



**Environment and Climate Change Canada’s Detailed Management Action Plan
Recommendations of report 5: [Carbon Pricing—Environment and Climate Change Canada](#)
Spring 2022 Reports of the Commissioner of the Environment and Sustainable Development**

Paragraph number in report	CESD Recommendation	Departmental Response	Description of Final Expected Outcome/Result	Expected Final Completion Date	Action Plan and Key Milestones (Description/Dates)	Responsible Organization/ Contact (Branch, Directorate)
58	<p>Environment and Climate Change Canada should work with provinces and territories to determine an approach to minimize domestic competitiveness risks while improving effectiveness. This work should:</p> <ul style="list-style-type: none"> Assess setting minimum performance standards Assess aligning average costs Engage an expert to independently assess risks to effectiveness and domestic competitiveness from federal, provincial and territorial pricing systems 	<p>Agree.</p> <p>As committed to in the new benchmark criteria published on August 5, 2021, the federal government will engage provinces, territories and Indigenous organizations in an interim review of the benchmark by 2026, to confirm that benchmark criteria are sufficient to continue ensuring that pricing stringency is aligned across all carbon pricing systems in Canada. The benchmark specifically commits to considering impacts on inter-jurisdictional and international competitiveness from carbon pricing, and whether additional criteria are needed to address differences among jurisdictions (for example, differences in average cost) and to a commissioning an expert assessment.</p> <p>More specifically, the department will:</p> <ul style="list-style-type: none"> Begin federal-provincial-territorial work on the interim review by early 2023, with the goal of completing the review by late 2024 or early 2025 to allow time for any subsequent changes to benchmark 	<p>Final outcome will include:</p> <p>Assessment of the following as part of the Interim Review in 2026:</p> <ul style="list-style-type: none"> Setting minimum performance standards for emissions-intensive trade-exposed industries under different federal, provincial, territorial pricing systems Approaches to align of average cost impacts across EITE industries regulated under different federal, provincial, territorial systems <p>These assessments will help inform potential changes to the benchmark that may be considered for 2027-2030.</p>	December 2026	<p>By February 28, 2023:</p> <ul style="list-style-type: none"> ECCC will initiate work with provinces and territories to set up a dedicated federal-provincial-territorial process for the interim review of carbon pricing <p>By December 29, 2023:</p> <ul style="list-style-type: none"> Leveraging the federal-provincial-territorial group, develop terms of reference and procurement process for an Independent Expert review of carbon pricing <p>By December 26, 2025</p> <ul style="list-style-type: none"> Independent Expert review of carbon pricing completed <p>By December 28, 2026:</p> <ul style="list-style-type: none"> Complete Interim Review of carbon pricing 	Carbon Market Bureau, Environmental Protection Branch



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		<p>criteria. This would include the expert assessment.</p> <ul style="list-style-type: none"> • Create a dedicated federal-provincial-territorial working group to assess aligning average costs and industrial performance standards as part of the review. • Include an assessment of risks to effectiveness and domestic competitiveness and carbon leakage from federal, provincial and territorial pricing systems in the mandate of the independent expert assessment. 	<p>Completion of an Independent Expert assessment of the effectiveness of federal, provincial, territorial pricing systems, including taking into account domestic competitiveness and carbon leakage impacts.</p>			
59	<p>To improve the effectiveness of carbon pricing and the stringency of provincial or territorial large-emitter systems, Environment and Climate Change Canada should assess based on federal modelling whether a provincial or territorial system is sufficiently stringent in that it would be expected to lead to reductions that correspond, at a minimum, to the projected emissions reductions that would result from the application of the federal backstop system, and report publicly on the results of their analysis.</p>	<p>Agree.</p> <p>Benchmark assessments of carbon pricing to be conducted later this year will include an estimate of resulting emissions reductions compared with the federal backstop system if applied in that jurisdiction. However, the modelled reductions from provincial systems found to align with the benchmark do not need to “correspond” to or be precisely equal to what would be achieved from the application of the federal system, for example due to differences in sources covered and performance standards for industry. Nonetheless, the new benchmark provisions on covered emissions sources and industrial pricing systems will bring all systems into closer</p>	<p>Complete assessment of reductions expected from provincial / territorial carbon pricing systems compared to reductions that would result from application of federal backstop; publish the results on ECCC’s website.</p>	March 2024	<p>By December 30, 2022:</p> <ul style="list-style-type: none"> • Preliminary assessment completed of the reductions expected from provincial and territorial systems as compared to the federal system, based on proposed system designs <p>By December 29, 2023:</p> <ul style="list-style-type: none"> • Final assessment of this completed, based on final system design <p>By March 29, 2024:</p> <ul style="list-style-type: none"> • Publish results on ECCC website 	Carbon Market Bureau, Environmental Protection Branch



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		<p>alignment, and therefore should produce broadly similar levels of emissions reductions.</p> <p>Once all systems for 2023 to 2030 are finalized, the department will model expected emissions reductions and report publicly on the results of this analysis. Note that public reporting will likely occur in late 2023 or 2024 as some aspects of some systems may be finalized later in 2023 and applied retroactively.</p>				
79	<p>To address the disproportionate burden carbon pricing may have on certain groups and Indigenous Peoples, Environment and Climate Change Canada should work with provinces and territories to:</p> <ul style="list-style-type: none"> • assess the burden of carbon pricing systems on groups, including Indigenous people • report publically on measures implemented in jurisdictions to mitigate the burden of carbon pricing on these groups 	<p>Agree.</p> <p>As outlined in the Pan-Canadian Approach to Pricing Carbon Pollution, Canada supports the principle that carbon pricing policies should include revenue recycling to avoid a disproportionate burden on vulnerable groups and Indigenous peoples. A similar principle was developed by the federal-provincial-territorial working group on carbon pricing Mechanisms: that carbon pricing components, should strike a balance between the polluter-pays principle and avoiding a disproportionate burden on vulnerable groups.</p> <p>As part of work on the interim review of carbon pricing, by late 2022 or early winter 2023 the department will engage with provinces and territories to</p>	<p>Collaboration with provinces and territories in the context of the Interim Review to develop an approach to: 1) assess the impacts of carbon pricing on groups at risk of disproportional impacts, including Indigenous Peoples, 2) report publically on measures to mitigate these impacts.</p> <p>Complete research on the impacts of carbon pricing on vulnerable groups, including Indigenous Peoples.</p>	December 2025	<p>By March 31, 2023:</p> <ul style="list-style-type: none"> • ECCC will initiate work with provinces and territories to set up a dedicated federal-provincial-territorial process for the interim review of carbon pricing <p>By March 29, 2024:</p> <ul style="list-style-type: none"> • Work with provinces and territories to develop an approach to assess the impacts of carbon pricing on groups at risk of disproportional impacts and to report on measures to mitigate these. <p>By April 30, 2024:</p> <ul style="list-style-type: none"> • Based on this approach, initiate research, including potentially through external contracting, to 	Carbon Market Bureau, Environmental Protection Branch



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		<ul style="list-style-type: none"> develop an approach to assess the impacts of carbon pricing on groups at risk of disproportional impacts, including Indigenous peoples; undertake research on the impacts of carbon pricing on these groups; and develop an approach to report publically on measures to mitigate these impacts. 			<p>assess the impacts of carbon pricing on vulnerable groups, including Indigenous Peoples</p> <p>By December 26, 2025:</p> <ul style="list-style-type: none"> Complete research on the impacts of carbon pricing on vulnerable groups <p>By December 26, 2025:</p> <ul style="list-style-type: none"> Finalize approach to report publicly on measures to mitigate these impacts 	
101	<p>To increase the transparency of carbon pricing systems across Canada, Environment and Climate Change Canada should collect key information on provincial and territorial carbon pricing systems, make it publicly available in one central location and regularly report on their results. This information should include</p> <ul style="list-style-type: none"> Emissions coverage from each jurisdiction compared with the federal backstop system Compliance data and emission-trading market data 	<p>Agree.</p> <p>To support stringency and effectiveness, the updated benchmark for 2023 to 2030 includes new reporting requirements that require provinces and territories to publish regular, transparent reports and/or information on the key features, outcomes, and impacts of their carbon pricing systems, as well as on compliance information and carbon market data where publication could enhance accountability, and carbon market function and oversight. The department expects that reporting on other aspects of provincial and territorial carbon pricing systems will evolve over time.</p> <p>While each province and territory is responsible for publishing this</p>	<p>Development of an approach for collecting and publishing all data on carbon pricing systems in a single location; publication of this data on ECCC's website.</p>	December 2024	<p>By March 31, 2023:</p> <ul style="list-style-type: none"> ECCC will initiate work with provinces and territories, leveraging the fora established for the Interim Review of carbon pricing, to discuss an approach for collecting and publishing all data on carbon pricing systems in a single location. <p>By December 27, 2024:</p> <ul style="list-style-type: none"> Publish preliminary information on FPT systems, including emissions coverage. (Additional information will be contingent on what is available at that time, taking into account compliance periods of multiple years in some systems etc.) 	Carbon Market Bureau, Environmental Protection Branch



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	<ul style="list-style-type: none"> Average cost imposed on large-emitters Expected emissions reductions. 	<p>information on their respective systems, the department agrees with the merit of making all of this information publicly available in a single place.</p> <p>To enable this, the department will engage with provinces and territories to discuss an approach for collecting and publishing all data on carbon pricing systems in a single location.</p>				

Note:

- ECCC's Audit and Evaluation Branch will refer to this MAP in its periodical follow-up with each Branch Head and in its report to the Deputy Minister on the progress made in implementing the OAG or CESD recommendations.