FACT SHEET

Five things to know about Canada's industrial carbon pricing systems

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Industrial carbon pricing is Canada's most important policy for cutting carbon pollution and creating a competitive clean economy. According to research from the Canadian Climate Institute, Canada's carbon pricing systems—also called large-emitter trading systems (LETS)—will do more than any other policy to cut greenhouse gas emissions between now and 2030.

Under federal law, every province and territory in Canada can develop their own carbon pricing system for large emitters, or have a federal system put in place, known as the backstop. Binding these systems together is a set of minimum national standards for carbon pricing, known as the federal benchmark.

Industrial carbon pricing supports competitiveness. It helps Canadian firms attract investment for emissions-reduction projects. Firms that reduce emissions can generate credits they can trade for cash, helping them compete for international capital at lower cost to governments than subsidies, such as those provided under the Inflation Reduction Act in the United States.

Here are five things to know about industrial carbon pricing systems in Canada:

1. **Industrial carbon pricing systems are the single biggest driver of emissions reductions in Canada by 2030.**
    - The Canadian Climate Institute worked with Navius Research to test the effectiveness of different Canadian climate policies and projected their impacts on reducing emissions.
    - The Institute's analysis found that industrial carbon pricing systems will be responsible for between 20 and 48 per cent of Canada's emissions reductions in 2030, more than any other single policy.
    - Industrial carbon pricing has already helped reduce Canada's emissions:

        - For example, Alberta's phase out of coal-fired electricity and reductions of coal use in the maritimes were accelerated by provincial industrial carbon pricing.

2. **Industrial carbon pricing costs Canadian consumers next to nothing.**
    - The Institute's research shows that Canada's industrial carbon pricing systems have essentially no impact on households.
    - Specifically, the Institute's research found that industrial carbon pricing systems have an average impact of around zero per cent on household consumption in 2025 (with even small net benefits for some consumers) and are projected to reach just a tenth of a per cent in 2030.
        - This is because these systems have been designed to keep costs low for industry and largely apply to export products that are purchased by consumers in other countries.

3. **Industrial carbon pricing can deliver big emissions cuts at a low cost to industry—and some can even profit.**
    - Industrial carbon pricing is designed to contain costs: industries only pay for emissions that exceed a specified limit, and if they outperform the limit they earn credits that they can sell for cash.
    - On average, industries pay around $8.40 or less per tonne of emissions, even with a carbon price of $80 per tonne).
    - That works out to roughly 30 cents per barrel—or the cost of a Timbit—on average, which is the highest-impact scenario. Average costs for other industries are even lower, and some can profit from industrial carbon pricing.
    - Industrial carbon pricing also helps protect Canadian firms from carbon tariffs that some regions impose on countries without carbon pricing systems, as the European Union and the UK are doing.

4. **Cancelling industrial carbon pricing would destroy billions in assets.**
    - Companies hold credits that would lose their value if the systems were removed or weakened: in Alberta alone, these credits are worth $5 billion at 2024 carbon prices.
    - Companies have also made investments banking on the existence of industrial carbon pricing. Around $4.3 billion in annual clean energy investment is linked directly to the existence of these systems.
    - The cancellation of large-emitter trading systems would mean emissions-reducing projects that were counting on being able to generate saleable performance credits would be at risk.
        - Among the projects that would generate these credits are a $9 billion carbon-neutral petrochemicals facility outside Edmonton,

$2.7 billion worth of upgrades to Ontario steel mills in Algoma and Hamilton, and a $1.4 billion low-carbon cement plant in Alberta.

5. **Provinces and territories have their own systems, but federal standards have made the systems work better together**
    - Most provinces have their own industrial carbon pricing systems, but they all have to follow minimum standards set by the federal government
    - The Institute's research shows that those standards have made the various industrial carbon pricing systems across Canada more effective and better aligned with each other.
    - Greater harmonization between industrial pricing systems helps reduce costs for industry and avoids creating additional interprovincial trade barriers.

Resources

- Explainer | Industrial Carbon Pricing
- Media Backgrounder | About Carbon Pricing in Canada
- Explainer | The differences between industrial and consumer carbon pricing
- Insight | New analysis shows how Canada's industrial carbon pricing protects competitiveness and profitability
- Insight | Industrial carbon pricing has negligible impacts on household costs—and in some cases is a benefit
- Blog| How large-emitter trading systems keep Canada's exporters competitive