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British Columbia's Carbon Market: Output-Based Pricing System (OBPS)

How are British Columbia’s emissions targets set?

British Columbia's OBPS carbon market must price CO_2e emissions for large industrial emitters at a level consistent with the Federal Government's benchmark carbon price schedule, while meeting per-unit emissions reduction targets set through product-specific performance standards. The Federal Government retains the authority to set national minimum carbon pricing standards – known as the "Federal Benchmark" – under the *Greenhouse Gas Pollution Pricing Act*, and provinces may implement their own equivalent systems so long as their stringency meets or exceeds that standard.

B.C. retains the right to design and administer its own carbon market and associated regulations, provided the carbon price and performance requirements align with federal minimums. Market targets may be changed by the provincial or federal government in power. The current emissions trajectory reflects the following goals:

- Canada's goal is to cut GHGs by 40-45% from 2005 levels by 2030 and achieve net-zero emissions by 2050.
- British Columbia's Climate Change Accountability Act sets a provincial target of a 40% reduction in emissions by 2030 and 80% by 2050 from 2007 levels.
- The compliance charge for CO_2e emissions above the per-unit emissions limit increases from CAD 80/tonne in 2024 to CAD 170/tonne by 2030, rising by CAD 15/tonne annually.
- The per-unit allowable emissions (production-weighted average emissions intensity) tighten at 1% per year for all regulated products.

British Columbia’s OBPS program is structured on an output-based system, meaning there is no hard cap on total emissions. It is theoretically possible for an operation to increase total emissions while still meeting its per-unit efficiency benchmark by growing production volumes. Effective April 1, 2025, BC's consumer carbon tax was eliminated, making OBPS the province's sole carbon pricing instrument for large industrial emitters.

How is the British Columbia Carbon Market managed?

The BC OBPS is governed by the B.C. Ministry of Energy and Climate Solutions under the *Greenhouse Gas Industrial Reporting and Control Act* (GGIRCA) and its associated regulations. The GGIRCA is administered through three key regulations:

- **Greenhouse Gas Emission Reporting Regulation (GGERR):** Sets out requirements for emissions reporting, verification, and compliance reports.
- **B.C. Carbon Registry Regulation (BCCRR):** Governs the creation, management, and transfer of compliance units in the BC Carbon Registry (BCCR).
- **Greenhouse Gas Emission Administrative Penalties and Appeals Regulation (GGEAPAR):** Sets out administrative penalties for non-compliance with GGIRCA and its regulations, and related appeal processes.

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Rather than administering the compliance unit market directly, the province relies on two integrated digital platforms to manage the market. The BC Industrial Emissions Reporting System (BCIERS) handles registration, annual reporting, compliance obligation assessment, and payments. The BC Carbon Registry (BCCR) enables the issuance, transfer, and retirement of compliance units, including earned credits and offset units. The BCCR is accessible to operators, offset project proponents, and voluntary general market participants, and all compliance unit transactions are conducted over-the-counter (OTC) between parties, not through a centralized exchange.

What are the nuances of the British Columbia Carbon Market?

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<tr><td>Who must participate?</td><td>BC OBPS regulations automatically apply to industrial facilities that produce a regulated product and emit 10,000 tCO_2e or more per year. Eligible regulated sectors include:
Oil & Gas (including upstream, midstream, and natural gas processing)
Petroleum Refineries
Cement Manufacturing
Chemical Manufacturing
Pulp and Paper
Metal Ore Mining, Copper Mining, and Critical Mineral Mining
Aluminum Smelting
Lead-Zinc Smelting
Lime Manufacturing
Wood Products
Gypsum Manufacturing
Steel Wire, Sugar Refining, Rendering, and Bituminous Coal
Facilities emitting under 10,000 tCO_2e per year that produce a regulated product are eligible to opt in, allowing them to access the same competitiveness support as larger regulated emitters in their sector. Certain industrial sectors are excluded from the BC OBPS despite having reporting requirements, including electricity import operations, energy utilities, greenhouse growers, and waste management and remediation services.

Reporting operations are disaggregated into two primary categories:
Single Facility Operations (SFOs): Industrial activities carried out at a single facility, such as a mine or pulp mill.
Linear Facilities Operations (LFOs): Oil and gas activities carried out across one or more (typically smaller) facilities controlled and directed by the same operator.</td></tr>
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How can your Facility Participate?	Facilities must obtain a Business BCeID and register for the BC OBPS through BCIERS to receive a B.C. OBPS Regulated Operation ID (BORO ID) for each operation. Registration must be completed before operations begin submitting compliance reports. Regulated operations must submit annually verified emissions and production data through BCIERS by May 31 of each year for the prior compliance period, with the compliance obligation deadline of November 30 of the same year. Link to Government of British Columbia OBPS details page here.
Emissions Reductions Targets	The BC OBPS sets operation-specific emissions limits calculated as follows: **Emission Limit = Annual Production * Reduction Factor * Production-Weighted Average Emissions Intensity (PWAEI)** Provincial production and emissions data from three years of the CIIP (2019–2021) were used to calculate the initial PWAEIs for each regulated product. Annual tightening rates ensure the targets become more stringent over time: • **Tightening Rate:** 1% per year applied to compliance emissions for all regulated products. • **Industrial Process Emissions Tightening Rate:** 0% - recognizing that process emissions (e.g., from cement calcination or aluminum smelting) are technically challenging to abate. Sector-specific reduction factors determine the percentage of emissions that are priced: • **65%** for most products • **80%** for copper mining and critical mineral mining • **85%** for lead-zinc smelting and critical mineral smelting/refining • **90%** for cement, chemical processing, and lime products • **95%** for aluminum smelting
Credit/Offset Pricing	The compliance charge (one of the compliance pathways available to facilities with excess emissions) is set at the Federal Benchmark carbon price, establishing the effective price ceiling for all compliance units traded in British Columbia's carbon market. Compliance charges (CAD/tCO_2e) begin at $80 for 2024 compliance, rising by $15 annual to $170 in 2030. Compliance units (earned credits and offset units) typically trade in the market at a discount to the compliance charge, as the charge functions as the price ceiling. Discounts may reflect: • Supply and demand balance for compliance units • Vintage eligibility constraints on offset units • Transaction volume and counterparty negotiations • Policy and protocol risk

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Compliance Pathways	Facilities can meet their full compliance obligation by ensuring their verified emissions remain at or below their annual emission limit, as calculated by the BCIERS Compliance Module. If a facility exceeds its emission limit, it must pay for the difference between actual emissions and the emission limit through a combination of: • Retirement of compliance units (earned credits and/or BC offset units) up to the annual Credit Usage Limit. The usage limit is set at 50% of total obligation for 2024 compliance, declining to 40% for 2025, then 30% for 2026 and onward. • Making a direct monetary payment to the B.C. government at the applicable compliance charge rate per tonne of CO_2e owed (minimum percentage that must be paid in cash increases as the credit usage limit decreases).
What are Credits and Offsets?	**Earned Credits** are produced when a regulated operation's verified emissions fall below its annual emission limit. Credits are issued at a rate of one credit per tonne of CO_2e below the limit, into the operator's BCCR holding account. Earned credits **do not expire** and can be held for future compliance use, transferred to other BCCR account holders, or sold on the open market. **Offset Units** represent verified emission reductions or removals generated from approved B.C. carbon offset projects. Unlike earned credits, offset units have vintage eligibility restrictions: an offset unit can only be used for compliance if its vintage year is **within three years prior to the start of the compliance period**.
Terms & Conditions / Liability	Third-party verification of the Annual Report is mandatory for all regulated operations regardless of emissions volume. Reporting operations that are not regulated but emit 25,000 tCO_2e or more annually must also have their Annual Report verified. Automatic administrative penalties begin accruing on December 1 for any unmet compliance obligations after the November 30 deadline, calculated at **0.38% of the outstanding dollar value per complete day, compounded daily**, up to a maximum of **3× the unmet compliance obligation**. Imposed administrative penalties (discretionary) can be issued by the Director for other forms of non-compliance, such as failure to submit reports or inaccurate reporting: • Maximum penalty of **$1,000,000** for contraventions related to failure to register, submit emissions reports, submit compliance reports, or comply with inspection orders. • Maximum penalty of **$100,000** for contraventions related to offset project record retention or registration non-compliance. • Continuing contraventions may attract separate daily penalties up to the maximum for each day the contravention continues.

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	• An additional penalty of up to 10% of the outstanding balance per 30-day period may be imposed for unpaid administrative penalties. All penalties and decisions are subject to appeal to the **Environmental Appeal Board**. Operators must retain all compliance records for a minimum of **7 years**.
Was there a different Carbon Market system in British Columbia before 2024?	The BC OBPS replaced the **CleanBC Industrial Incentive Program (CIIP)**, which was in place from 2019 through Q1 2024. The CIIP was a rebate-based incentive program rather than a true output-based pricing system – industrial facilities paid the carbon tax upfront on all fuel purchases and received a partial rebate based on how their emissions intensity compared to a world-leading benchmark. Under the CIIP, high performers received a larger rebate, but facilities could not generate tradeable credits or carry forward reductions for future compliance use. The OBPS fundamentally changes this model: rather than paying upfront and receiving a rebate, regulated operations are **exempt from paying the carbon tax on facility-use fuels** and instead pay only on emissions that exceed their operation-specific limit. The shift creates an intensity-based compliance framework where outperformers can **earn and sell credits**, and underperformers can **purchase compliance units** rather than simply incurring higher tax costs. The **CleanBC Industry Fund (CIF)** continues to operate alongside the OBPS, supporting the development, trial, and deployment of GHG reduction projects at large industrial operations through funded streams including emissions performance, innovation acceleration, industrial electrification, and feasibility studies.