

September 2025

CANADA'S OBPS AT A GLANCE

Years in operation	Began in 2019, with annual compliance periods.
Overall cap and trajectory	<p>The OBPS applies to facilities that emit over 50,000 tCO₂e per year. Facilities that emit over 10,000 tCO₂e in regulated sectors can opt-in to the OBPS at any time.</p> <p>Emission reduction obligations are determined using an output-based standard (OBS), which varies based on the industrial activity and the competitiveness of the sector.</p> <p>The OBPS is currently implemented in PEI, Manitoba, Yukon, and Nunavut. Ontario and New Brunswick were previously covered under the OBPS and have subsequently transitioned to their respective provincial programmes, retroactively as of 1 January 2021, for New Brunswick and on 1 January 2022, for Ontario. As of January 1, 2023, Saskatchewan's electricity and natural gas transmission sectors that were previously regulated under the federal OBPS transitioned to its provincial OBPS program.</p>
Target(s)	<ul style="list-style-type: none"> • 40-45% below 2005 levels by 2030. • 45-50% below 2005 levels by 2035. • Net-zero emissions by 2050. <p>Canada's emissions in 2023 were 694 Mt.</p> <p>Canada will release five-year national emissions reduction targets, 10 years in advance, as required by the Canadian Net-Zero Emissions Accountability Act (CNZEEA). Corresponding emission reduction plans and progress reports will be made available in advance of the target year.</p>
Emissions reduced to date	No data is available yet
Sectors covered	<p>Sectors covered under the OBPS include:</p> <ul style="list-style-type: none"> • Oil and gas production • Mineral processing (includes cement and lime production) • Chemicals • Pharmaceuticals • Iron and steel • Mining and ore processing • Nitrogen fertilizers • Food processing • Pulp and paper • Automotive • Electricity generation • Wood products • Aluminium • Rubber products.
GHGs covered	<ul style="list-style-type: none"> • CO₂ • CH₄ • N₂O • SF₆ • PFCs • HFCs
Number of covered	In 2025, there are 41 covered facilities in the backstop jurisdictions. There are 8 mandatory covered facilities and 25 voluntary facilities in Manitoba, 1 mandatory facility in Prince

entities	Edward Island, 1 mandatory facility in Yukon, and 4 mandatory facilities and 2 voluntary facilities in Nunavut.
Allocation method	<p>OBS is set by industrial activity and is based on the sector's average emissions intensity. OBS for sectors with low or medium competitiveness risk is set at 80% of the sector's average emissions intensity, while OBS for sectors with high risk is set at 90% or 95%.</p> <p>The OBS will decline at the applicable annual tightening rate equivalent to a 2% annual reduction on most OBSs and a 1% rate on very high-risk EITE sectors, including lime manufacturing, cement manufacturing, petrochemical manufacturing (except certain types of ethylene glycol), and steel manufacturing. Electricity generation OBS is not subject to tightening.</p>
Trading rules	<p>A facility may comply through any combination of payment of the excess emissions charge; use of surplus credits; use of recognised units (approved provincial offset credits); and use of offset credits.</p> <ul style="list-style-type: none"> • Surplus credits have a five-year expiry limit. • Offset credits have an eight-year expiry limit. • Surrendered compliance units are retired by ECCC. • A facility may choose to voluntarily retire its compliance units.
Use of offsets and linking	Entities can use offset credits from the Federal GHG Offset System and recognised units from approved provincial offset systems (Alberta and British Columbia, since March 2021). The 2019-21 compliance periods did not have compliance unit usage limits, while from 2022 onwards, there is a 75% usage limit.
Other features	N/A
Penalties for non-compliance	If the 15 December compliance deadline is missed, compliance is due at an increased rate of four to one (4:1) by 15 February of the following year. Facilities are required to submit four compliance units for each tCO ₂ e over the emissions limit or four times the excess emissions charge rate.
Use of revenue	In the case of Yukon, Nunavut, and Prince Edward Island, proceeds collected from OBPS compliance payments are returned to the respective provincial and territorial governments. In other jurisdictions where the federal pricing system for industry applies (current or past), the proceeds are returned through two program streams of the OBPS Proceeds Fund: Decarbonisation Incentive Program (DIP) and Future Electricity Fund (FEF). FEF is funded through OBPS-covered electricity-generating facilities (utilities) and proceeds from FEF will be returned through funding agreements with federal backstop provinces; as such, they are not open to other emitters. No further DIP intakes are expected and therefore any uncommitted proceeds will be returned through the Future Electricity Fund.

MAJOR DEVELOPMENTS

Manitoba, PEI, Nunavut, and Yukon are the remaining covered jurisdictions under the federal OBPS. According to ECCC, in 2025, there are 41 covered facilities in the backstop jurisdictions. There are 8 mandatory covered facilities and 25 voluntary facilities in Manitoba, 1 mandatory facility in Prince Edward Island, 1 mandatory facility in Yukon, and 4 mandatory facilities and 2 voluntary facilities in Nunavut.

Effective April 1, 2025, the consumer carbon price was eliminated through a Canada Gazette Part II publication setting the federal carbon price to zero without any escalation. On May 27, 2025, The Government proposed legislative amendments to permanently repeal the fuel charge framework under Part 1 of the GGPPA. To ensure an orderly process, the repeal would occur through the following four phases:

1. From April 1, 2025, to October 1, 2025, a charging provision for certain railways in respect of past fuel charge consumption remains for true-up. All other charging provisions would be retroactively repealed.
2. Effective October 1, 2025, all rebate provisions would be repealed. Rebates for charges paid in error would continue to be available.
3. Effective November 1, 2025, all registration provisions would be repealed.
4. Effective April 1, 2035, all remaining provisions of GGPPA Part 1 would be repealed.

Additionally, upon the removal of the federal fuel charge, ECCC published [Regulations Amending the Output-Based Pricing Regulations](#) to address regulatory provisions in the OBPS that would be impacted by the removal of the fuel charge. This entailed changing the definition of on-site transportation emissions and the timing of cancelling the designation of voluntary facility exiting the program in 2025.

The amendments revised the definition of on-site transportation emissions to ensure all emissions remain subject to carbon pricing. Previously, regulated OBPS facilities were able to exclude on-site transportation emissions from their reported regulated emissions if they paid the fuel charge on those emissions. The change to the definition clarifies that on-site emissions must be reported under the OBPS to ensure full reporting of these emissions by covered facilities.

Additionally, the federal government introduced a key change to make it easier for voluntary facilities to exit the OBPS. [Section 7.1](#) of the OBPS Regulations was amended to allow voluntary facilities to request cancellation of their designation at any time in 2025, without needing to meet the standard cessation conditions that apply to mandatory facilities.

If the Minister approves the request in 2025, the facility's compliance obligation will only cover the period from January 1 to March 31, 2025, to align the timing with the removal of the fuel charge. Out of 41 covered facilities in the OBPS in 2025, 27 are voluntary facilities. However, it is important to note that voluntary facilities that generate surplus credits may choose to remain in the program. Therefore, not all voluntary facilities will choose to exit at this time.

Canada's GHG Offset System

On June 8, 2022, ECCC published the final regulations for Canada's Greenhouse Gas Offset Credit System. Credits generated under this federal offset system provide a compliance alternative for facilities under the federal OBPS in place of paying the Excess Emissions Charge.

There are now three published Federal offset protocols:

- [Landfill Methane Recovery and Destruction, Version 1.1](#). This is applicable across Canada (except B.C., Alberta, and Quebec), published February 24, 2023.
 - o Initial version of the protocol (Version 1.0) was published June 8, 2020
- [Reducing Greenhouse Gas Emissions from Refrigeration Systems \(Version 1.2\)](#). This is applicable Canada- wide, published January 27, 2025.
 - o Initial version of the protocol (Version 1.0) was published February 24, 2023.
 - o Updates were made to the protocol on December 8, 2023 (Version 1.1)

- [Improved Forest Management on Private Land \(Version 1.1\)](#). This protocol is applicable Canada-wide, except in B.C., published on October 15, 2024.
 - o Initial version of the protocol (Version 1.0) was published May 6, 2024

[Canada's GHG Offset Credit System Public registry](#) was made available on May 6, 2024 and provides a current listing of all registered projects and available offset credits. On June 9, 2025, ECCC announced that the first federal offset credits were issued under Canada's GHG Offset Credit System. A total of 4,974 credits were issued to the Guysborough Landfill Gas Project in Nova Scotia, using the Landfill Methane Recovery and Destruction (version 1.1) protocol. As of July 2025, there are 32 registered projects.

The protocol development process under Canada's GHG Offset System remains ongoing, with draft protocols published for the following project types:

- Reducing Enteric Methane Emissions from Beef Cattle. The draft protocol was published December 11, 2023.
- Direct Air Carbon Dioxide Capture and Geological Storage. The preliminary draft protocol was published January 27, 2025.
- Reducing Manure Methane Emissions. The draft protocol was published February 28, 2025.

The timeline for draft publication of the Enhanced Soil Organic Carbon and Improved Forest Management on Public Land protocols is yet to be determined. Development of a protocol on Bioenergy Carbon Dioxide Capture and Geological Storage remains under consideration.

In addition to regulated facilities using offsets for compliance under the federal OBPS, ECCC has highlighted other potential sources of demand for federal offset credits through voluntary pathways. Other potential areas of demand may come from new policies that may consider the use of offsets as eligible compliance units. This includes the federal Oil & Gas Sector Emissions Cap, Clean Electricity Regulations and the Net-Zero Challenge. Future amendments may also be developed in provincial carbon pricing programs to allow for the use of federal offset credits within their compliance pathways, but this pathway is reliant on political will and cooperation.

MARKET COMMENTARY

In 2025, ECCC add the B.C. Forest Carbon Offset Protocol (version 2.) to the list of [Recognised Protocols for the Federal OBPS](#). B.C.'s Greenhouse Gas Emissions Offset System was approved as recognised program back in 2020, but the first approved protocol was not added until 2025. This brings the total of recognised protocols to 6, 1 from B.C. and 5 from Alberta's Emission Offset System:

- B.C. Forest Carbon Offset Protocol
- Alberta Quantification Protocol for Aerobic Composting
- Alberta Quantification Protocol for Aerobic Landfill Bioreactor Projects
- Alberta Quantification Protocol for Greenhouse Gas Emission Reductions from Pneumatic devices
- Alberta Quantification Protocol for Reducing Greenhouse Gas Emissions from Fed Cattle
- Alberta Quantification Protocol for Selection for Low Residual Feed Intake in Beef Cattle

In 2025 facilities regulated under the OBPS have been actively taking advantage of cost-saving opportunities through the use of Recognised Units, particularly Alberta offsets from the pneumatic devices protocol. With market prices for Alberta offsets sitting around low-mid \$30 per tonne compared to the 2024 OBPS compliance price of \$80 per tonne, regulated federal OBPS facilities have been able to realize savings of approximately 60% per tonne. This represents a significantly greater discount than what has traditionally been available through surplus credits within the federal OBPS itself, which typically trade at only a 10–15% discount to the annual carbon price.

To utilise Alberta Recognised Units for 2024 compliance, OBPS facilities must open an account in the Alberta Emissions Offset Registry and purchase and retire the units by June 30, 2025, which aligns with the Alberta TIER program's compliance deadline. These units must be labelled as 'Pending Retire – Federal OBPS' within the registry. Final retirement must then be completed by December 15, 2025, the federal OBPS compliance deadline.

Currently, there are 197,399 Recognised Units labelled in the Alberta Offset Registry for pending retirement under the federal OBPS. In contrast, only 77,860 Recognised Units have been officially retired for federal OBPS compliance since the program began in 2019. This significant increase underscores the strong uptake of Alberta offsets by federal OBPS participants, driven by the substantial cost advantage currently offered by the Alberta market. It is important to note that regulated federal OBPS facilities can cover up to 75% of their compliance obligations with compliance units such as Recognised Units. The remaining compliance obligation must be met by paying the Excess Emissions Charge at the annual carbon price.

USEFUL LINKS

[Environment and Climate Change Canada, Pan-Canadian Framework on Clean Growth and Climate Change](#)

[Environment and Climate Change Canada, Pricing pollution: how it will work](#)

[Environment and Climate Change Canada, Output-Based Pricing System](#)

[Environment and Climate Change Canada, Technical paper: federal carbon pricing backstop](#)

[Environment and Climate Change Canada, Review of the federal Output-Based Pricing System Regulations](#)

[Environment and Climate Change Canada, Federal GHG Offset System](#)

[Environment and Climate Change Canada, List of Recognized Offset Programs and Protocols for the Federal OBPS](#)

[The Federal Carbon Pollution Pricing Benchmark](#)

[Review of the OBPS Regulations: Consultation Paper](#)

[Environment and Climate Change Canada, List of recognized additional industrial activities under the OBPS](#)

[Environment and Climate Change Canada, The Policy regarding voluntary participation in the OBPS](#)

[Environment and Climate Change Canada, The Policy for recognizing additional industrial activities from sectors at significant risk of carbon leakage and competitiveness impacts](#)

[Environment and Climate Change Canada, Quantification Methods for the Output-Based Pricing System Regulations – December 2023](#)

REFERENCES

Environment and Climate Change Canada. *Output-Based Pricing System Regulations* (SOR/2019-266). <https://laws-lois.justice.gc.ca/eng/regulations/SOR-2019-266/index.html>

Environment and Climate Change Canada. *Regulations Amending the Output-Based Pricing System Regulations: SOR/2025-108*. <https://gazette.gc.ca/rp-pr/p2/2025/2025-03-15-x2/html/sor-dors108-eng.html>

Environment and Climate Change Canada. *Greenhouse Gas Pollution Pricing Act*. <https://laws-lois.justice.gc.ca/eng/acts/g-11.55/>

Government of Canada. *Canada's 2035 Emissions Reduction Target: 45-50% Below 2005 Levels*. <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/2035-emissions-reduction-target.html>

Government of Canada. *Canada's 2035 Nationally Determined Contribution (NDC)*. https://unfccc.int/sites/default/files/202502/Canada%27s%202035%20Nationally%20Determined%20Contribution_ENc.pdf

Environment and Climate Change Canada. *National Inventory Report 1990–2023: Greenhouse Gas Sources and Sinks in Canada*. https://publications.gc.ca/collections/collection_2025/eccc/En81-4-2023-1-eng.pdf

Environment and Climate Change Canada. *Quantification Guidance for the Output-Based Pricing System Regulations (updated February 2025)*. <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/quantification-guidance-february-2025.html>

Government of Canada. *Carbon Pollution Pricing Proceeds Programming*. <https://www.canada.ca/en/environment-climate-change/services/climate-change/carbon-pollution-pricing-proceeds-programming.html>

Government of Canada. *Output-Based Pricing System Proceeds Fund*. <https://www.canada.ca/en/environment-climate-change/services/climate-change/carbon-pollution-pricing-proceeds-programming/output-based-pricing-system-proceeds-fund.html>

Alberta Environment and Protected Areas / CSA Registries. *Alberta Emissions Offset Registry*. <https://www.csaregistries.ca/>

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