

September 2025

# QUEBEC'S CAP-AND-TRADE SYSTEM AT A GLANCE

<b>Years in operation</b>	<p>First compliance period: 2013-2014</p> <p>Second: 2015-2017</p> <p>Third: 2018-2020</p> <p>Fourth: 2021-2023</p> <p>Fifth: 2024-2026</p> <p>Subsequent compliance periods also last for three years.</p>
<b>Overall cap and trajectory</b>	The 2025 cap is 50.31 million tCO <sub>2</sub> e and will decrease by 1.235 million tCO <sub>2</sub> e annually to reach 44.14 million tCO <sub>2</sub> e by 2030.
<b>Target(s)</b>	A 20% reduction from 1990 levels by 2020, followed by a 37.5% reduction from 1990 levels by 2030
<b>Emissions reduced to date</b>	No data is available yet
<b>Sectors covered</b>	<ul style="list-style-type: none"> <li>• Entities emitting 25,000 tCO<sub>2</sub>e or more per year</li> <li>• Voluntary participants emitting 10,000 tCO<sub>2</sub> per year</li> <li>• Fossil fuel distributors</li> <li>• Electricity producers and importers</li> </ul>
<b>GHGs covered</b>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub></li> <li>• CH<sub>4</sub></li> <li>• N<sub>2</sub>O</li> <li>• HFCs</li> <li>• PFCs</li> <li>• SF<sub>6</sub></li> <li>• NF<sub>3</sub>, and other fluorinated GHGs</li> </ul>
<b>Number of covered entities</b>	129 covered entities participating in the emissions trading scheme in 2025.
<b>Allocation method</b>	<p>Allowances can be allocated for free, acquired at auctions, or obtained through mutual agreements with the Minister.</p> <p>Participants are required to have a CITSS account to acquire, hold and transfer emission allowances. They may also participate in auctions, which are conducted in collaboration with California.</p> <p>Auctions feature a reserve price, set at US\$25.87 in 2025, increasing by 5% each year plus inflation. There is no maximum price limit. Allowances are sold in lots of 1,000.</p> <p>Effective in 2024, a portion of the intended free allocations will be consigned for business and sold at auction with the funds available for reduction projects, subject to certain conditions.</p>
<b>Trading rules</b>	<p>Establishments emitting between 10,000 tCO<sub>2</sub>e and 25,000 tCO<sub>2</sub>e have the option to register and participate voluntarily.</p> <p>Investors, brokers, consultants, offset credit promoters, and other unregulated participants are permitted. Clearinghouses are also allowed</p>

<b>Use of offsets and linking</b>	<p>Only offset credits issued by the governments of Quebec or California are recognised.</p> <p>Offset protocols defined in the Quebec and California regulations are the only eligible project types.</p> <p>There is an 8% limit on the use of offsets to meet compliance obligations.</p> <p>Quebec became linked with California via the WCI in 2014.</p> <p>A declaration was signed in 2015 with Mexico and 2019 with Chile to allow collaboration on carbon markets and other matters.</p> <p>In March 2024, Quebec, California and Washington issued a joint statement expressing interest in the potential formation of a shared carbon market between the three jurisdictions.</p>
<b>Other features</b>	<p>Holding limits are in place to restrict the number of GHG emission units that any given emitter or participant can hold. The holding limit is calculated based on the cap.</p> <p>There are allowance purchase limits per bidder based on a percentage of the total number of auctioned units. Bidders that are related entities have an overall shared purchasing limit..</p> <p>All allowances must be surrendered by November 1 following the end of the compliance period.</p>
<b>Penalties for non-compliance</b>	<p>Suspension of the entity's account and a fine of three additional allowances is imposed for each allowance shortfall at the end of the compliance period.</p> <p>Individuals legally responsible for non-compliance can face fines and up to 18 months of imprisonment for individuals.</p> <p>Allocation can be suspended for non-compliant emitters.</p>
<b>Use of revenue</b>	<p>Starting from November 1, 2020, the Electrification and Climate Change Fund (ECCF) has replaced the former Green Fund.</p> <p>All auction proceeds are directed to the ECCF, which funds initiatives outlined in the '2030 Plan for a Green Economy' and sustains commitments from the '2013-2020 Climate Change Action Plan.'</p> <p>The '2030 Plan for a Green Economy' is the government's 10-year electrification and climate change policy framework, supplanting the 2013-20 Climate Change Action Plan that expired on March 31, 2021.</p>

## MAJOR DEVELOPMENTS

Throughout 2023, the California Air Resources Board (CARB) and the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (MELCCFP) were consulting on a variety of modifications to the cap and trade, including the role of offsets, market control mechanisms and emission caps through a series of workshops.

In August 2024, Quebec's Advisory Committee on Climate Change released key recommendations to improve the province's cap-and-trade program, as requested by MELCCFP. These include:

- Removing 17 million allowances from Quebec's cap by 2030 to better align with emission reduction targets
- Extend the program through 2040 and shorten the current three-year compliance periods to two years.
- Expanding the scope to cover more sectors
- Eliminating the use of offsets

In October 2024, MELCCFP issued a Market Notice to inform of proposed amendments to the cap-and-trade regulation. It is anticipated that the following points will be addressed in the draft regulation:

- Addressing the demand-supply imbalance from 2013-2020 of 17.5 million emission units
- Limit the use of offsets by 2030
- Transform offset credits into a reduction purchase mechanism starting in 2031
- Increase reserve prices
- Strengthening market control mechanisms by revising corporate association criteria
- Modify compliance periods to coincide with GHG emission reduction target years (2030 and 2050)
- Apply IPCC 5th report global warming potentials starting in 2027.

MELCCFP has now indicated that publication of the draft regulation is expected in the fall of 2025, with enactment expected later in 2025 or winter 2026.

In December 2024, the Regulation to amend the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere was published. These changes were needed to support the requirements for natural gas distributors to reach 10% biomethane in their networks by 2030. The changes are intended to ensure that biomethane volumes are:

- Biogenic in nature (origin and production method)
- Are physically connected to Quebec's distribution network (either injected directly into the network or into a network that is physically connected to Quebec's)
- Not double-counted (single use of biogenic attributes)

In this same update, emission factors for imported electricity (QC.17) and reverification timelines were also updated.

To expand the availability of offset credits in Québec, the Ministry is developing new regulations for eligible offset credit projects.

Based on the province's emissions profile and opportunities for GHG reductions or removals, the following project types have been prioritized for feasibility assessments and technical development:

- Fuel substitution in the maritime transport sector
- Improvement of agricultural fertilizer application practices
- Carbon sequestration through afforestation and reforestation on public lands

It is important to note that not all of these project types will necessarily be included in the final regulatory framework. Some may be added or removed based on the outcomes of ongoing technical assessments. As this work advances, the Ministry will release further details to clarify which project types will move forward for regulatory implementation. To date, Quebec has issued a total of 2,041,198 compared to 275,369,466 offsets issued by California (includes both DEBS and non-DEBS).

## MARKET COMMENTARY

While the WCI is a joint program with California and Quebec, WCI allowance prices tend to be influenced more by updates and actions out of California rather than Quebec due to the significantly larger emission contribution from California emitters. Nonetheless, Quebec Cap-and-Trade policies and actions will also influence WCI allowance prices.

Historically, WCI allowances have mostly traded close to the program's floor price. However, around May 2019, a massive injection of funds by financial investors pushed prices above historical averages, trading well above the floor. Towards the end of 2019 and the beginning of 2020, COVID-19 hit, causing investors to depart the program and allowance prices to plunge well below the floor. As the original panic subsided, prices began to recover towards the end of the year and went on an upward trend.

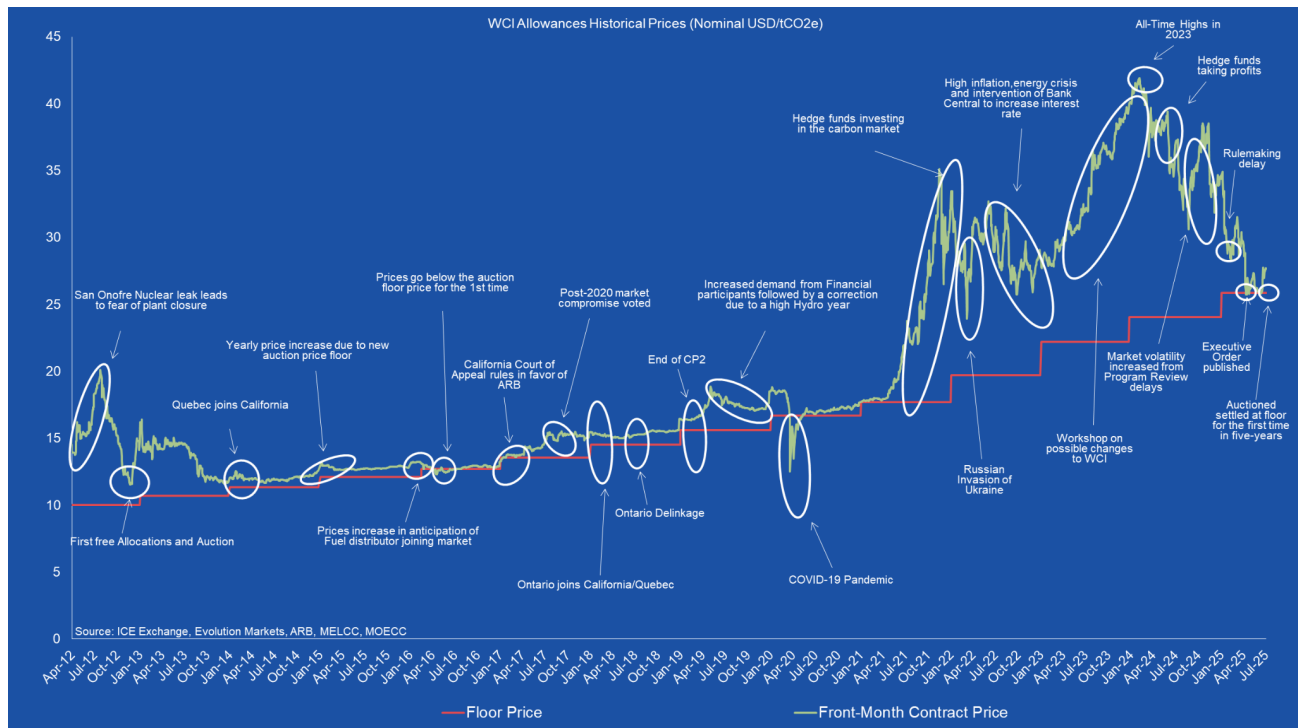
Through 2021 and 2022, an influx of financial investors pushed WCI allowance prices to historical highs at the time. Investors expected the ongoing Program Review process in California and Quebec would lead to higher cap decline rates, ultimately leading to higher demand for allowances.

WCI allowances continued to climb in 2023 and 2024, reaching a high of USD 41 in early 2024, as excitement around the Program Review led to bullish sentiment. However, increased involvement from financial investors heightened market volatility, with WCI allowance prices reacting to various global developments.

After exceeding USD 40 in early 2024, WCI allowances began a long decline through 2024, as California officials announced delays to the Program Review completion. This is despite Quebec officials indicating they are ready to finalize their own Program Review. California Program Review delays ultimately caused the WCI allowance to end in 2024 at USD 34, down 17% from their peak.

Prices continued to decline into 2025 as California announced further delays to the Program Review completion. Pressure was exacerbated with the release of an Executive Order by President Trump, targeting the operations of the California Cap-and-Trade program. Even though the Executive Order would not have any impact on the Quebec Cap-and-Trade program operations, the bigger position of California in the WCI-linked market led to a collapse in the WCI allowance price to the floor. This culminated in the May WCI auction settling at the floor, and not selling out for the first time in five years.

WCI allowance prices have since recovered somewhat, as California ramps up its effort to extend its Cap-and-Trade program beyond 2030. However, the threat of a federal action against the California Cap-and-Trade program has kept WCI allowance prices depressed. Thus, any developments in California will have a profound impact on WCI allowance prices, and ultimately impact the valued Quebec compliance entities will have to pay for allowances.



## USEFUL LINKS

[Program details, Quebec Environment and Climate Change Ministry](#)

[ICAP ETS Quebec Factsheet](#) (updated March 2023)

[2030 Plan for a Green Economy](#)

[Plan to fight against climate change](#)

[Use of Revenue](#)

## REFERENCES

Regulation respecting a cap-and-trade system for greenhouse gas emission allowances.

<https://www.environnement.gouv.qc.ca/changements/carbone/reglement-spede-en.pdf>

Information concerning the assessment of the cap-and-trade system for greenhouse gas emission allowances (C&T System).

<https://www.environnement.gouv.qc.ca/changements/carbone/avis-revision-spede-20241015-en.pdf>

Assessment of the Operating Parameters of the Cap-and-Trade System (C&T System).

<https://www.environnement.gouv.qc.ca/changementsclimatiques/evaluation-parametres-fonctionnement-spede-en.htm>

Regulation to amend the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere.

[https://www.environnement.gouv.qc.ca/air/declar\\_contaminants/consultation/reglement-mod202412-en.htm](https://www.environnement.gouv.qc.ca/air/declar_contaminants/consultation/reglement-mod202412-en.htm)

Seventh Opinion of the Advisory Committee on Climate Change.

<https://www.quebec.ca/nouvelles/actualites/details/septieme-avis-du-comite-consultatif-sur-les-changements-climatiques-bonifier-le-spede-pour-accroitre-son-effet-de-levier-en-faveur-de-la-decarbonation-en-profondeur-de-la-societe-quebecoise-57937>

Advisory Committee on Climate Change Québec. *Advisory Body Suggests Amendments to Québec's Cap-and-Trade Program*. <https://www.clearbluemarkets.com/knowledge-base/advisory-body-suggests-amendments-to-quebecs-cap-and-trade-program>

## AUTHORS

**Joey Hoekstra**

Analyst, IETA

Point of contact

**Lilly Flawn**

Policy Assistant, IETA

[flawn@ieta.org](mailto:flawn@ieta.org)

**Anop Pandey**

Senior Manager, Market Intelligence, ClearBlue Markets

[apandey@clearbluemarkets.com](mailto:apandey@clearbluemarkets.com)

**Jennifer Perron**

Senior Environmental Specialist, TC Energy

[jennifer\\_perron@tcenergy.com](mailto:jennifer_perron@tcenergy.com)

