Size & Phases

GHGs covered

CO₂, CH₄, N₂O, SF₆, HFCs, PFCs, NF₃

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 is the sum of the annual emissions limits based on emissions intensity 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 tCO₂e/year. Smaller emitters (with emissions of at least 10,000 tCO₂e/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

216 (2023)

Allowance Allocation & Revenue

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 the number of tCO₂e below the limit. This is similar to free allocation based on benchmarks. 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’).

Use of Revenues

Ontario reinvests the compliance payments collected through the EPS regulation to reduce GHG emissions at eligible industrial facilities. Eligible facilities need to: be registered in the EPS, have purchased EEU, and not have electricity generation as their main industrial activity.

Resources are used to fund capital or study-based projects, and examples of eligible project activities include stationary equipment retrofits for energy efficiency and fuel switching, heat recovery, industrial process changes and carbon capture and storage.

Total revenue data is not yet publicly available.

Flexibility & Linking

Offset credits

The use of offset credits is not allowed as a compliance option in the initial years of the system. Ontario is monitoring developments in the offset policy of the Canada federal OBPS and may consider allowing offsets in the future.

Banking and borrowing

Banking is allowed, but each EPU has an expiry date of 15 December 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. However, covered facilities can be exempted from the Canada federal fuel charge.

Other carbon pricing instruments in the jurisdiction

Carbon tax: Canada federal fuel charge

Compliance

Compliance mechanism

Covered entities can achieve compliance through either:

A) Reducing GHG emissions

B) Obtaining compliance units, which include:

1. EEU: non-tradeable units purchased from the Government of Ontario that must be used in the year in which they are purchased; and
2. EPU, tradeable units that are distributed to facilities which emit below their limit. These are bankable for up to five years.

Covered entities must surrender the number of compliance units equal to their compliance obligation (i.e., the amount of GHG emissions that exceed the facility's annual emissions limit).

Since 2023, the Ontario EPS has begun recognizing CO₂ 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 be surrendered by 15 December of the year following the compliance period.

Compliance Period

One year.

Monitoring, Reporting, Verification (MRV)

REPORTING: GHG emissions reports, including an electricity importation report, must be submitted annually by the start of June of the year following the reporting period.

VERIFICATION: The owner or operator must submit a verification statement and a verification report from an accredited verification body by the start of September of the year in which the report to be verified is required to be submitted.

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."

Penalties and enforcement

If a covered entity does not meet its compliance obligation by 15 December 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 15 February in the year that is two years after the compliance period.

Market Regulation

Market Stability Provisions

Excess Emissions Units

Instrument type: Set price or set price trajectory

Functioning: Covered entities can purchase and surrender EEU's at the fixed cost set out in the regulation, which is aligned with the federal minimum carbon price (CAD 95, USD 69.38, in 2025). The regulated price of EEU's acts as a price ceiling for EPU's. The price of EEU's increases by CAD 15 (USD 10.95) each year until 2030, resulting in a price of CAD 170 (USD 124.15) per tCO₂e 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's from the government to address any emissions in excess of their annual limits.

Secondary: Covered entities may purchase EPU's 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

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 \(O. Reg. 390/18\)](#)

[GHG Emissions Performance Standards and Methodology for the Determination of the Total Annual Emissions Limit, March 2024](#)

[Guideline for Quantification, Reporting and](#)

[Verification of Greenhouse Gas Emissions,](#)

[March 2024](#)

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