

# ***Greenhouse Gas Pollution Pricing Act***

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**Annual Report 2023**



Environment and  
Climate Change Canada

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# 1. Preface

On March 14, 2025, the federal government announced its intention to refocus federal carbon pollution pricing requirements on ensuring carbon pricing systems are in place across Canada on a broad range of greenhouse gas emissions from industry. The Government of Canada made regulations that ceased the application of the federal fuel charge, effective April 1, 2025, and removed requirement for provinces and territories to have a consumer-facing carbon price in place as of that date. The federal government also announced a final Canada Carbon Rebate (CCR) payment to households to be made in April 2025.

For more information about these changes, please see:

- ▶ [Canada Gazette, Part 2, Volume 159, Extra Number 2: Regulations Amending Schedule 2 to the Greenhouse Gas Pollution Pricing Act and the Fuel Charge Regulations: SOR/2025-107](#);
- ▶ [Removing the consumer carbon price, effective April 1, 2025](#); and
- ▶ [Update to the Pan-Canadian Approach to Carbon Pollution Pricing 2023-2030](#).

This annual report covers a period during which the fuel charge was still in place.

## 2. Introduction

This fifth annual report fulfills the Minister of the Environment's obligation, under section 270 of the GGPPA, to report on the administration of the [GGPPA](#).

- ▶ For the purpose of Part 1 of the GGPPA, the reporting period covered by this report is April 1, 2023 to March 31, 2024.
- ▶ For the purpose of Part 2 of the GGPPA, the reporting period is the 2023 calendar year (January 1 to December 31, 2023).

### 2.1 Carbon Pollution Pricing

The purpose of the GGPPA is to reduce greenhouse gas (GHG) emissions by ensuring that carbon pollution pricing applies broadly throughout Canada. The Act establishes the framework for and implements the federal carbon pollution pricing system.

In 2023-2024, the federal system consisted of two main parts, which applied in whole or in part in a province or territory.

#### Under Part 1 of the Act

##### [Fuel Charge](#)

- ▶ regulatory charge on fossil fuels administered by the Canada Revenue Agency (CRA), that applies to fossil fuel producers and distributors.

#### Under Part 2 of the Act

##### [Output-Based Pricing System \(OBPS\)](#)

- ▶ regulatory trading system for industry administered by Environment and Climate Change Canada (ECCC) through the [Output-Based Pricing System Regulations](#) (OBPS Regulations).

## Canada's Greenhouse Gas Offset Credit System

- ▶ system that provides an incentive to undertake projects that reduce GHG emissions or increase removals from the atmosphere compared to business-as-usual practices by generating federal offset credits that can be used for compliance under the OBPS. The system is administered by ECCC through the [Canadian Greenhouse Gas Offset Credit System Regulations](#) and applicable federal offset protocols.

The federal government sets minimum national stringency standards (the federal 'benchmark'), that all carbon pollution pricing systems in Canada must meet. The [original benchmark and associated guidance](#) applied to systems for the 2019-2022 compliance years. The criteria were updated for the 2023-2030 period in "[The Update to the Pan-Canadian Approach to Carbon Pollution Pricing 2023-2030](#)"<sup>1</sup>

If a province or territory decides not to price carbon pollution or proposes a system that does not meet these standards, the federal system is put in place. This ensures consistency and fairness for all Canadians. Jurisdictions in which the federal carbon pollution pricing system applies, in whole or in part, are referred to as "backstop jurisdictions". In jurisdictions where the federal fuel charge applied alongside a provincial or territorial output-based pricing system in 2023-2024, owners and operators of facilities subject to those systems were eligible for certain exemptions from the federal fuel charge (Fuel Charge Relief described in [Section 3.1.2](#)).

Figure 1. Map of federal, provincial, and territorial pricing in 2023

### Carbon Pollution Pricing Across Canada



<sup>1</sup> On March 14, 2025, the federal government announced it would refocus the federal 'benchmark' to ensure carbon pricing systems are in place across Canada on a broad range of greenhouse gas emissions from industry, and removed the requirement for provinces and territories to have a consumer-facing carbon price in place. It also indicated it would engage provinces, territories, Indigenous peoples and stakeholders on changes to the benchmark criteria. In the interim, all existing industrial carbon pricing systems that aligned with the benchmark as of March 2025 are anticipated to continue to be sufficiently stringent if no significant design changes are made.

## 3. Part 1 – Fuel Charge

### 3.1 Overview of the Federal Fuel Charge

Part 1 of GGPPA establishes a fuel charge, which is a regulatory charge on fossil fuels. It is generally paid by fuel producers and fuel distributors in backstop jurisdictions. The federal fuel charge is under the purview of the Minister of Finance and is administered by the CRA.

In 2023-2024, the fuel charge applied to 21 fossil fuels including gasoline, light fuel oil (e.g., diesel), and natural gas. It also applied to combustible waste, which includes tires and asphalt shingles. The following table indicates the rates of federal fuel charge on select fuels from fiscal years 2020-2021 to 2024-2025. The rates for gasoline and light fuel oil take into account the average renewable content of these fuels.

Table 1. Rates of the federal fuel charge on select fuels from 2020-2021 to 2024-2025

Fuel Type	Unit (\$ per)	2020-2021 (\$30/tonne)	2021-2022 (\$40/tonne)	2022-2023 (\$50/tonne)	2023-2024 (\$65/tonne)	2024-2025 (\$80/tonne)
Gasoline	litre	0.0663	0.0884	0.1105	0.1431	0.1761
Light fuel oil (e.g. diesel)	litre	0.0805	0.1073	0.1341	0.1738	0.2139
Propane	litre	0.0464	0.0619	0.0774	0.1006	0.1238
Marketable natural gas	cubic metre	0.0587	0.0783	0.0979	0.1239	0.1525

[More rates of the federal fuel charge are available online.](#)

#### 3.1.1 Where the Federal Fuel Charge Applied in 2023-2024

In 2023-2024, the federal fuel charge continued to apply in Ontario, Manitoba, Saskatchewan, Alberta, Yukon, and Nunavut, as listed in Part 1 of Schedule 1 to the Act. Starting July 1, 2023, the federal fuel charge also applied in Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island.

#### 3.1.2 Fuel Charge Relief

The Government recognized that certain groups or sectors needed targeted relief from the fuel charge because of the small number of alternative options they may have in the face of carbon pollution pricing. Groups eligible for targeted relief included farmers, fishers, greenhouse operators, remote power plant operators, OBPS covered facilities, and users of aviation fuel in the territories. Relief from the fuel charge was also available for [certain facilities](#) subject to certain provincial carbon pricing systems for industry. Generally, fuel charge relief was provided upfront through exemption certificates, when certain conditions are met.

In 2023, the federal fuel charge continued to apply alongside provincial carbon pricing systems for industry in Alberta, Saskatchewan and Ontario, and, beginning July 1, 2023, in New Brunswick, Newfoundland and Labrador and Nova Scotia.

Effective November 9, 2023, the fuel charge was temporarily paused on deliveries of heating oil. This temporary pause is part of a suite of measures aimed at lowering energy bills for Canadians and to provide additional time and support to help Canadians transition to cleaner energy technologies.

## 3.2 Return of Fuel Charge Proceeds

For the 2023-2024 fuel charge year, which began in April 2023, the Government of Canada returned fuel charge proceeds as follows:

- ▶ Directly to the governments of those jurisdictions that chose to adopt the federal system (Yukon and Nunavut).
- ▶ In those jurisdictions that did not meet the federal benchmark (Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador):
  - The bulk of the fuel charge proceeds were returned directly to individuals and families through the Canada Carbon Rebate (CCR, previously known as Climate Action Incentive payments) ([see 3.2.1](#));
  - A portion of the remaining proceeds was returned to farming businesses operating in these jurisdictions via the Return of Fuel Charge Proceeds to Farmers Tax Credit ([see 3.2.2](#));
  - A portion of the remaining proceeds is being returned to Indigenous governments via the Fuel Charge Proceeds Fund for Indigenous Governments ([see 3.2.4](#)); and
  - The remainder is being returned through the Canada Carbon Rebate for Small Businesses ([see 3.2.3](#)).

### 3.2.1 Canada Carbon Rebate<sup>2</sup>

For the 2023-2024 fuel charge year, in provinces where the federal backstop system applies, 90% of fuel charge proceeds are returned to households in these provinces through quarterly CCR payments. Most households received more in CCR payments than the costs they face from the federal carbon pollution pricing system, with low- and middle-income families benefiting the most.

For 2023-2024, eligible residents of provinces where the federal fuel charge applies (i.e., Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, Saskatchewan and Alberta) who filed their 2022 personal income tax returns received the CCR for their family through direct deposit or cheque. In the Atlantic provinces, the fuel charge came into effect as of July 1, 2023, partway through the fuel charge year, such that total proceeds, and, therefore, CCR amounts in those provinces for 2023-2024 were less than they would have been for a full year (for reference, [see Table 2](#)).

CCR payments are based on family composition and province of residence; they are not based on a family's fuel consumption. For 2023-2024, a 10% rural supplement was also available to eligible individuals and families residing in small or rural communities, in recognition of their increased energy needs and reduced access to clean transportation options. The government increased the rural supplement to 20% as of April 2024. The following table presents the base CCR amounts for the 2023-2024 fuel charge year.

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<sup>2</sup> On March 14, 2025, the federal government announced that, given the removal of the consumer-facing carbon price, the final CCR payments to households would be made in April 2025.

Table 2. Annual base CCR amounts in 2023-2024 (based on 2022 personal income tax returns)

Provinces	Categories			
	Single adult, or first adult in a couple	Second adult in a couple, or first child of a single parent	Each child under 18 (starting with the second child for single parents)	Example: Total amount for family of 4
Alberta	\$772	\$386	\$193	\$1,544
Saskatchewan	\$680	\$340	\$170	\$1,360
Manitoba	\$528	\$264	\$132	\$1,056
Ontario	\$488	\$244	\$122	\$976
New Brunswick	\$276	\$138	\$69	\$552
Nova Scotia	\$372	\$186	\$93	\$744
Prince Edward Island	\$360	\$180	\$90	\$720
Newfoundland and Labrador	\$492	\$246	\$123	\$984

**Notes:** (1) Payment amounts vary by province of residence given that different levels of proceeds are generated in each affected jurisdiction, and the impacts of carbon pollution pricing on households differ. These variations are an outcome of the different types and quantities of fuels consumed in different provinces. (2) Residents of Newfoundland and Labrador, New Brunswick, Nova Scotia, and Prince Edward Island are not eligible for an April 2023 payment because the federal fuel charge only began to apply in these provinces as of July 1, 2023. For these provinces, the annual amounts reflect three quarterly payments. (3) These amounts do not include the 10% supplement for eligible residents of small and rural communities, except for residents of Prince Edward Island. As all PEI residents live in small and rural communities, the rural supplement is effectively reflected in the base amount.

CCR amounts are specified before the fuel charge year and reflect increases in the price on carbon pollution under the federal backstop system, updated estimates of proceeds being generated in each jurisdiction, and adjustments from previous years.

Therefore, the amounts being returned to individuals and families through these payments are based on estimated proceeds. As actual proceeds and the total amount of proceeds returned in a specific jurisdiction through CCRs may differ from estimated levels, adjustments are made through changes in future CCR amounts. This ensures that direct proceeds are fully returned to the jurisdiction of origin over time.

### 3.2.2 Return of Fuel Charge Proceeds to Farmers<sup>3</sup>

Recognizing that many farmers use natural gas and propane in their operations, the Government implemented a refundable tax credit to return fuel charge proceeds to farming businesses that operate in backstop jurisdictions, starting for the 2021-2022 fuel charge year.

For the 2021-2022 and 2022-2023 fuel charge years respectively, in the Economic and Fiscal Update 2021, the Minister of Finance specified the payment rates of \$1.47 per \$1,000 in eligible farming expenses in 2021, and \$1.73 per \$1,000 in eligible farming expenses in 2022.

Table 3 summarizes the proceeds returned to farmers via the Return of Fuel Charge Proceeds to Farmers Tax Credit with respect to the 2021-2022 and 2022-2023 fuel charge years. Information on the amounts returned with respect to the 2023-2024 fuel charge year is expected to be included in the 2024 annual report when more complete administrative data are available.

<sup>3</sup> On March 22, 2025, the federal government announced that, given the removal of the consumer-facing carbon price, the final tax credit available to eligible farming businesses will be in respect of the 2024-2025 fuel charge year.

**Table 3. Return of Fuel Charge Proceeds to Farmers Tax Credit Amounts for 2021-2022 and 2022-2023 (\$ millions)**

	Ontario	Manitoba	Saskatchewan	Alberta
<b>2021-2022</b>	19.5	8.5	15.4	22.4
<b>2022-2023</b>	33.5	14.5	37.4	42.0

**Notes:** Farmers Tax Credit amounts are based on tax administrative data with calculations by Finance Canada.

The total amount to be returned is generally equal to the estimated fuel charge proceeds from farm use of propane and natural gas in heating and drying activities in fuel charge provinces. These estimates reflect increases in the price on carbon pollution under the federal backstop system and updated estimates of proceeds being generated and distributed in each jurisdiction.

### 3.2.3 Canada Carbon Rebate for Small Businesses<sup>4</sup>

Budget 2024 announced that proceeds from the 2019-2020 through 2023-2024 fuel charge years will be returned to approximately 600,000 businesses with 499 or fewer employees through the CCR for Small Businesses. Rebates in respect of the 2019-2020 to 2023-2024 fuel charge years will not be taxable. Fuel charge proceeds are being returned to eligible corporations automatically through direct payments from the CRA made separately from corporation income tax refunds. The CRA determines and automatically issues the rebate amounts to eligible businesses.

The table below sets out the specified amounts available to be returned to small- and medium-sized businesses.

**Table 4. Amounts to be returned to small- and medium-sized businesses by jurisdiction (2019-2020 to 2024-2025) (\$ millions)**

Jurisdictions	2019-2020*	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
<b>Alberta</b>	n/a	159.2	142.1	179.5	237.4	159.5	877.7
<b>Saskatchewan</b>	27.0	64.7	61.9	82.3	64.7	42.0	342.6
<b>Manitoba</b>	13.2	27.0	22.4	28.3	53.0	34.3	178.2
<b>Ontario</b>	81.4	205.9	239.7	299.9	509.3	338.6	1674.8
<b>New Brunswick</b>	n/a	n/a	n/a	n/a	17.1	13.4	30.5
<b>Nova Scotia</b>	n/a	n/a	n/a	n/a	28.5	18.3	46.8
<b>Prince Edward Island</b>	n/a	n/a	n/a	n/a	4.4	2.9	7.3
<b>Newfoundland and Labrador</b>	n/a	n/a	n/a	n/a	20.1	14.1	34.2
<b>Total</b>	121.6	456.8	466.1	590.0	934.5	623.1	3,192.1

**Notes:** The table reflects the specification of the Minister of Finance announced on November 22, 2022, and updated on June 30, 2023, and a further specification on February 16, 2024.

\*This column includes the remaining 2019-2020 proceeds that have not yet been disbursed through previous federal programming.

<sup>4</sup> On March 22, 2025, the federal government announced that, given the removal of the consumer-facing carbon price, the final tax credit available to eligible small- and medium-sized businesses will be in respect of the 2024-2025 fuel charge year. This refundable tax credit started to deliver over \$2.5 billion directly to small- and medium-sized businesses on November 25, 2024. It was also announced that the rebates in respect of the 2019-2020 to 2023-2024 fuel charge years would not be taxable.

### 3.2.4 Support for Indigenous Communities

In provinces where the fuel charge was in place prior to April 1, 2025, a portion of fuel charge proceeds from the price on pollution is being returned to eligible federally recognized Indigenous governments by Environment and Climate Change Canada (ECCC) through grant agreements delivered by the [Fuel Charge Proceeds Fund for Indigenous Governments](#) (FCPFIG).<sup>5</sup> The FCPFIG offers maximum flexibility for eligible First Nations, Inuit, and Métis governments to manage and use their share of fuel charge proceeds towards self-determined priorities.

The share of fuel charge proceeds allocated to Indigenous governments for 2020-2021 to 2023-2024 is 1% of direct fuel charge proceeds and doubled to 2% of direct for 2024-2025. ECCC is also advancing an approach that recognizes the distinct needs and interests of First Nations, Inuit, and Métis. The solutions will enable the return of proceeds collected from 2020-2021 to 2024-2025 in Alberta, Saskatchewan, Manitoba, and Ontario, and for proceeds collected from 2023-2024 to 2024-2025 in Prince Edward Island, Nova Scotia, Newfoundland and Labrador, and New Brunswick. These provinces were added to the list of federal backstop jurisdictions effective July 2023. The table below sets out the specified amounts available to be returned to Indigenous governments by ECCC.

**Table 5. Specified amounts to be returned to Indigenous governments by ECCC, by specified province (2020-2021 to 2023-2024) (\$ millions)**

Jurisdictions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
<b>Alberta</b>	11.7	16.9	21.0	26.4	63.8	139.8
<b>Saskatchewan</b>	3.3	4.6	5.8	7.2	16.8	37.7
<b>Manitoba</b>	2.6	3.7	4.7	5.9	13.7	30.6
<b>Ontario</b>	24.9	34.9	44.2	56.6	135.5	296.1
<b>New Brunswick</b>	n/a	n/a	n/a	1.9	5.4	7.3
<b>Nova Scotia</b>	n/a	n/a	n/a	3.2	7.3	10.5
<b>Prince Edward Island</b>	n/a	n/a	n/a	0.49	1.2	1.69
<b>Newfoundland and Labrador</b>	n/a	n/a	n/a	2.2	5.6	7.8
<b>Total</b>	42.5	60.1	75.7	103.89	249.3	531.49

**Notes:** These amounts will be returned to Indigenous governments—including First Nations, Inuit, and Métis governments—in provinces and territories where federal programming is in effect.

In Nunavut and Yukon, all proceeds from the federal pollution pricing system are returned directly to the territorial governments.

As the Atlantic provinces joined the federal pollution pricing backstop in 2023, Indigenous governments in those provinces receive proceeds starting with the 2023-2024 fuel charge year.

<sup>5</sup> Following the removal of the federal fuel charge effective April 1, 2025, ECCC will continue to work with eligible recipients to return \$531.5 million in proceeds for the 2020-2021 to 2024-2025 period, consistent with the amounts previously specified by the Minister of Finance. The Government of Canada is committed to establishing the necessary grant agreements and issuing payments through the FCPFIG to eligible Indigenous governments as soon as possible.

### 3.3 Fuel Charge Proceeds Assessed and Returned by Jurisdiction

This report covers the fuel charge reporting period from April 1, 2023 to March 31, 2024 for Ontario, Manitoba, Saskatchewan, Alberta, Yukon, and Nunavut and from July 1, 2023 to March 31, 2024 for Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island. Fuel charge proceeds are reported on a net basis to account for rebates claimed and returned to persons registered under Division 4 of the Act.

To ensure accountability, the Government of Canada includes annual updates in this report on the direct proceeds and disbursements realized from the federal carbon pollution pricing system in respect of each province and territory where it applies. This transparent process ensures that direct proceeds are fully returned to the jurisdiction of origin over time.

#### 3.3.1 Jurisdictions With Proceeds Returned Via CCRs and Federal Programming

Table 6 summarizes fuel charge proceeds assessed and returned in each of the provinces (Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Ontario, Manitoba, Saskatchewan, and Alberta) that did not meet the federal benchmark during the 2023-2024 fuel charge year.

The bulk of the proceeds assessed in 2023-2024 was returned through CCRs, which were claimed by individuals filing their 2022 personal income tax returns. For example, in Ontario, while \$5.68 billion in proceeds was assessed in 2023-2024, \$5.18 billion was also returned to residents through CCRs for that fuel charge year.

Net proceeds in each province represent the difference between proceeds assessed and proceeds returned (or to be returned through federal programming).

**Table 6. Fuel charge proceeds and return of proceeds in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, Saskatchewan and Alberta in 2023-2024 (carbon pollution price of \$65/tonne of CO<sub>2</sub>e)**

(\$ millions)	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Ontario	Manitoba	Saskatchewan	Alberta
<b>Proceeds assessed</b>	127	36	252	237	5,677	566	680	2,647
<b>CCRs</b>	-200	-42	-283	-163	-5,184	-518	-571	-2,415
<b>Adjustment for prior year over / underpayments included in 2021, 2022, and 2023 CCRs</b>	0	0	0	0	254	-1	-66	62
<b>Federal programming*</b>	-23	-6	-33	-20	-613	-79	-109	-321
<b>Net proceeds from 2023-2024</b>	-96	-12	-63	54	134	-33	-66	-27
<b>Net carry-forward from prior years**</b>	0	0	0	1	-168	4	44	-24
<b>To be carried forward to 2025 CCRs***</b>	-96	-12	-63	55	-33	-29	-22	-51

**Notes:** Totals may not add up due to rounding.

\*Most of the amounts for Indigenous governments have not yet been returned but are expected to be disbursed through programming. Amounts for small- and medium-sized businesses are being returned via the Canada Carbon Rebate for Small Businesses. These amounts in respect of 2023-2024 do not include the Return of Fuel Charge Proceeds to Farmers Tax Credit. These amounts will be known in the 2025 calendar year and are expected to be included in a future report.

\*\*Net carry-forward amounts are adjustments to prior years' net amounts, due to late filings for those years, and reassessments pertaining to those years, which affect both fuel charges collected and CCR amounts. For Ontario, net carry-forward amounts are -\$6 million (2019-2020), -\$13 million (2020-2021), -\$7 million (2021-2022), and -\$142 million (2022-2023). For Manitoba, net carry-forward amounts are -\$1 million (2019-2020), -\$2 million (2020-2021), \$6 million (2021-2022), and \$1 million (2022-2023). For Saskatchewan, net carry-forward amounts are -\$1 million (2019-2020), \$0 million (2020-2021), \$17 million (2021-2022), and \$28 million (2022-2023). For Alberta, net carry-forward amounts are \$0 million (2019-2020), -\$8 million (2020-2021), \$10 million (2021-2022), and -\$26 million (2022-2023). For New Brunswick, net carry-forward amounts are \$1 million (2019-2020).

\*\*\*Computed by adding together the net carry-forward amounts for 2023-2024 and the net carry-forward amounts from prior years in each province. These balances were used in the [setting of quarterly CCR amounts for 2024-2025](#).

### 3.3.2 Jurisdictions With Proceeds Returned Directly to Government

Table 7 summarizes the net fuel charge proceeds assessed and returned to the territorial governments of Yukon and Nunavut for the 2023-2024 fuel charge year.

**Table 7. Fuel charge proceeds and return of proceeds in Yukon and Nunavut, 2023-2024 (carbon pollution price of \$65/tonne of CO<sub>2</sub>e)**

(\$ thousands)	Nunavut	Yukon
<b>Proceeds assessed</b>	<b>18,530</b>	<b>31,308</b>
<b>Distributions</b>	-18,530	-31,308
<b>Net proceeds</b>	0	0

**Notes:** Amounts of proceeds assessed are based on financial reporting as of May 31, 2024.

## 4. Part 2 – Output-Based Pricing System (OBPS) and Canada’s GHG Offset Credit System

Part 2 of the GGPPA, administered by the Minister of the Environment and Climate Change, establishes the framework for the OBPS, a regulatory trading system for emission-intensive, trade-exposed industries in backstop jurisdictions, and Canada’s GHG Offset Credit System. References to the “Minister” in this section are to the Minister of ECCC, unless otherwise noted.

### 4.1 Overview of the Output-Based Pricing System

The federal OBPS is designed to put a price on carbon pollution from industry while mitigating carbon leakage (i.e. the risk of industrial facilities moving from one region to another to avoid paying a price on carbon pollution) and adverse competitiveness impacts. The system creates a strong financial incentive for all covered industrial facilities to reduce their emissions intensity and for strong performers to continue to improve. The [Output-Based Pricing System Regulations](#) (OBPS Regulations), made pursuant to Part 2 of the GGPPA, were published in the *Canada Gazette*, Part II, on July 10, 2019.

The requirements of the OBPS apply to “covered facilities”, industrial facilities located in provinces and territories where the federal OBPS applies and that meet the criteria in the OBPS Regulations or that have been designated upon request as a covered facility by the Minister. Each covered facility calculates an annual GHG emissions limit based on its level of production and the relevant output-based standard(s). Facilities that emit less than their annual limit earn surplus credits that they can sell, transfer, or hold for future use. Facilities with emissions above their annual limit must provide compensation by a prescribed deadline for each tonne of GHG emissions above their limit. Compensation may be provided in the form of payment of the excess emissions charge or remittance of compliance units, including surplus credits, federal offset credits from Canada’s GHG Offset System, or eligible GHG offset credits from provincial systems ([see sections 4.2.6](#) and [4.2.7](#)).

By allowing facilities that reduce their emissions below their annual emissions limit to generate surplus credits that can be traded to other OBPS participants, the OBPS ensures that the incentive to reduce emissions created by the carbon pollution price applies to every tonne of GHG emissions from industrial facilities. By only applying a compensation obligation on emissions above a facility’s annual limit, the OBPS limits overall costs to help facilities maintain their international competitiveness and reduce the risk of carbon leakage.

### 4.2 OBPS Activity in the Reporting Period (2023)

#### 4.2.1 GGPPA and OBPS Regulation Amendments in 2023

On July 5, 2023, the [Order Amending Part 2 of Schedule 1 to the Greenhouse Gas Pollution Pricing Act](#) was published in the *Canada Gazette*, Part II. This Order removed the province of Saskatchewan from Part 2 of Schedule 1 to the GGPPA retroactively to January 1, 2023, as enabled by section 194 of the GGPPA and the [Notice of Intent](#) that was published on December 23, 2022.

On November 22, 2023, the [Regulations Amending the Output-Based Pricing System Regulations and the Environmental Violations Administrative Monetary Penalties Regulations \(SOR/2023-240\)](#), were published in the *Canada Gazette*, Part II. These amendments ensure continued GHG emissions reductions, reduce administrative burden, and improve the implementation of the OBPS Regulations. Certain amendments were effective retroactively to January 1, 2023, as enabled by section 194 of the GGPPA and the Notice of Intent published on October 28, 2022, while others came into force on the day on which they were registered (November 9, 2023) or on January 1, 2024. For more information on the regulatory amendments visit the [OBPS web page](#).

## 4.2.2 Application of the OBPS in 2023

During 2023, the federal OBPS continued to apply in the backstop jurisdictions of Manitoba, Prince Edward Island, Yukon, and Nunavut. There was a total of 37 covered facilities, including 13 mandatory covered facilities and 24 opt-in facilities.

During 2023, specific provisions of Part 2 of the GGPPA and the OBPS Regulations continued to apply to persons responsible for facilities in former backstop jurisdictions. Persons responsible for industrial facilities located in Saskatchewan, that had been covered facilities prior to 2023, were required to comply with the requirements of the OBPS Regulations to submit an annual and verification report for the 2022 compliance period, and to provide compensation for excess emissions. Persons responsible for facilities located in Ontario, New Brunswick and Saskatchewan continued to have obligations to correct reports submitted in relation to the years they were subject to the OBPS. As such, activity under Part 2 of the GGPPA in 2023 related to a broader set of the facilities than the 37 identified above. Much of that activity pertained to obligations stemming from the 2022 compliance period, when there was a total of 52 covered facilities.

**Table 8. Number of covered facilities by type in 2022 and 2023**

Type of covered facility	Number of covered facilities in 2022	Number of covered facilities in 2023
<b>Mandatory covered facilities</b>	26	13
<b>Voluntary participation</b>	26	24
<b>Total</b>	52	37

## 4.2.3 Facility Reporting

Section 173 of the GGPPA requires persons responsible for covered facilities to submit an annual report and verification report to the Minister for each compliance period. The annual report must include:

- ▶ the total GHG emissions;
- ▶ the total amount of production from each industrial activity;
- ▶ the facility's annual emissions limit; and
- ▶ the amount of compensation the facility owes or the number of surplus credits the facility was issued.

Annual reports must be verified by an independent third-party verifier and accompanied by a verification report. Verification requirements, including accreditation requirements, verification procedures, and the content of the verification report, are included in the *OBPS Regulations*.

Annual and verification reports for the 52 facilities that were subject to the OBPS for the 2022 compliance period were due by June 1, 2023. Ninety-two percent of covered facilities submitted their annual and verification reports by this date.

As a result of errors or omissions identified by ECCC while reviewing annual reports or notified to ECCC by regulatees, the Minister requested corrections to four annual reports during the 2023 calendar year (two for the 2020 compliance period and two for the 2021 compliance period). Since the beginning of the federal OBPS program until December 31, 2023, the Minister has requested corrections to a total of 40 annual reports: 17 for the 2019 compliance period, 13 for the 2020 compliance period, 10 for the 2021 compliance period and 0 for the 2022 compliance period. Corrections to reports resulted in, and will continue to result in, revisions to total compensation owed and remitted, surplus credits issued, and how compensation is provided.

## 4.2.4 Compensation

Under the OBPS, persons responsible for covered facilities are required to provide compensation for GHG emissions that exceed the facility's annual emissions limit. Compensation paid by the regular rate deadline of December 15 of the year following the compliance period is to be provided at the regular rate of the excess emissions charge for the compliance period in question, or by remitting one compliance unit for each tonne of CO<sub>2</sub>e emitted in excess of the facility's annual emissions limit.

For the 2022 compliance period, the excess emissions charge was \$50 per CO<sub>2</sub>e tonne. Compensation related to the 2022 compliance period was due at the regular rate by December 15, 2023. At that time, persons responsible for covered facilities whose GHG emissions exceeded the facility's annual emissions limit could provide compensation for each tonne CO<sub>2</sub>e emitted in excess by one of or the combination of the following mechanisms:

- ▶ making an excess emissions charge payment; or
- ▶ remitting compliance units which include surplus credits, eligible offset credits from a recognized provincial offset system (recognized units), or federal offset credits.

The total compensation owed for the 2022 compliance period<sup>6</sup>, represented 4,794,175 tonnes of CO<sub>2</sub>e from 39 covered facilities. All compensation owed was remitted at the regular rate by December 15, 2023. Ninety-five percent of compensation was provided in the form of excess emissions charge (EEC) payments, and five percent was provided as surplus credits.

Beginning with the 2022 compliance period and for subsequent compliance periods, a minimum of 25% of the compensation owed must be provided by making an excess emissions charge payment.

The total compensation owed for the 2022 compliance period represented 4,794,175 tonnes of CO<sub>2</sub>e from 39 covered facilities. All compensation owed was remitted at the regular rate by December 15, 2023. Ninety-five percent of compensation was provided in the form of excess emissions charge (EEC) payments, and five percent was provided as surplus credits.

In 2023, ECCC continued to receive corrected reports related to the 2019, 2020 and 2021 compliance periods, and collected or refunded excess emission charge payments related to those corrections. Table 9 shows total emissions reported, excess emissions and compensation collected related to the 2019, 2020, 2021 and 2022 compliance periods as of November 2024. The amounts shown reported in Table 9 for the 2019, 2020 and 2021 compliance periods differ from those reported in the 2022 GGPPA Annual Report as a result of changes related to corrected reports for those compliance periods.

**Table 9. Compensation received under the OBPS<sup>7</sup>**

Compliance period	Total emissions reported (CO <sub>2</sub> e Mt)	Excess emissions (CO <sub>2</sub> e Mt)	Surplus credits issued (CO <sub>2</sub> e Mt)	Compensation as EEC payments (CO <sub>2</sub> e Mt)	Compensation by surplus credits (CO <sub>2</sub> e Mt)	Compensation by recognized units (CO <sub>2</sub> e Mt)	Compensation by Federal GHG Offset Credits (CO <sub>2</sub> e Mt)
<b>2019</b>	62.261	8.435	0.909	8.179 (97%)	0.256 (3%)	0 (0%)	0 (0%)
<b>2020</b>	56.552	8.597	1.102	7.844 (91%)	0.753 (9%)	0 (0%)	0 (0%)
<b>2021</b>	56.919	9.154	1.003	7.373 (81%)	1.750 (19%)	0.03 (0.33%)	0 (0%)
<b>2022</b>	17.419	4.794	0.153	4535 (95%)	0.259 (5%)	0 (0%)	0 (0%)

<sup>6</sup> As of January 6, 2023.

<sup>7</sup> Total emissions and compensation received have been adjusted from those previously reported in the 2021 GGPPA Annual Report for the 2019 and 2020 compliance periods to account for changes resulting from corrected reports.

## 4.2.5 Surplus Credits

In accordance with the GGPPA and the OBPS Regulations, the Minister issues surplus credits, to persons responsible for covered facilities whose GHG emissions are lower than their facility's emissions limit for a given compliance period. Facilities that emit less than their annual limit earn a surplus credit for each tonne GHG emissions between their actual emissions and their limit. The persons responsible can sell their surplus credits or bank them for future use or sale. Surplus credits can be remitted for up to five years after their issuance.

ECCC issued a total of 152,819 CO<sub>2</sub>e tonnes of surplus credits in 2023, in relation to the 2022 compliance period. These were issued to 12 covered facilities with the quantity of surplus credits issued per facility ranging from 952 tonnes of CO<sub>2</sub>e to 26,067 tonnes of CO<sub>2</sub>e.

## 4.2.6 Recognized Units

Persons responsible for covered facilities may remit eligible offset credits from an existing provincial system (recognized units) as compensation for excess emissions. ECCC has recognized some offset protocols and programs and they appear on the [List of Recognized Offset Programs and Protocols for the Federal OBPS](#).

In 2023, in relation to the 2022 compliance period, no recognized units were remitted.

## 4.2.7 Federal Offset Credits

Persons responsible for covered facilities may remit federal offset credits generated under Canada's GHG Offset Credit System as compensation for excess emissions ([see section 4.6](#) below).

As of 2022, ECCC had not issued any federal offset credits. Therefore, no federal offset credits were remitted for the 2022 compliance period in 2023.

## 4.3 OBPS Proceeds and Return of Proceeds

The Output-Based Pricing System (OBPS) Proceeds Fund is the mechanism by which the Government of Canada returns proceeds collected under the OBPS system. With a focus on industrial decarbonization and clean energy production, the OBPS Proceeds Fund supports making Canada's heavy industries cleaner and more efficient as it transitions to a low-carbon economy.

The amount of proceeds collected by the federal government in 2023 in excess emissions charge payments under the OBPS for the 2022 compliance period was approximately \$227 million.

**Table 10. Proceeds collected from payments of the EEC<sup>8</sup>**

Compliance period	EEC rate	EEC payments at regular rate	EEC payments at Increased Rate (4x regular rate)	Total EEC payments
<b>2019</b>	\$20/CO <sub>2</sub> e tonne	\$164 million	-	\$164 million
<b>2020</b>	\$30/CO <sub>2</sub> e tonne	\$234 million	\$4 million	\$238 million
<b>2021</b>	\$40/CO <sub>2</sub> e tonne	\$295 million	-	\$295 million
<b>2022</b>	\$50/CO <sub>2</sub> e tonne	\$227 million	-	\$227 million

**Note:** Numbers are rounded to the nearest million.

Provinces and territories that have requested the application of the federal OBPS can have all proceeds collected under the federal system returned via a direct transfer from the federal government. Provinces and territories where the federal OBPS applied but was not requested will see collected proceeds returned through federal programming.

The OBPS Proceeds Fund is comprised of two program streams: the Decarbonization Incentive Program (DIP) and the Future Electricity Fund (FEF).

The DIP is a merit-based application program that incentivizes the long-term decarbonization of Canada’s industrial sectors by supporting clean technology projects that result in material GHG emissions reductions within most facilities regulated by the OBPS. Following two intakes and as of March 31, 2024, DIP received 96 project proposals of which 67 have been approved for funding. Twenty-four projects have signed funding agreements, and the remaining approved projects continue funding agreement negotiations. No further intakes are expected under DIP; any OBPS proceeds remaining under the stream will be returned to provinces through FEF.

The FEF stream is designed to support clean electricity projects and/or programs with proceeds returned in support of provincially managed clean energy initiatives. As of March 31, 2024, the Government of Canada has concluded FEF funding agreements with Saskatchewan and New Brunswick that will see OBPS proceeds returned through funding agreements with governments of backstop jurisdictions. Discussions with Manitoba and Ontario were ongoing as of that date. An agreement was reached with Ontario later in 2024, which will be reflected in the next annual report.

The following table identifies the total amount of proceeds allocated to each funding stream of the OBPS Proceeds Fund, and the total number and value of concluded funding agreements within each jurisdiction as of March 31, 2024. DIP and FEF ‘proceeds returned’ represent amounts disbursed by the programs as progress payments toward projects.

<sup>8</sup> Total EEC payments received have been adjusted for the 2019 and 2020 compliance periods to account for changes as a result of corrected reports.

Table 11. Total funds collected and committed through the OBPS Proceeds Fund as of March 31, 2024

	Saskatchewan	Manitoba	Ontario	New Brunswick	Total
<b>Decarbonization Incentive Program (DIP)</b>					
<b>Proceeds collected from 2019, 2020, 2021, 2022 compliance years allocated for DIP</b>	\$44.0M	\$30.8M	\$257.2M	\$5.8M	\$337.8M
<b>Number of funding agreements</b>	2	5	17	0	24
<b>Funding agreement value*</b>	\$1.7M	\$3.6M*	\$73.5M*	\$0	\$78.8M
<b>DIP proceeds returned*</b>	\$0.6M	\$01.6M	\$22.8M	\$0	\$25.0M
<b>Future Electricity Fund (FEF)</b>					
<b>OBPS Proceeds collected from 2019, 2020, 2021, 2022 compliance years for FEF</b>	\$496.0M	\$1.5M	\$55.6M	\$20.1M	\$573.2M
<b>Number of funding agreements</b>	1	0	0	1	2
<b>Funding agreement value*</b>	\$281.0M	\$0	\$0	\$20.1M	\$301.1M
<b>FEF Proceeds Returned*</b>	\$54.9M	\$0	\$0	\$0	\$54.9M
<b>Total amount of proceeds collected</b>	\$540.1M	\$32.3M	\$312.8M	\$25.9M	\$911.1M
<b>Total amount of proceeds allocated through funding agreements*</b>	\$282.7M	\$3.6M	\$73.5M	\$20.1M	\$379.9M
<b>Total OBPS proceeds returned*</b>	\$55.5M	\$1.6M	\$22.8M	\$0	\$79.9M

\*Total proceeds allocated under the OBPS Proceeds Fund, as reported in this table, reflect the value of the funding agreements signed by March 31, 2024. Total proceeds returned reflect the value of payments made per the funding agreements by the same date. The funding committed to projects whose funding agreements were still under negotiation on March 31, 2024, are not included in this number.

The following table identifies the total amount of proceeds collected during the 2019, 2020, 2021 and 2022 OBPS compliance periods that have been returned via direct transfers to jurisdictions that voluntarily requested the application of the federal OBPS.

Table 12. OBPS proceeds returned through direct transfer:

	Nunavut	Yukon*	Prince Edward Island	Total
<b>Total OBPS Proceeds Collected From 2019, 2020, 2021, 2022 Compliance Years</b>	\$9.2M	\$0	\$2.8M	\$12M
<b>Total OBPS Proceeds Returned**</b>	\$5.1M	\$0	\$2.8M	\$7.9M

\*There were no facilities registered under the federal OBPS from the Yukon until January 1, 2022.

\*\*Total proceeds returned under the OBPS Proceeds Fund via direct transfer, as reported in this table, reflect the value of the transfers made by March 31, 2024.

## 4.4 OBPS Compliance Promotion

Throughout 2023, ECCC continued to proactively engage with OBPS regulatees, facilities wishing to opt in to the OBPS, and representative industry associations to support awareness and understanding of the GGPPA, OBPS regulatory requirements, and related policy and guidance.

In 2023, ECCC updated relevant web pages and directly emailed regulated entities regarding:

- ▶ The opening of the reporting module for the 2022 compliance period in ECCC's Single Window System (spring);
- ▶ The 2022 compliance period reporting deadline;
- ▶ Compensation deadlines for the 2022 compliance period;
- ▶ Deadlines and processes related to the use of Alberta offset emission credits as recognized units as a method of compensation;
- ▶ Corrected report reporting and compensation deadlines;
- ▶ Publication of guidance documents including the Quantification Guidance for 2022, and an updated Overview of the OBPS;
- ▶ Updates to the Credit and Tracking System;
- ▶ The OBPS regulatory amendments, and Orders to amend GGPPA, including updates to the quantification methods applicable for the 2024 compliance period; and
- ▶ Transitions from the federal OBPS to provincial carbon pollution pricing systems for industry in Saskatchewan.

## 4.5 Enforcement Activities

GGPPA provides enforcement officers with a wide range of powers to enforce the Act, including the powers of a peace officer. Enforcement officers can carry out inspections to verify compliance with the Act. Inspections are defined as the active process of gathering information to verify compliance with legislation. This may include site visits, examining substances, products or containers, taking samples and reviewing records. An on-site inspection involves visiting a site, such as an industrial facility, to conduct any activity, operation, or analysis required to verify the regulatee's compliance with a legislation or regulation. An off-site inspection is normally undertaken at the officer's place of work or in another location that is not at the regulated site and is usually limited to documentation verification.

The table below shows that 9 inspections were conducted under GGPPA in 2023. The number of inspections relates to the number of times GGPPA or the OBPS Regulations was inspected for compliance, using the start date of the inspection for the reference period.

An investigation involves gathering, from a variety of sources, evidence and information relevant to a suspected violation. No investigations or prosecutions (in which charges were laid against a person – individual, corporation, or government department) were conducted with respect to the GGPPA in 2023.

**Table 13. GGPPA Enforcement activities for 2023**

Acts and Regulations	Administrative Verification (Off-Site inspection)	Inspection (On-Site)	Total
<b>GGPPA/OBPSR</b>	2	7	9

Regarding enforcement measures, three warning letters and three Administrative Monetary Penalties totaling \$9,000 were issued for three alleged violations of the GGPPA in 2023. The initial inspection may have been conducted in a different year than when the measure was issued.

## 4.6 Overview of Canada's GHG Offset Credit System

[Canada's GHG Offset Credit System](#) (CGOCS) provides an economic incentive to undertake projects that result in domestic GHG reductions and removals that would not have been generated in the absence of the project, that go beyond legal requirements and that are not subject to carbon pollution pricing mechanisms. The system generates new economic opportunities in sectors such as agriculture, forestry, waste and clean technology. Federal offset credits can be used by persons responsible for covered facilities under the OBPS as compensation for excess emissions, increasing compliance flexibility and potentially reducing the cost of compliance. Federal offset credits can also be purchased and used by non-regulated firms, such as governments and businesses, seeking to meet voluntary climate targets or commitments.

Canada's GHG Offset Credit System was launched on June 8, 2022. The GHG Offset Credit System is established pursuant to Part 2 of GGPPA and consists of three main elements:

- ▶ The [Canadian Greenhouse Gas Offset Credit System Regulations](#) (the Offset Regulations), which establish the system, implement operational aspects, and set general requirements applicable to all project types;
- ▶ Federal offset protocols, included in the [Compendium of Federal Offset Protocols](#) (the Compendium), each containing requirements for project implementation and methods for quantifying GHG reductions for a given project type; and
- ▶ The [Credit and Tracking System](#), to register offset projects, issue and track offset credits, and share key information through a public registry.

### 4.6.1 CGOCS Activity in the Reporting Period (2023)

#### Federal Offset Protocols

Federal offset protocols set out requirements for project implementation and methods for quantifying GHG emission reductions and removals for given project types. Once final, federal offset protocols are included in the Compendium of Federal Offset Protocols, which is incorporated by reference into the Offset Regulations.

Project proponents must meet requirements in both the Offset Regulations and an applicable federal GHG offset protocol in order to generate federal offset credits.

The following federal offset protocols were published for use in CGOS in 2023:

- ▶ Landfill Methane Recovery and Destruction (Version 1.1 published February 24, 2023);
- ▶ Reducing GHG Emissions from Refrigeration Systems (Version 1.0 published February 24, 2023); and
- ▶ Reducing GHG Emissions from Refrigeration Systems (Version 1.1 published December 8, 2023).

Work to develop federal offset protocols is undertaken on an ongoing basis. For the reporting period, ECCC also published the draft *Improved Forest Management on Private Land* protocol for a 60-day comment period (extended to 79 days) on June 23, 2023 and a draft *Reducing Enteric Methane Emissions from Beef Cattle* protocol for a 30-day comment period on December 8, 2023.

Other federal offset protocols under development in 2023 were: Direct Air Carbon Capture and Sequestration, Avoidance of Manure Methane Emissions through Anaerobic Digestion and Other Treatments, and Enhanced Soil Organic Carbon. As protocols are completed, work on new protocols will begin. Subsequent project types under consideration for federal offset protocol development include Bioenergy Carbon Dioxide Capture and Sequestration, Improved Forest Management on Public Lands, Livestock Manure Management and Anaerobic Digestion. The development of protocols for additional project types will be considered as more information and data become available and as their potential evolves. To support federal offset protocol development, ECCC also obtains input on a volunteer basis from external experts with significant technical or scientific expertise for a given project type.

ECCC will continue to engage with provinces and territories; Indigenous nations, organizations and communities; and other stakeholders on the development of federal offset protocols and other aspects of Canada's GHG Offset Credit System.

The Emission Factors and Reference Values document must be used by project proponents responsible for offset projects registered in Canada's GHG Offset Credit System to quantify GHG emission reductions and removals from their projects. Similar to federal offset protocols, this document is incorporated by reference into the Offset Regulations. Version 1.1 of the Emission Factors and Reference Values document was published on June 13, 2023. This new version updated information and emission factors in alignment with the April 2023 publication date of the National Inventory Report 1990-2021: Greenhouse Gas Sources and Sinks in Canada.

### **Federal Offset Projects**

One federal offset project was registered in 2023. This Nova Scotia-based project was registered under the Landfill Methane Recovery and Destruction Protocol, Version 1.1.

### **CGOS Compliance Promotion**

Throughout 2023, ECCC continued to proactively engage with stakeholders and project proponents and to publish documents to support awareness and understanding of CGOS regulatory and federal offset protocol requirements. ECCC updated relevant web pages and directly emailed stakeholders regarding these activities.

In 2023, ECCC held public webinars in English and French to provide an overview and to answer questions alongside the release of the following protocols:

- ▶ Reducing GHG Emissions from Refrigeration Systems (Version 1.0);
- ▶ Landfill Methane Recovery and Destruction (Version 1.1); and
- ▶ Draft Improved Forest Management on Private Land protocol.

In 2023, ECCC also published several products to help facilitate understanding of Canada's GHG Offset Credit System.

- ▶ Overview: Canadian Greenhouse Gas Offset Credit System Regulations under the *Greenhouse Gas Pollution Pricing Act*;
- ▶ Federal Offset Protocol Overview: Landfill Methane Recovery and Destruction; and
- ▶ Federal Offset Protocol Overview: Reducing Greenhouse Gas Emissions from Refrigeration Systems.

### **Indigenous Engagement**

In February 2023, ECCC added Woods Cree and Mi'kmaq translations to its *Greenhouse Gas Offset Toolkit* which was published in French, English and Ojibwe in March 2022. The Toolkit is primarily intended for Indigenous audiences but contains information useful to anyone interested in developing an offset project, including tools and resources on carbon markets, offsets, and general requirements for participating in an offset system. ECCC delivered interactive in-person workshops on offset projects to Indigenous audiences in September and October 2023. Indigenous participants were engaged as part of the development of the *Improved Forest Management on Private Land* protocol through a Protocol Focus Group from January 2021 to June 2023.

## 5. Additional Information

For more information about GGPPA, please contact:

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