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# ALBERTA TIER AT A GLANCE

## EXECUTIVE SUMMARY

Alberta's Technology Innovation and Emissions Reduction (TIER) system is the province's industrial carbon pricing program, requiring large emitters and eligible opt-in facilities to reduce their emissions intensity or comply through purchasing credits, offsets, or paying into the TIER Fund. On May 12, 2025, Alberta announced it was freezing the TIER Fund price at $95/tCO2e, halting the scheduled escalation that was set to reach $170/tCO2e by 2030. The freeze provides short-term relief for regulated facilities but increases long-term uncertainty over compliance costs and investment signals. This follows the federal government's April 1, 2025 removal of the consumer-facing carbon tax.

Over the past few years, a number of incremental changes have been made to the TIER system, including updates to high-performance benchmarks, revisions to standards, and updated offset quantification protocols such as the Quantification Protocol for CO2 Capture and Permanent Geologic Sequestration, which added new flexibility mechanisms for Direct Air Capture (DAC) and Bioenergy with CCS (BECCS).

Some of these major adjustments to the TIER system may affect Alberta's equivalency with the federal benchmark. Alberta recently announced further proposed changes to the TIER system; on 16 September, the province announced updating TIER to include a direct investment compliance pathway in addition to current options and allowing smaller facilities to leave or opt out for 2025. This news comes after a government consultation with industry stakeholders in June 2025. The TIER system's next statutory review is due by December 31, 2026.

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| **Years in operation** | • 2007: Specified Gas Emitters Regulation (SGER) begins<br>• 2018: Carbon Competitiveness Incentive Regulation (CCIR) replaces SGER<br>• 2020: Technology Innovation and Emissions Reduction (TIER) regulation replaces CCIR |
| **Overall cap and trajectory** | • TIER regulation applies to facilities that emitted 100,000 tonnes of CO2 equivalent (tCO2e) or more per year in 2016, or a subsequent year. TIER also applies to facilities that import more than 10,000 tonnes of H2 in 2023, or in a subsequent year.<br>• Facilities may choose to opt into TIER if they:<br>  o Directly compete with a TIER regulated facility, or<br>  o Are emission-Intensive trade-exposed (EITE) with direct emissions of 2,000 tCO2e or more in 2017 or a subsequent year.<br>• Operators of two or more conventional oil and gas facilities may apply to be designated as an aggregate facility.<br>• Emission reduction obligations are determined using either a:<br>  o Facility-specific benchmark; or<br>  o High-performance benchmark.<br>• In most cases, a regulated facility is subject to the less stringent of the two.<br>• Beginning in 2023, the stringency of facility-specific benchmarks increases from 1% to 2% annually; the high- performance benchmark is now also subject to an annual tightening rate of 2%.<br>• Additionally, oil sands mining, upgrading and in-situ facilities tightening rates will increase 4% annually in 2029 and 2030.<br>• CO2 emissions from biomass are excluded from net regulated emissions under TIER, as well as from imported/exported CO2. |
| **Target(s)** | • Limit oil sands emissions to a maximum of 100 million tCO2e annually<br>• Phase out coal-fired electricity generation by the end of 2030; this was achieved 6 years ahead of schedule in June 2024. |

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| | • Generate 30% of its total electricity from renewable sources by 2030, with an interim target of 20% in 2025. In 2023, renewable generation provided approximately 18% of Alberta's total electricity generation. |
| **Regulated emissions reduced to date** | Total regulated emissions in 2023 were 164.7 $MtCO_2e$, requiring compliance submissions totaling 20.1 $MtCO_2e$. |
| **Sectors covered** | • Agroindustry<br>• Chemical<br>• Coal Mines<br>• Conventional Oil and Gas<br>• Distilling<br>• Fertilizer<br>• Food Processing<br>• Forest Products<br>• Landfill<br>• Manufacturing<br>• Metals<br>• Minerals<br>• Natural Gas Processing<br>• Oil Sands<br>• Pipeline<br>• Power Plant<br>• Refining<br>• Upgrading |
| **GHGs covered** | • $CO_2$<br>• Methane<br>• $N_2O$<br>• HFCs<br>• $SF_6$<br>• PFCs<br>• $NF_3$ |
| **Number of covered entities** | 528 submitted compliance reports by regulated facilities in 2023. |
| **Allocation method** | Allocation is based on the facility-specific benchmark or high-performance benchmark approach |
| **Trading rules** | Benchmarks can be met by:<br>• Reducing facility emissions intensity;<br>• Retiring Emission Performance Credits (EPCs), which can be traded;<br>• Retiring Alberta-based emissions offsets, which can be traded;<br>• Retiring Sequestration Credits, which can be traded;<br>• Retiring capture recognition tonnes (subject to criteria) and/or<br>• Paying into the TIER Fund at the prevailing TIER Fund price.<br>    o 2025 TIER Fund Price: C$95/$tCO_2e$<br>    o Alberta has announced a freeze in the industrial carbon price at $95 per tonne of emissions. The TIER Fund Price was previously aligned with the federal benchmark requirements under GGPPA through 2030, which would have seen the price increase by C$15 annually. |

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| **Use of offsets and linking** | • In 2025, no more than 80% of a facility's compliance obligation can be met with EPCs, offsets, or Sequestration Credits (see Table 1 for schedule).<br>• EPCs produced from 2017-2022 have an eight-year expiry following the year the credit was issued. EPCs from 2023 and onward have a five-year expiry.<br>• Emission offsets from 2017-2022 have a nine-year expiry from the year in which the reduction was made. Offsets from 2023 and onwards have a six-year expiry.<br>• Sequestration credits have a six-year expiry starting from the year in which the reduction was made.<br>• Despite the nuances in the language above, EPCs, offsets and Sequestration Credits all have equivalent expiration timeframes based on vintage year of the instrument (see Table 2). |
| **Other features** | Sequestration Credits:<br>• Emission offsets created using the CCS or EOR quantification protocols may be converted by the offset project developer to sequestration credits in 2023+.<br>• Similar to EPCs and offsets, sequestration credits can be traded, banked, or used to meet a facility's compliance obligation.<br>• Sequestration credits are eligible for stacking with the federal Clean Fuels Regulation (CFR), meaning that the same activity can generate credits both in TIER and the CFR.<br>Capture Recognition Tonnes (CRTs):<br>• A facility that initiated the capture of CO2 and holds the Sequestration Credit generated from the associated emission offset may apply to convert the sequestration credit into a CRT.<br>• CRTs may only be used for the year in which the CO2 was sequestered, and they cannot be traded.<br>• CRTs are deducted from the calculation of a facility's total regulated emissions and are therefore not subject to the credit use limit in TIER |
| **Penalties for non-compliance** | A fine of no more than C$400/tCO2e for every tonne of specified gas, expressed in CO2e, that is in excess of the allowable emissions. |
| **Use of revenue** | The TIER fund supports a variety of initiatives to reduce emissions, support clean technology development and climate change adaptation.<br>A portion of Alberta Carbon Capture Incentive Program (ACCIP) funding will come from the TIER fund.<br>Emissions Reduction Alberta (ERA) administers funding competitions and grants sourced from the TIER fund. |

**Table 1. EPCs, Offsets and Sequestration Credits Usage Limit**

| Year(s) | Maximum Percentage of Total Compliance Obligation |
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| 2023 or earlier | 60% |
| 2024 | 70% |
| 2025 | 80% |
| 2026 or a subsequent year | 90% |

**Table 2. EPCs, Offsets and Sequestration Credits (2023+) Expiry**

| Vintage Year | Last Year of Compliance Eligibility |
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| 2017 | 2025 |
| 2018 | 2026 |
| 2019 | 2027 |
| 2020 | 2028 |
| 2021 | 2029 |
| 2022 | 2030 |
| 2023 | 2028 |

# MAJOR DEVELOPMENTS

TIER was launched on 1 January 2020, with a C$30/tCO2e compliance fund price. While under the purview of the provincial Alberta government, the TIER program must maintain minimum baseline standards set by the federal Output-Based Pricing System (OBPS; see separate Canada federal OBPS brief) to remain as an approved pollution pricing system. The last review of TIER occurred in 2022 resulting in changes to the program. The next legislated review must occur on or before December 31, 2026.

2024 and 2025 saw a number of small-scale updates to TIER and related Standards. High performance benchmarks for a variety of products were published via Ministerial Order in January 2024, and additional benchmarks were published in April 2024. The Standard for Developing Benchmarks was revised in August 2024 (v2.3) to specify new EITE sectors for 2023 to 2026 (and subsequent years) among other changes. The Standard for Developing Benchmarks was further modernized in February 2025 (v2.4) with the Standard for Validation, Verification and Audit (v5.3) to provide additional clarifications.

Alberta Environment and Protected Areas (EPA) made significant updates to its Quantification Protocol for CO2 Capture and Permanent Geologic Sequestration. This protocol was flagged for update in September 2024 to accommodate changes in tenure, storage reservoir eligibility requirements, and to provide certainty on the treatment of unintentional releases. An updated draft protocol was published in November 2024 for 30-day public comment with final publication in December 2024. Among other changes, the updated protocol specifies a discount factor addressing post-closure reversals. It also introduces a flexibility mechanism for Direct Air Capture (DAC) and allows for DAC and Bioenergy with Carbon Capture and Storage (BECCS) facilities to receive a "removal credit" classification on the Alberta Emission Offset Registry. Three additional flexibilities were also introduced including:

- allowing for deviation in project boundary from the specified project condition;
- allowing project developers the ability to limit reversal true-up liability for the crediting and post crediting pre-closure project stages via an increased discount factor; and
- providing conditions to facilities that are granted sequestration rights through a tenure mechanism without liability transfer.

On April 1, 2025, EPA released a memo providing guidance to Alberta Emission Offset stakeholders addressing the removal of the federal fuel charge and associated impacts to levied fuels under existing quantification protocols. Previously, emission sources that utilized levied fuels were offset ineligible to ensure no double counting or double pricing of emissions. As of April 1, 2025, those emission sources are now required to be included in the quantification of emission offsets.

On May 12, 2025, the Alberta Government announced it was freezing its industrial carbon price at $95/tCO2e in response to the tariffs imposed by the United States. This shift was intended to provide economic relief and mitigate industry concerns around increased costs, disrupted supply chains, and global competitiveness. The carbon price under the TIER regulation was previously scheduled to rise, reaching $170/tCO2e in 2030 in alignment with the federal Greenhouse Gas Pollution Pricing Act (GGPPA).

As early as March 2025, EPA had signaled changes to TIER were in development. In June 2025, EPA sought feedback from stakeholders on potential amendments. A discussion document was provided containing questions that the government was seeking input on including:

- TIER stringency and its impact on competitiveness and incenting investment
- Amending opt-out provisions allowing opted-in or aggregate facilities to revoke their designation/opt-out within a current year
- Allowing regulated facilities the option to meet a portion of their annual TIER obligation through a direct investment program
- General comments and feedback on how facilities can remain competitive in Alberta under TIER.

IETA submitted comments on these proposed changes, available here.

On 16 September, 2025, the Government of Alberta announced proposed changes to the TIER system, set to come into effect in Fall 2025. The proposed changes include: 1) introducing an on-site emissions reduction pathway for industry to comply with TIER in addition to current compliance options, and 2) allowing smaller facilities in the system to leave or opt out for 2025. The Government stated that companies would be able to meet up to 90% of compliance through a direct investment pathway, and they would have an 8-year period to make the investment under a list of approved projects.

It remains uncertain if the price freeze and the proposed changes to TIER would allow the regulation to maintain equivalency with the federal “backstop”. Without equivalency, the federal government may require large emitters in Alberta to instead comply with the federal Output Based Pricing System.

# MARKET COMMENTARY

The Alberta TIER market has entered a new phase of strategic uncertainty following the provincial government’s decision to freeze the TIER Fund price at CAD $95/tonne CO2e in May 2025. While this move provides regulated emitters with short-term cost predictability, it also dampens the forward price signal that was intended to encourage major decarbonization investments.

In the secondary market, EPCs and offsets continue to trade at significant discounts to the TIER Fund price due to liquidity issues, policy uncertainty, and oversupply concerns, with most vintages currently transacting in the $28-30 range. Liquidity remains over-the-counter-driven, with most activity occurring through bilateral agreements between emitters, aggregators and brokers.

From a policy perspective, the Fund price freeze raises federal equivalency risks, as the TIER Regulation must meet the federal benchmark to avoid the federal OBPS superseding the TIER system in Alberta. Pricing is critical to the determination of equivalency, but the federal government is yet to officially respond to the provincial price freeze in Alberta.

Additionally, the federal government’s cessation of the federal fuel charge as of March 2025 (“consumer-facing carbon tax”) has the potential to further shift market fundamentals in the Alberta TIER system. Large emitters and aggregate oil and gas facilities that have voluntarily opted into TIER may now have an interest in opting out, unless they are generating EPCs – a shift that could result in depressed demand and further contribute to the market’s oversupply.

Beyond the Fund price freeze and credit oversupply, Alberta recently conducted targeted engagement with TIER market stakeholders regarding several proposed amendments to the TIER program that may enable additional compliance flexibilities (including a direct investment compliance option). This proposed amendment may result in lower demand and downward price pressure for both EPCs and offsets, while also further contributing to federal equivalency risks.

As federal-provincial dynamics evolve, regulated facilities face a complex mix of compliance cost management, federal-provincial policy risk, and long-term investment planning considerations. Engaging experienced market advisors can help organizations optimize credit procurement strategies, assess hedging opportunities, and integrate carbon exposure into broader commercial strategy.

# USEFUL LINKS

Alberta Emission Offset System

Alberta TIER Regulation Homepage

# REFERENCES

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## AUTHORS

**Joey Hoekstra**
Analyst, IETA

Point of contact

**Lilly Flawn**
Policy Assistant, IETA
flawn@ieta.org

**Jennifer Perron**
Senior Environmental Specialist, TC Energy
jennifer_perron@tcenergy.com

**Dani Hansen**
VP Carbon Advisory, BMO Capital Markets
dani.hansen@bmo.com

TC Energy

BMO