



Environnement et
Changement climatique Canada

Environment and
Climate Change Canada

Canada



CARBON PRICING IN CANADA

Chile-Mexico-Canada Meetings

Santiago, Chile

March 28, 2017

Pan-Canadian Framework on Clean Growth and Climate Change

- Pan-Canadian Framework released by First Ministers in December 2016
 - Carbon pricing is a core element
 - Federal, provincial and territorial governments reaffirmed ongoing commitment to work together to implement the framework
- Framework development included transparent consultation process
 - Submissions received from 4,045 members of the public, NGOs, think tanks, business, municipal governments and others
- First Ministers created federal-provincial-territorial working groups
 - Carbon pricing mechanisms
 - Mitigation opportunities
 - Adaptation and climate resilience
 - Clean technology, innovation and jobs



Pan-Canadian Approach to Pricing Carbon Pollution: current systems

Province	System Type	Establishment Year	% of emissions Covered
Alberta	Price-based	2007	~ 78 - 90%
British Columbia	Price-based	2008	~ 70%
Ontario	Cap-and-trade	2017	~ 85%
Quebec	Cap-and-trade	2013	~ 82%

- Federal government outlined benchmark for pricing carbon pollution by 2018 in all Canadian jurisdictions
- Federal carbon pricing instrument will apply in jurisdictions that do not meet the benchmark



Carbon Pricing Benchmark

1. Timely introduction (by 2018)
2. Common scope
 - Substantively same sources as British Columbia's carbon tax
3. Two systems (flexibility to choose either)
 - Explicit, price-based system (e.g., British Columbia carbon tax or Alberta hybrid of carbon levy and output-based allocation system); or
 - Cap-and-trade (Ontario and Quebec)
4. Increases in stringency
 - Price-based systems: \$10/t in 2018, rising by \$10 each year to \$50/t in 2022;
 - Cap&Trade: (i) 2030 emission reduction target \geq Canada's 2030 target; (ii) declining (more stringent) caps to at least 2022, that correspond, at a minimum, to the projected emission reductions resulting from the carbon price in price-based systems
5. Revenues remain in jurisdiction of origin
 - Each jurisdiction can use carbon pricing revenues according to their needs
6. Federal backstop
 - Will apply in jurisdictions that do not meet the benchmark
7. Five-year review
 - Completed by early 2022 to confirm the path forward
8. Reporting



Reviews and Studies

- **First Ministers committed to taking stock progress and impacts**
 - **Studies**
 - **Territories study** to address their unique circumstances, including high costs of living, challenges with food security, and emerging economies
 - **Indigenous Peoples study** to address their unique circumstances
 - **Reviews**
 - **early assessment** of approaches and best practices to address competitiveness of emissions-intensive, trade-exposed sectors
 - **interim report** by 2020
 - **final report** in 2022 with expert assessment of stringency and effectiveness comparing systems across Canada



Trading Considerations

- Canadian Council of Ministers of the Environment - two projects related to carbon pricing

- Offset Project Team

- best practices and guidance on compatible GHG offset programs to enable fungible and credible offset credits

- International Mitigation Project Team

- considerations related to international mitigation in the context of the Pan-Canadian Framework and to provide input to inform Canadian negotiations



For Further Information

- Pan-Canadian Framework on Clean Growth and Climate Change
 - <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework.html>
- Backgrounder – Pricing Carbon Pollution
 - <http://news.gc.ca/web/article-en.do?nid=1132169>
- Working Group on Carbon Pricing Mechanisms Final Report
 - <http://publications.gc.ca/site/eng/9.822040/publication.html>
- Economic Analysis of the Pan-Canadian Framework
 - <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/economic-analysis.html>

