

CARBON MARKET BUSINESS BRIEF

NOVA SCOTIA

NOVA SCOTIA'S CAP-AND-TRADE PROGRAMME AT A GLANCE

Years in operation	2019-22
Overall cap & trajectory	2019: 13,683,000 tonnes of CO ₂ e 2020: 12,725,000 tCO ₂ e 2021: 12,258,000 tCO ₂ e 2022: 12,148,000 t CO ₂ e
Target(s)	45-50% below 2005 emissions by 2030.
Sectors covered	Facilities with annual emissions of 50,000t and above; petroleum suppliers, natural gas distributors, electricity importers
GHGs covered	CO ₂ , methane, N ₂ O, HFCs, PFCs, SF ₆ , NF ₃
# of covered entities	26
Allocation method	Mix of grandfathering for free allocation and 30% via auction
Trading rules	Trading is allowed between mandatory participants only, no voluntary participation. Allowances to be auctioned in lots of 1000.
Use of offsets and linking	No offsets currently. An offset system may be developed following consultations. No linking with other jurisdictions.
Other features	Free allowance allocation each year. Holding and purchasing limits on allowances. 3% of annual allowances are held in a reserve for sale by agreement or for adjustment of allocations free of charge. Using CITSS. 2-4 auctions per calendar year. Compliance deadline is 15 December in the following year.
Penalties for non-compliance	Administrative penalties to be determined. Participants short at compliance will pay three times the latest auction settlement price per tonne of the shortfall.
Use of revenues	All revenue from auctions and sale of reserve allowances will go into the Green Fund. Funds will be used for GHG mitigation, adaptation, encourage innovative technology, and reduce negative economic and social effects of mitigation action.

MAJOR DEVELOPMENTS

The cap-and-trade programme launched 1 January 2019. The first allocation of allowances took place in April 2019 and auctioning will begin in 2020. The province will hold two auctions in 2020, the first of which is taking place 10 June and the second will take place 2 December. The first auction will offer 640,000 allowances, vintage 2019. No future vintages will be offered in advanced auction.

MARKET COMMENTARY

Allowances will be auctioned in lots of 1000. A minimum price is set each year, increasing by 5% plus inflation. The 2020 minimum price is \$20/tonne.

Mandatory participants with excess allowances can also sell via the government auction on a consignment basis. Those allowances sold by consignment will be sold at the auction's closing price. Consignment allowances will be sold first, before the allowances offered by the province. Unsold consignment allowances will be kept and sold at next auction.

Reserve allowances will be initially sold at \$50 per tonne in 2020, rising annually by 5% plus inflation.

USEFUL LINKS

[Programme details, Climate Change Nova Scotia](#)

[ICAP ETS Nova Scotia Factsheet](#)

[Quantification reporting and verification regulation](#)

REFERENCES

[Climate Change Nova Scotia](#)

[Nova Scotia cap-and-trade regulation](#)

[Nova Scotia cap-and-trade framework](#)

[June 2020 Auction Notice](#)

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