

# B.C. Implements New Output-Based Pricing System For Carbon Emissions



Recently, British Columbia made changes to its industrial greenhouse gas emissions regime by implementing a mandatory carbon emissions output-based pricing system (OBPS) for major industrial operations. The OBPS replaces the CleanBC Industrial Incentive Program (CIIP).

The OBPS is intended to reduce industrial greenhouse gases to meet B.C.'s climate goals set out in the [CleanBC Roadmap to 2030](#), while meeting the national standards.

## Background

B.C. first implemented a carbon tax under the [Carbon Tax Act](#) in 2008. The tax started at C\$10 per tonne of carbon dioxide equivalent (tCO<sub>2</sub>e), was raised to C\$40 in 2020 and increased to C\$80 on April 1, 2024. It will increase to C\$170 by 2030.

In 2019, B.C. implemented the CIIP, which created incentives for large industrial greenhouse gas emitters to reduce the carbon intensity of their emissions. Eligible operations, which were those emitting greenhouse gases equivalent to 10,000 tCO<sub>2</sub>e or more in specific industries, could reduce the carbon tax paid based on performance against an emissions intensity benchmark by industry. The CIIP was implemented in

response to concerns about industry competitiveness relative to other jurisdictions.

## The New System

The OBPS replaces the CIIP and moves B.C.'s industrial emissions regime from a pure tax regime to one of emissions pricing based on performance and output. The new regime is designed to meet the federal output-based pricing system, which applies to provinces and territories that do not otherwise have an equivalent carbon pricing regime (see [Blakes Bulletin: Canada's Greenhouse Gas Offset Credit Regulations: Now in Force](#)).

The OBPS applies to industrial facilities emitting 10,000 tCO<sub>2</sub>e or more per year and making listed products (referred to as regulated products). Industrial facilities emitting less than that amount may join the OBPS.

The OBPS distinguishes between reporting operations and regulated operations. A reporting operation is a facility that has to report its emissions because it produces 10,000 tCO<sub>2</sub>e or more per year, pursuant to the *Greenhouse Gas Industrial Reporting and Control Act*. Reporting operations must still pay the carbon tax on fuel and combustibles.

Certain industries are excluded from the OBPS but are still reporting operations – for example, electricity import operations and waste management. The OBPS includes minor changes to the reporting requirements for greenhouse gas emissions, which apply to both reporting operations and regulated operations.

A regulated operation is one that produces 10,000 tCO<sub>2</sub>e or more per year and produces a regulated product. Examples of regulated products include liquified natural gas, coal, copper, certain pulp and paper products, renewable diesel, aluminum, lumber, plywood and wood pellets. Regulated

operations are subject to the OBPS and do not pay the carbon tax on fuel and combustibles. Instead, regulated operations are subject to an annual operation-specific emissions limit. They are taxed on emissions above their annual limit and earn credits if they are below their emissions limit. Credits can be traded or used for future compliance obligations. Some emissions from the combustion of specific fuels must be reported but are not subject to the emissions limit in the OBPS.

The operation-specific emissions limit is based on the amount of product generated by the year for that operation, the percentage of priced emissions for a specific product and the total emissions of the product divided by the total production amount of the product. The OBPS becomes more stringent over time by applying a tightening rate to all emissions, except for industrial process emissions.

Industrial facilities that are subject to the OBPS must apply for an exemption from the carbon tax that would otherwise apply to their purchase of facility-use fuels and combustibles. The first step is to register for a Business BCeID, which can be done through the [BCeID website](#). The next step is to register for the OBPS by obtaining a B.C. OBPS Regulated Operation ID (BORO ID) for each of the operations through the B.C. Industrial Emissions Reporting System (BCIERS) by logging in using the BCeID. Finally, the operator must complete a [Certificate of Exemption – B.C. Output-Based Pricing System Registrants](#), available on the Government website, and provide it to the seller at or before the time of purchase.

The OBPS includes incentives for the use of certain renewable fuels such as biodiesel, renewable diesel, landfill gas and renewable natural gas. These incentives may not apply to certain fuels that are subsidized under the *Low Carbon Fuels Act*.

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