# British Columbia Launches New Output Based Pricing System

It’s not an April Fool’s joke. British Columbia new Output-Based Pricing System (OBPS) officially takes effect on April 1, 2024. Here’s a high-level briefing on the new system and what OHS and EHS coordinators at companies will need to know to make the transition from the former CleanBC Industrial Incentive Program (CIIP) carbon pricing system to OBPS.

## Carbon Pricing Systems in BC

Many of the world’s industrialized countries have implemented systems charging companies a levy or tax based on how much greenhouse gas (GHG) they emit. In 2008, BC became the first province in Canada to adopt a GHG emissions tax when it began charging operators $10 per ton of carbon dioxide equivalent, a rate that increased $5 per year before reaching $30 in 2012. In 2019, the province rolled out the CIIP allowing large industrial emitters to lower their carbon tax by demonstrating that they were among the lowest of emitters in their segment.

The same year the CIIP took effect, the Canadian Government In 2019, established national stringency standards, aka, the federal “benchmark” minimums that all systems must meet to ensure geographical uniformity and effectiveness in reducing GHG emissions. Two years later, the province initiated review of the CIIP to better align with the federal benchmark as part of a broader CleanBC Roadmap climate change plan designed to cut emissions 40% by 2030. In 2023, it announced changes to its GHG emissions pricing methods setting the stage for the transition from CIIP to the new OBPS.

## Who the OBPS Covers

The OBPS covers large emitters in BC that produce certain industrial products that are regulated under a law called the *Greenhouse Gas Industrial Reporting and Control Act* (GGIRCA) and that emit greater than or equal to 10,000 tons of carbon dioxide equivalent per year.

Companies may also participate in the OBPS voluntarily by applying to the Director of GGIRCA for designation as an "opted-in" operation. Opted-in companies may also seek permission from the Director to opt out later.

## How the OBPS Works

Rather than levying a tax on GHG emissions the way the CIIP did, the OBPS will use a performance-based approach in which large emitters must meet annual facility-specific emissions targets that get stricter each year. Companies that reduce emissions below their target level will earn credits that they can sell to other emitters or save for future use. Companies that miss their facilities targets must offset their excess emissions either by using saved or new credits purchased from other companies, or paying a per ton price at the fixed annual amount, which for 2024 is $80 per ton of carbon dioxide equivalent and which steadily rises to $170 in 2030.

Annual emissions limits will be calculated on the basis of a formula:

> *Emission Limit per Product = Annual Production × Reduction Factor × Production Weighted Average Emissions Intensity*

- **Annual Production** is the amount of product generated during the year;
- **Reduction Factor** is the percentage of priced emissions for a specific product, which is 65% for most products but higher for others higher-emitting activities, including copper mining (80%), lead-zinc smelting (85%), cement, chemical processing and lime products (90%) and aluminum smelting (95%); and
- **Production Weighted Average Emissions Intensity** is the total emissions of the product divided by the total production amount of the product.

# OBPS Reporting Obligations

The OBPS also includes reporting obligations. Operators of what are called reporting operations must submit an annual emission report listing detailed information about their industrial production, manufacturing, processing and refining, including the source types of GHG emissions from each of these activities.

In addition, operators of so-called regulated operations must also submit an annual compliance report providing detailed information the Director can use to assess whether they're compliant with OBPS requirements. The compliance report must be verified by a third-party verification body.