

Canada - New Brunswick Output-Based Pricing System

General Information

ETS Description

New Brunswick transitioned large industrial emitters from the federal output-based pricing system (OBPS) to a provincial OBPS from January 2021. This OBPS is established under the “Climate Change Act” and the “Reduction of Greenhouse Gas Emissions Regulation” and seeks to deliver incremental GHG emissions reductions at the lowest cost to industry, while supporting low-carbon growth and investment, minimizing carbon leakage, ensuring fairness, and providing clarity, administrative efficiency, accountability and transparency. It is an intensity-based ETS in which each covered entity must surrender compliance units for emissions that exceed the facility’s annual emissions limit. The annual emissions limits are based on emissions intensity benchmarks, which are derived from historical emissions and production data. The system applies to the same sectors and GHGs as the federal system, and follows the same price trajectory, 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

New Brunswick

Year in Review

In 2024, the New Brunswick government published the list of projects that have been awarded funding by the Minister of Environment and Climate Change from the Climate Change Fund in fiscal year 2024-2025.

Sectoral coverage

Mining and extractives

Industry

Power

Revenue usage

Climate mitigation

Low-carbon innovation

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

12.5 MtCO₂e (2022)

GHG reduction targets

By 2030: 46% reduction below 2005 levels (New Brunswick’s Climate Change Action Plan)

By 2050: Net-zero emissions (New Brunswick's Climate Change Action Plan)

Current Allowance Price (per t/CO₂e)

Set price: CAD 80 (USD 58.42)

Size & Phases

Covered emissions (2022)

54.00%

Verified ETS Emissions

6.80MtCO₂e

GHGs covered

CO₂, CH₄, N₂O, SF₆, HFCs, PFCs

Phases

The New Brunswick OBPS is not divided into phases, but rather "reduction periods", each one lasting one year.

Cap or total emissions limit

The total emission limit under the New Brunswick OBPS is determined bottom-up: it 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. It doesn't represent an absolute cap.

The emissions limit is set for each facility and is determined based on their emissions intensity in a baseline period (except for electricity generators), the performance standard reduction factors (or for their fuel, for electricity generators) for a given reduction period, and the level of production in the same reduction period. The emissions limit is increased for regulated facilities with on-site cogeneration units which use a large proportion of their energy from biomass, and for entities at high carbon leakage risk (specifically: lime manufacturing).

Sectors and thresholds

SECTORS: Power, industry, mining and extractives

INCLUSION THRESHOLDS: Coverage is mandatory for facilities with emissions of at least 50,000 tCO₂e/year. Smaller emitters (emitting 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

15 (2023), including voluntary opt-in market participants

Allowance Allocation & Revenue

Allowance allocation

Allocation is determined in relation to annual emissions limits based on emissions intensity benchmarks. Entities that emit less than their emissions limit receive compliance units (called "performance credits"), free of charge, corresponding to the number of tCO₂e below the limit. This is similar to free allocation based on benchmarks. These compliance units can be sold to entities that emit more than their emissions limits (see 'Market Design' for more details).

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which use a large proportion of energy from biomass, and for entities at high carbon leakage risk (specifically: lime manufacturing). Captured and stored CO₂ emissions are excluded from the total regulated emissions of the regulated facility.

Use of Revenues

In 2023, the government developed and implemented a New Brunswick OBPS Industry Fund, as an additional stream of the New Brunswick Climate Change Fund, which returns proceeds collected from fund credit transactions to New Brunswick OBPS participants to support GHG emission reduction projects. All proceeds are allocated via a merit-based process.

The Climate Change Fund annually publishes information on the projects that have been awarded funding by the Minister of Environment and Climate Change for a given fiscal year (see 'Regulatory Framework' section for details).

Flexibility & Linking

Offset credits

The use of offset credits is not allowed as a compliance option in the initial years of the system. However, section 10(1)(c.5)(iii) of the Act provides that the Lieutenant-Governor in Council may make regulations respecting compliance options, which are defined in section 1 of the Act as fund credits, performance credits, offset credits, and other types of credits prescribed by regulation.

Banking and borrowing

Banking is allowed for performance credits for up to seven years.

Borrowing is not allowed.

Links with other Systems

The New Brunswick OBPS is not linked with any other system. However, covered facilities can become eligible for certain exemptions from the Canada federal fuel charge.

Other carbon pricing instruments in the jurisdiction

Carbon tax: Canada federal fuel charge

Compliance

Compliance mechanism

Covered entities must surrender one compliance unit (either a performance credit or a fund credit) per tCO_{2e} that exceeds the facility's annual emissions limit.

Compliance Period

One year.

Monitoring, Reporting, Verification (MRV)

REPORTING: GHG emissions reports must be submitted by the beginning of June of the year following the reporting period, and compliance reports are due by 15 December of the year following the compliance period.

VERIFICATION: Reports must be verified by an accredited verification team.

FRAMEWORK: The rules for reporting GHG emissions are outlined in New Brunswick's "Reduction of Greenhouse Gas Emissions Regulation" and "Reporting and Reduction of Greenhouse Gas Emissions Standard".

Penalties and enforcement

Covered entities that fail to fulfill a compliance obligation must pay the unfulfilled amount with interest at a rate set out in the New Brunswick Regulation 84-247 under the "Revenue Administration Act" (currently ~0.76% per month compounded monthly or 9.5% per year). All revenue from interest payments goes into the New Brunswick Climate Change Fund.

If a compliance credit is retired and later found to be invalid, the covered entity must fulfill the compliance obligation within 60 days of receiving notice of the invalid credit.

Administrative penalties are laid out in the “Administrative Penalties Regulation Act” (New Brunswick Regulation 2021-44 under the Climate Change Act). Administrative penalties are set at CAD 1,000 (USD 730) for first time violations, CAD 5,000 (USD 3,651) for second time violations, and CAD 10,000 (USD 7,303) for third and subsequent violations.

Market Regulation

Market Stability Provisions

CLIMATE CHANGE FUND

Instrument type: Set price or set price trajectory (akin to a price ceiling)

Functioning: Covered entities can purchase and surrender credits from New Brunswick’s Climate Change Fund to compensate for emissions exceeding performance limits. The price of the credits is aligned with the federal minimum carbon price (CAD 95, or USD 69.38, in 2025). The price 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. A covered entity cannot obtain more fund credits than required to fulfill its compliance obligation for a compliance period. As such, fund credits cannot be banked.

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.

Secondary: Covered entities may purchase performance credits (compliance units) from other covered entities that have outperformed their compliance obligation. Transactions are conducted via a registry that is managed by the Minister of Environment and Climate Change.

Other Information

Institutions involved

New Brunswick Department of Environment and Local Government: Responsible for reviewing and implementing the regulatory framework in New Brunswick. Manages the operation of the Climate Change Fund.

New Brunswick Minister of Finance and Treasury Board: Custodian of the Climate Change Fund.

Regulatory Framework

[Climate Change Act](#)

[Reduction of Greenhouse Gas Emissions Regulation \(Regulation 2021-43 under the Climate Change Act\)](#)

[Administrative Penalties Regulation \(Regulation 2021-44 under the Climate Change Act\)](#)

[Reporting and Reduction of Greenhouse Gas Emissions Standard](#)

[Performance Credit Standard](#)

[New Brunswick Regulation 84-247 under the Revenue Administration Act](#)

[CCF Project descriptions for the fiscal year 2024-2025](#)

Evaluation / ETS review

The Minister of Environment and Climate Change will undertake the revision of New Brunswick’s Climate Change Act every five years or at any shorter interval that the Minister considers appropriate.

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