

# Canada - British Columbia Output-Based Pricing System

## General Information

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### ETS Description

The British Columbia Output-Based Pricing System (B.C. OBPS) aims to reduce emissions from industrial operations within the province. It is an intensity-based ETS in which covered entities must fulfil a compliance obligation for emissions that exceed the facility's annual emissions limit. These limits are based on product-specific performance standards, which are emissions intensity benchmarks. The system applies to producers of certain regulated industrial products (mainly in mining and oil and gas) that emit more than 10,000 tCO<sub>2</sub>e per year.

The system began in April 2024, replacing the CleanBC Industrial Incentive Program (CIIP). The CIIP encouraged cleaner industrial operations by reducing carbon tax costs for facilities that could demonstrate their operations were among the lowest emitting for their sector.

The B.C. OBPS follows the Canadian federal carbon price path and ensures a price incentive for industrial emitters to reduce GHG emissions through a performance-based system. Facilities that emit under their annual emission limit earn credits. For facilities that emit over their emission limit, the B.C. OBPS provides flexible compliance options to meet compliance obligations. Flexible payment options include using earned credits, B.C. offsets, or making a direct payment to the government.

The total emission limit under the B.C. OBPS is the sum of the bottom-up output-based emissions limits for all individual covered entities. However, the bottom-up emissions limits do not represent an absolute cap.

### ETS Status

in force

### Jurisdictions

British Columbia

### Year in Review

April 2024 marked the commencement of operations of the B.C. OBPS. It also saw the winding down of the CIIP program and an increase in B.C.'s carbon tax rate, from CAD 65 (USD 47.47) to CAD 80 (USD 58.42) per tCO<sub>2</sub>e.

### Sectoral coverage

Mining and extractives

Industry

### Revenue usage

Climate mitigation

Assistance for individuals, households, and businesses

## Emissions & Targets

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

62.9 MtCO<sub>2</sub>e (2022)

### GHG reduction targets

**By 2030:** 40% below 2007 levels

**By 2040:** 60% below 2007 levels

**By 2050:** 80% below 2007 levels

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

CAD 80 (USD 58.42)

## Size & Phases

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### GHGs covered

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

### Cap or total emissions limit

The total emission limit under the B.C. OBPS is the sum of the bottom-up output-based emissions limits for all individual covered entities. However, the bottom-up emissions limits do not represent an absolute cap.

### Sectors and thresholds

**SECTORS:** Mining and extractives; Industry

**INCLUSION THRESHOLDS:** Participation is mandatory for producers of certain industrial products covered under the “Greenhouse Gas Industrial Reporting and Control Act” (GGIRCA) which emit greater than or equal to 10,000 tCO<sub>2</sub>e/year. Industrial operations within covered sectors that emit less than 10,000 tCO<sub>2</sub>e/year may opt-in to the B.C. OBPS on a voluntary basis; those that do not opt-in remain subject to the B.C. Carbon Tax.

### Point of regulation

Point source

### Type of entities

Facilities

### Number of entities

Approximately 120 facilities

## Allowance Allocation & Revenue

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### Allowance allocation

Industrial facilities’ emissions are assessed against facility-specific emission limits, which are based on a product-specific performance standard. Facilities that emit less than their emissions limit receive credits (compliance units), free of charge, from the government of British Columbia, corresponding to the number of tCO<sub>2</sub>e below the limit. This is similar to free allocation based on benchmarks. These credits can be banked or sold to entities that exceed their emissions limits. Earned credits do not have expiry dates but are subject to usage limits (see ‘Compliance Mechanism’ section).

The performance standards are calculated using the three-year provincial production weighted average emissions intensities for 2019 to 2021. Then a reduction factor, which determines the percentage of priced emissions for a specific product, is applied. The reduction factor is set at 65% for most products, 80% for copper mining, 85% for lead-zinc smelting, 90% for cement, chemical processing and lime products, 95% for aluminum smelting.

Tightening rates ensure a yearly gradual increase in the OBPS’s stringency. The B.C. OBPS tightening rate is set at 1% for all emissions for all products except for those from industrial processes, which do not change.

## Use of Revenues

British Columbia does not have laws or formal requirements dictating the use of carbon revenues, but the government does make commitments with respect to its use of carbon revenues. A portion of revenues paid by industry regulated by the B.C. OBPS will be directed to continuing the CleanBC Industry Fund, which supports the development, trial, and deployment of projects that reduce GHG emissions from large industrial operations. The rest will be allocated to the Climate Action Tax Credit, a quarterly payment that helps offset the impact of carbon taxes paid by individuals and families. The use of carbon revenues is notional (i.e., carbon revenues flow through general revenue before corresponding amounts are allocated to specific programs).

## Flexibility & Linking

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### Offset credits

**QUALITATIVE LIMITS:** Only offsets from projects that are approved through an eligible protocol under GGIRCA, then validated, and verified through the B.C. Carbon Registry by an accredited validation and verification body, are allowed as a compliance option. Under the B.C. OBPS, offset units are limited to those generated within three years of the beginning of the compliance year.

**QUANTITATIVE LIMITS:** The use of offsets to meet a facility's compliance obligation is limited (see 'Compliance Mechanism' section).

### Banking and borrowing

Banking is allowed.

Borrowing is not allowed.

### Links with other Systems

The B.C. OBPS is not directly linked with any other system.

A subset of B.C. OBPS offset types are recognized units under the Canadian (federal) OBPS.

### Other carbon pricing instruments in the jurisdiction

**Carbon tax:** B.C. Carbon Tax

**Domestic offsetting mechanism:** B.C. Carbon Registry

## Compliance

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### Compliance mechanism

Covered entities must pay for each tCO<sub>2</sub>e that exceeds their annual emissions limits. To meet their obligations, facilities can use a combination of compliance units and direct payments (compliance charge).

Compliance units can be earned credits or offset units.

The compliance charge is equivalent to the Canadian federal minimum carbon price of CAD 95 (USD 69.38) for 2025; it will increase by CAD15 (USD 10.95) per year, reaching CAD 170 (USD 124.15) per tCO<sub>2</sub>e in 2030.

The use of compliance units is limited. In 2025, a maximum of 40% of the compensation can be met with compliance units (earned credits and/or offset units), reducing to 30% from 2026 to 2030.

### Compliance Period

One year.

### Monitoring, Reporting, Verification (MRV)

**REPORTING:** Facilities that emit greater than or equal to 10,000 tCO<sub>2</sub>e per year – and those that have emitted more than 10,000 tCO<sub>2</sub>e in any of the previous three years – must report their GHG emissions annually by 31 May of the year following the compliance period.

**VERIFICATION:** Facilities with emissions greater than or equal to 25,000 tCO<sub>2</sub>e during either the current reporting cycle or any of the previous three reporting cycles must have their emission reports verified by an accredited third party.

**FRAMEWORK:** The B.C. OBPS uses the MRV framework regulated under the GGIRCA.

### Penalties and enforcement

Late penalties automatically apply in cases where a facility fails to meet its compliance obligation by the deadline. Automatic late penalties increase until the compliance obligation is met. Detailed regulations are published in the “GHG Emissions Administrative Penalties and Appeals Regulation” under the GGIRCA.

## Market Regulation

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### Market Stability Provisions

#### COMPLIANCE CHARGE

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

**Functioning:** To compensate for emissions exceeding the facility’s annual emissions limit, a facility can use direct payments (compliance charge) to meet the facility’s compliance obligations at the full carbon price for that year. This price acts as a price ceiling and is aligned with the federal benchmark carbon price (CAD 95 [USD69.38] in 2024). The price increases by CAD 15 (USD 10.95) each year until 2030, resulting in a price of CAD 170 (USD 124.15) 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.

**Secondary:** Earned credits can be traded or transferred between facilities operating in the province that are owned by the same operator. Earned credits can also be traded between industrial operators participating in the B.C. OBPS.

**LEGAL STATUS OF ALLOWANCES:** regulatory instruments

## Other Information

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### Institutions involved

**Ministry of Energy and Climate Solutions’ Climate Action Secretariat:** Responsible for establishing the regulatory framework of the B.C. OBPS system and the allocation of earned credits.

#### Regulatory Framework

[Greenhouse Gas Industrial Reporting and Control Act \(GGIRCA\)](#)

[Greenhouse Gas Emissions Reporting Regulation \(GGERR\)](#)

[GHG Emissions Administrative Penalties and Appeals Regulation](#)

[B.C. OBPS Technical Background and General Program Guidance for Industrial Operators](#)

[CleanBC Roadmap to 2030](#)

[B.C. Carbon Registry](#)

[B.C. Offset Protocol Policy](#)

[B.C. emission report summaries](#)

#### Evaluation / ETS review

To ensure continuous improvement of the system, the B.C. OBPS undergoes an annual review.

By 2026, the Canadian government will undertake an interim review of the federal benchmark which will include a review of the provincial carbon pricing systems to make sure that they meet the federal benchmark criteria.

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