



The Policy regarding voluntary participation in the Output-Based Pricing System



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Purpose

Under section 172 of the *Greenhouse Gas Pollution Pricing Act* (GGPPA), a person responsible for a facility may request that the facility be designated as a covered facility under the GGPPA. Each application will be assessed on its merits and on a case-by-case basis. This policy outlines the considerations the Minister will take into account when making such a designation. It also outlines the procedures that the person responsible for such facilities is to follow when requesting such a designation.

The aim of this policy is to minimize competitiveness and carbon leakage risks from the exposure of a sector to the federal fuel charge (under Part 1 of the GGPPA), while retaining a price signal on carbon pollution that creates an incentive to reduce greenhouse gas emissions.

This policy does not apply to facilities that meet the criteria in section 8 of the *Output-Based Pricing System Regulations* (OBPS Regulations). Persons responsible for these facilities are required under the GGPPA to apply to register these facilities as covered facilities.

Definitions

For the purposes of this policy, **facility** has the same meaning as under the OBPS Regulations.

Schedule 1 activity means an industrial activity listed in column 1 of Schedule 1 to the OBPS Regulations.

For the purposes of this policy, **additional industrial activity** has the same meaning as under the OBPS Regulations.

The **date of first production** means either:

- a. the date on which the facility first produces a product; or
- b. the date on which the facility starts producing a product resulting from being engaged in a Schedule 1 or an additional industrial activity after a major retrofit has occurred; or
- c. the date on which the facility resumes the production of a product from a Schedule 1 activity or an additional industrial activity after an expansion has occurred.

A **new** facility is a facility whose date of first production is in the previous three years. In determining the date of first production for a new facility, all industrial activities the facility is currently or was previously engaged in should be taken into account.

A **major retrofit** has occurred if the facility ceases being engaged in a Schedule 1 activity or additional industrial activity as its primary activity. Instead, the primary activity is a different Schedule 1 activity or additional industrial activity.

An **expansion** has occurred when a facility has increased its production from a Schedule 1 activity or additional industrial activity by 25% or more.

Designation as a covered facility

The Minister will take into account the following considerations when making a decision regarding the designation of a facility as a covered facility:

Section A: Facilities that have reported emissions of 10 kt of CO₂e or more

1. The facility is located in a province or area set out in Part 2 of Schedule 1 to the GGPPA;
2. The facility is engaged in:
 - a. any of the industrial activities set out in column 1 of Schedule 1 to the OBPS Regulations;
 - b. any of the additional industrial activities on the [List of recognized additional industrial activities under the Output-Based Pricing System](#);
3. A report was made, in accordance with a Notice with respect to reporting of greenhouse gases (GHGs) published under section 46 of the *Canadian Environmental Protection Act, 1999*, in respect of that facility indicating that that facility emitted a quantity of greenhouse gases equal to 10 kilotonnes of carbon dioxide equivalent (kt of CO₂e) or more, as one or more facilities as defined in such a notice, during the 2017 calendar year or after; and
4. A complete application to designate the facility as a covered facility in the Output-Based Pricing System (OBPS) is submitted in respect of the facility in the form and manner determined by the Minister. The application must be made by a person responsible for that facility.¹

Section B: New, retrofitted or expanded facilities that are projected to emit 10 kt of CO₂e or more

1. The facility is located in a province or area set out in Part 2 of Schedule 1 to the GGPPA;
2. The facility is engaged in:
 - a. any of the activities set out in column 1 of Schedule 1 to the OBPS Regulations;
 - b. any of the additional industrial activities on the [List of recognized additional industrial activities under the Output-Based Pricing System](#);
3. No report on greenhouse gas emissions from the facility was required under a previous Notice with respect to reporting of greenhouse gases (GHGs) published under section 46 of the *Canadian Environmental Protection Act, 1999*, and it:
 - a. is a new facility,
 - b. has undergone a major retrofit in the past three years, or
 - c. has undergone an expansion in the past three years;
4. The person responsible for the facility submits as part of its application to designate the facility as a covered facility in the OBPS estimates, bearing a valid engineering stamp and signature of

¹ For the purpose of section 172 of the Act, the person responsible for the facility is the person who owns the facility or who is otherwise responsible for the facility, including the person who has the charge, management or control of or is the true decision maker with respect to the operations of the facility.

an engineer in accordance with the law of a province or territory that governs the practice of professional engineering, that demonstrate the facility is projected to emit 10 kt of CO₂e or more in any of the 3 calendar years following the date of first production. Such estimates should be consistent with currently recognized industry practices for the quantification of emissions; and

5. A complete application to designate the facility as a covered facility in the OBPS is submitted in respect of the facility in the form and manner determined by the Minister. The application must be made by a person responsible for that facility.

Timing

A person responsible for a facility must submit a complete application to designate the facility as a covered facility in the OBPS by July 15 of a calendar year. The compliance period begins on January 1 of the calendar year following the calendar year in which the facility was designated as a covered facility.

Notification of decision

A person responsible for a facility that makes an application under this policy will receive a notification indicating the decision regarding their request to have their facility designated as a covered facility.

This policy comes into effect on January 1, 2024.

This policy may be amended from time to time.