

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 more than 50,000 tCO₂e. Other facilities under this threshold with annual emissions of $\geq 10,000$ tCO₂e/year have the option to voluntarily join the system. If they do not join, they are subject to the Canada federal fuel charge.

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

Final regulations and standards around reporting, applicable performance standards for industry, and the electricity generation sector, were released in January 2024.

Sectoral coverage

Mining and extractives
Industry
Power

Revenue usage

Climate mitigation
Low-carbon innovation

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

14.8 MtCO₂e (2022)

GHG reduction targets

By 2030: 53% reduction below 2005 levels (“Environmental Goals and Climate Change Reduction Act”)

By 2050: Net-zero emissions (Environmental Goals and Climate Change Reduction Act)

Current Allowance Price (per t/CO₂e)

CAD 80 (USD 58.42)

Size & Phases

Covered emissions (2023)

36.00%

Verified ETS Emissions

5.30MtCO₂e

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 2023 calendar year, the Nova Scotia OBPS regulated entities emitted 5.3 MtCO₂e.

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 tCO₂e/year. Facilities under this threshold with annual emissions of greater than or equal to 10,000 tCO₂e/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 2023

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 until 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 CO₂e 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.

2024

Use of Revenues

Revenues may be directed to the Nova Scotia Climate Change Fund, which funds a variety of GHG reduction programs and low-carbon innovation projects.

Flexibility & Linking

Offset credits

While regulations contain some provisions for the potential use of offset credits, offset credits are currently not enabled 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. 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 per tCO₂e 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 69.38) in 2025, and will increase by CAD 15 (USD 10.95) annually until it reaches CAD 170 (USD 124.15) per tonne in 2030.

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)

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

VERIFICATION: These reports must be verified in accordance with the regulations.

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 Government of Nova Scotia. The price of fund credits acts as a price ceiling and is aligned with the federal minimum carbon price (CAD 95 [USD 69.38] in 2025).

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 not auctioned.

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

LEGAL STATUS OF ALLOWANCES: 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.

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