

Canada - Ontario Cap-and-Trade Program

General Information

ETS Description

On 18 May 2016, Ontario passed legislation and introduced regulations establishing a cap-and-trade program with a first compliance period of 2017–2020. The program covers facilities generating more than 25,000 tons of GHG, as well as natural gas distributors, fuel suppliers and electricity importers. Facilities with emissions between 10,000–25,000 tons may opt in to the program.

Ontario has been a member of the Western Climate Initiative (WCI) since 2008. In 2017, Ontario signed an agreement linking its carbon market with California and Québec starting in 2018, forming a three-jurisdictional carbon market.

ETS Status

no status

Jurisdictions

Ontario

Emissions & Targets

GHG reduction targets

By 2020: 15% reduction from 1990 GHG levels.

By 2030: 37% reduction from 1990 GHG Levels.

By 2050: 80% reduction from 1990 GHG levels.

Current Allowance Price (per t/CO₂e)

CAD 17.38 (USD 13.69) clearing price at November 2017 auction.

Size & Phases

Covered emissions (%)

85.00%

GHGs covered

All major greenhouse gases such as CO₂, CH₄, SF₆, N₂O, NF₃ and other fluorinated GHGs.

Phases

After the first compliance period (2017–2020), compliance periods are three years long; 2021–2023 is the first 3-year compliance period.

Sectors and thresholds

Phase I (2017-2020):

Industrial and large commercial operators including manufacturing, base metal processing, steel, pulp and paper, food processing and facilities, with annual emissions > 25,000 tCO₂e.

Electricity: domestic electricity generation based on fuel combustion covered at the fuel distribution level, while the compliance obligation for electricity imports rests with the importer.

Transportation fuel distributors (including propane and fuel oil) for those entities that first place more than 200L of fuel annually into the Ontario market.

Natural gas distributors with annual emissions greater than 25,000 tCO₂e and operating at the point where the gas is moved from the pipeline into the distribution network for Ontario consumers.

Other large emitters with annual emissions > 25,000 tCO₂e. Facilities emitting between 10,000–25,000 tCO₂e per year may voluntarily opt in.

Point of regulation

Mixed

Number of entities

247, including voluntary opt-ins (in December 2017).

Allowance Allocation & Revenue

Allowance allocation

Electricity sector (electricity generators, or those involved in electricity importation and transmission), petroleum producers and suppliers, and natural gas distributors: Electricity and fuel distributors have to buy 100% of their allowances at auctions or on the secondary market. Allowances are auctioned quarterly.

Other sectors (industry, institutions as defined above (Sectors)): Emitters outside the electricity, natural gas and fuel sectors are eligible to receive free allowances in Phase I.

Flexibility & Linking

Offset credits

Phase I (2017-2020): In the first phase, offset credits and early reduction credits will be available for use. Early reduction credits are offered to facilities who have taken early mitigation action in the four years preceding approval of the final cap-and-trade regulation. The regulations do not currently provide details on the creation and distribution of Early Reduction Credits, but Ontario has indicated intent to amend the regulation to do so.

Ontario finalized its first offset protocol (Landfill Gas Capture and Destruction) at the end of 2017. Ontario is working to finalize additional offset protocols together with Québec by the end of 2018. The protocols are consistent with offset project criteria developed together with Québec, California and other WCI members in 2010.

Quantitative Limits: Offset credits can be used to meet up to 8% of an entity's compliance obligation.

Banking and borrowing

Banking is allowed but the emitter is subject to a general holding limit.

Compliance

Monitoring, Reporting, Verification (MRV)

Reporting frequency: Annually.

Facilities and natural gas distributors emitting more than 10,000t CO₂e, fuel suppliers that sell more than 200L of fuel annually, and electricity importers must report their emissions.

Verification: Third party verification is required for covered entities.

Enforcement

If an entity fails to surrender sufficient allowances to cover their emissions, they must surrender four times the number of missing allowances (three times the shortfall plus the original shortfall, i.e., four times the number of the shortfall).

Failure to surrender allowances also renders the entity liable to a minimum fine of CAD 25,000/day (USD 19,260/day) until the remaining allowances are surrendered (with a maximum fine of CAD 6 million [USD 4.62m]). Subsequent offences attract higher fines.

Individuals (persons) are liable for at least CAD 5,000/day (USD 3,852) with a maximum fine of CAD 4 million (USD 3.08m) and imprisonment for up to five years. Subsequent offences attract higher fines.

Penalties apply for other violations.

Other Information

Institutions involved

Ontario Ministry of Environment and Climate Change

Western Climate Initiative

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