International Carbon Action Partnership

Canada - Nova Scotia Output-Based Pricing System for Industry

General Information

ETS Description

The Nova Scotia Output-Based Pricing System for Industry (Nova Scotia OBPS) is part of the province's approach to reduce GHG emissions from large industrial facilities. Similar to the federal carbon pricing system in Canada, it aims to lower emissions while maintaining economic competitiveness and minimizing carbon leakage.

The Nova Scotia OBPS was approved by the Canadian federal government in November 2022 and began operating in 2023. It replaced Nova Scotia's cap-and-trade program, which had been in place since 2019 but was officially phased out after the final compliance deadline in December 2023.

The Nova Scotia OBPS sets facility-level emissions-intensity standards (performance standards) for electricity generators and large industrial emitters. It is mandatory for facilities with annual emissions equal to or greater than 50,000 tCO_2e. Other facilities under this threshold with annual emissions of ≥10,000 tCO_2e have the option to voluntarily join the system. Prior to April 2025, facilities that did not join were subject to the Canada federal fuel charge. However, the federal government eliminated the consumer-facing federal fuel charge effective April 1, 2025, while maintaining industrial carbon pricing requirements through systems like the Nova Scotia OBPS.

Covered entities must surrender compliance units (performance credits or fund credits) for emissions that exceed the facility's annual emissions limit. The annual emissions limit is based on an emissions intensity benchmark. If a facility's emissions are below its limit, it earns performance credits, which can be banked for future use or sold

ETS Status

in force

Jurisdictions

Nova Scotia

Year in Review

In January 2025, Canada and Nova Scotia entered into an equivalency agreement regarding GHG emissions from electricity producers. The agreement recognizes Nova Scotia's Greenhouse Gas Emissions Regulations, which include mandatory emissions limits for the electricity sector from 2025 to 2029. Total emissions from the electricity sector in Nova Scotia should not exceed 6 $MtCO_2e$ in 2025, while for 2026 to 2029 emissions from the sector should be no greater than 21.5 $MtCO_2e$ cumulatively.

On April 1, 2025, the Canadian federal government removed the consumer-facing federal fuel charge. The federal government stated it would refocus carbon pollution pricing requirements on industrial emissions, maintaining systems like the Nova Scotia OBPS.

Sectoral coverage

Mining and extractives
Industry
Power

Revenue usage

Climate mitigation

Low-carbon innovation

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO2e)

13.5 $MtCO_2e$ (2023)

GHG reduction targets

By 2030: 53% reduction below 2005 levels

By 2050: Net-zero emissions

Targets legislated in the Environmental Goals and Climate Change Reduction Act.

Current Allowance Price (per t/CO2e)

Average secondary market price: CAD 95 (USD 67.95)

Size & Phases

Covered emissions (2023)

35.00%

Verified ETS Emissions

5.30$MtCO_2e$

GHGs covered

CO2, CH4, N2O, SF6, NF3, HFCs, PFCs

Cap or total emissions limit

The total emission limit under the Nova Scotia OBPS is the sum of the bottom-up facility-level emissions limits for all individual covered entities.

In the 2024 compliance period (calendar year), the Nova Scotia OBPS regulated entities emitted a total of 5.5 $MtCO_2e$ and the total compliance obligation came to 550,000 tCO_2e.

Sectors and thresholds

SECTORS: Industry and power sector (electricity generation)

INCLUSION THRESHOLDS: Coverage is mandatory for facilities in the industrial and power sectors emitting greater than or equal to 50,000 tCO_2e/year. Facilities under this threshold with annual emissions of greater than or equal to 10,000 tCO_2e/year are permitted to opt-in to the Nova Scotia OBPS.

Point of regulation

Point source

Type of entities

Facilities

Number of entities

15 (eight of which are voluntary market participants) in 2024

Allowance Allocation & Revenue

Allowance allocation

Allocation is determined in relation to annual emissions limits based on facility-level emissions-intensity standards (performance standards) set by the Nova Scotia OBPS.

Emissions up to the benchmark do not require payment, with only the surplus triggering the compliance obligation. Entities that emit less than their limit receive performance credits (compliance units) free of charge, corresponding to the number of tonnes of CO_2e below the limit. This is similar to free allocation based on benchmarks. Performance credits can be banked and used towards future obligations or be sold to other regulated entities that emit more than their emissions limits.

Total Revenue

CAD 50.4 million (USD 36.3 million) since the beginning of the program
CAD 33 million (USD 23.6 million) collected in 2025
2025

Use of Revenues

- Climate mitigation
- Low-carbon innovation
- Climate risk, adaptation, and resilience
- Sustainable community development

Revenues are directed to the Nova Scotia Climate Change Fund, which funds a variety of programs to reduce emissions, respond to climate impacts, and support a sustainable low-carbon transition.

Flexibility & Linking

Offset credits

While regulations contain some provisions for the potential use of offset credits, offset credits are currently not allowed in the system.

Banking and borrowing

Banking is allowed. Borrowing is not allowed.

Links with other Systems

The Nova Scotia OBPS is not linked with any other system.

Other carbon pricing instruments in the jurisdiction

None

Compliance

Compliance mechanism

Covered entities must surrender one compliance unit (performance credit or fund credit) per tCO_2e that exceeds the facility's annual facility-level emissions-intensity standards set by the Nova Scotia OBPS.

A facility can meet its compliance obligations by paying into the Nova Scotia Climate Change Fund to obtain fund credits or surrendering performance credits.

The price of the fund credits and of the performance credits follow the federal government's backstop carbon price, which is CAD 95 (USD 67.95) in 2025, and will increase by CAD 15 (USD 10.73) annually until it reaches CAD 170 (USD 121.60)* per tonne in 2030

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

Compliance Period

One year. The first compliance period for a regulated facility is the first year in which the facility becomes subject to the regulations. Compliance reports, showing how facilities met any compliance obligation, are due at the start of December of the year following the reporting period.

Monitoring, Reporting, Verification (MRV)

FRAMEWORK: MRV for the Nova Scotia OBPS is governed by specific regulations:

- Output-Based Pricing System Reporting and Compliance Regulations set the compliance obligations, reporting requirements, and verification procedures;
- Output-Based Pricing System Registration and Opt-in Regulations govern facility registration and voluntary opt-in; and
- Greenhouse Gas Emissions Regulations establish the annual reporting requirement for all facilities.

Additionally, MRV methods and procedures are laid out in the "Standards for Quantification, Reporting and Verification of Greenhouse Gas Emissions", released by the Nova Scotia Department of Environment.

MONITORING: Continuous monitoring throughout the compliance period (calendar year) with an annual reporting cycle. No pre-approved monitoring plan is required - facilities must follow standardized quantification methods. MRV thresholds are the same as the OBPS coverage thresholds (see 'Sectors and Thresholds' section). All OBPS covered entities are subject to same MRV requirements.

Nova Scotia has broader MRV requirements beyond the OBPS covered entities. All facilities emitting at least 10,000 tCO_2e/year must report GHG emissions (in effect since 2009).

REPORTING: GHG emission reports must be submitted annually by June of the year following the reporting period.

VERIFICATION: Third-party verification is mandatory for all OBPS facilities in accordance with the regulations. Also, third-party verification is required for all facilities emitting 50,000 tCO_2e/year or more (even if not in the OBPS).

Penalties and enforcement

If a covered facility fails to submit the necessary compliance units, it must pay the amount of the obligation shortfall to the Government of Nova Scotia. Obligations that remain unpaid will be subject to an interest rate set out in the Nova Scotia "Revenue Act Regulations" made under the "Revenue Act".

Market Regulation

Market Stability Provisions

NOVA SCOTIA CLIMATE CHANGE FUND

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

Functioning: To compensate for emissions exceeding the facility's annual emissions limit, facilities can obtain fund credits from the provincial government. The price of fund credits acts as a price ceiling and is aligned with the federal minimum carbon price (CAD 95 [USD 67.95] in 2025).

Market Design

MARKET PARTICIPATION:

Compliance entities including mandatory and voluntary covered entities (for inclusion thresholds see 'Sectors and Thresholds' section).

MARKET TYPES:

Primary: Compliance units are not auctioned.

Secondary: Covered entities may purchase performance credits from other covered entities that have outperformed their compliance obligation.

LEGAL STATUS OF ALLOWANCES: Compliance units are regulatory instruments

Other Information

Institutions involved

Nova Scotia Environment and Climate Change: Responsible for establishing the regulatory framework, implementing the NS OBPS, and providing compliance and enforcement services for the NS OBPS.

Regulatory Framework

Part XIB of the NS Environment Act

Output-Based Pricing System Reporting and Compliance Regulations

Output-Based Pricing System Reporting and Compliance Standard

Output-Based Pricing System Registration and Opt-in Regulations made under Section 112ZJ of the Environment Act

Annual progress report 2024

Evaluation / ETS review

A progress report must be published no later than one year following the end of the first compliance year of 2023 and thereafter annually.

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