

Electricity Canada's Response to the Driving Effective Carbon Markets in Canada Discussion Paper

January 30, 2026

Electricity Canada appreciates the opportunity to provide comment on the *Discussion Paper: Driving Effective Carbon Markets in Canada*, which was released on December 19th.

Electricity Canada is the national voice of Canada's electricity sector. Our members generate, transmit and distribute reliable electrical energy to residential, commercial, and industrial customers in every province and territory.

Affordable, reliable and clean electricity powers the Canadian economy. It is a competitive advantage that can enable growth in a changing global economy. With provinces forecasting the need to potentially double the size of their respective grids by 2050, the scale and pace of change require an aggressive buildout of electricity. More generation, transmission, and distribution infrastructure is needed to harness our competitive advantage and strengthen our energy security. Getting this right, quickly and affordably, will mean businesses will choose Canada as a destination to build and invest, creating good jobs, growing the economy, and enabling emissions reductions across the economy through greater electrification.

The electricity sector is Canada's emissions reductions success story. Canada enjoys one of the cleanest electricity grids in the world. Today, electricity is 84% non-emitting and represents just 6.7% of Canada's total emissions. Since 2005, the sector has cut emissions by approximately 60%, more than any other sector of the Canadian economy. In fact, the electricity sector contributed over 100% of Canada's emissions reductions between 2005 and 2023. Over this period, Canada's total emissions decreased by 65 Mt CO₂ eq while emissions from the electricity sector decreased by 67 Mt CO₂ eq.

While carbon pricing can be an efficient way to reduce emissions, it should be noted that greater electrification is at the center of Canada's emissions reduction goals. As shown in the [Canada Electricity Advisory Council Final Report](#), clean electricity is central to every possible pathway to Canada's net-zero target, contributing up to 37% of required reductions. Investments in Canada's electricity grids are needed to realize these emissions reductions in a manner that preserves affordability and reliability for Canadians.



The electricity sector has delivered real emission reductions for the country and should be considered distinct from other industrial sectors, given our role in enabling economy-wide decarbonization through electrification. We support the goal of reducing emissions and understand the important role that carbon pricing plays in decarbonization. **Electricity Canada supports industrial carbon pricing that establishes predictable, durable rules that work over the long-term to reduce emissions and maintain the competitiveness of Canadian industry while preserving electricity affordability and system reliability.**

The government has set an ambitious goal of making Canada a global energy superpower and is working towards attracting capital into the electricity sector. The current global economic and trade context has emphasized the imperative of ensuring the competitiveness of Canadian industry, particularly for trade-exposed sectors. We agree with the government centering competitiveness in their considerations of any changes to the federal benchmark. Efforts to improve certainty for investors will make Canada a more attractive place to invest.

As the government considers how to balance competitiveness and avoid carbon leakages while ensuring industry is investing and leading in low-carbon technologies and practices, the government should consider the following principles:

1. Many provincial industrial carbon pricing systems are well established within their jurisdiction. Industry has adapted to these rules and made business decisions based on these frameworks. The government must work collaboratively with the provinces and territories if any changes to the federal benchmark are to be made.
2. Carbon pricing should incentivize investments in emission reductions and spur the adoption of clean technologies. That said, for the electricity sector, it should not create undue affordability pressures for ratepayers as lower carbon generation technologies are adopted. Our members serve industrial customers across the country who are subject to industrial carbon pricing requirements. Many of these customers operate in trade-exposed sectors and are targets of cross-border tariffs. Comparatively low electricity prices compared to peer jurisdictions are a competitive advantage for Canadian industry.
3. Carbon pricing should not create unintended consequences that endanger the reliability of provincial/territorial electricity grids. Thermal generation continues to be essential for maintaining system reliability in a wide variety of circumstances, including when renewable generation is not available, high load events, prolonged drought in hydroelectric-dominant regions, and during system/transmission failures or overcapacity.
4. The electricity sector has responded to the signals of current carbon pricing regimes. Investment decisions must consider the longevity of electricity assets, which are measured in decades. Long-term investments that have been made in good faith under existing rules



should be respected. Stringency trajectories should be transparent and clearly communicated over the long-term.

5. Carbon pricing should reflect the realities of current technologies and should not exceed the abilities of the generation technology that is available and economically viable. Ensuring that benchmarks reflect achievable technological performance is critical in today's heightened global trade tensions and shifting competitive dynamics. Future advancements in technologies may result in improvements in emissions intensity, providing opportunities to reevaluate the emissions benchmark. Long-term price signals should effectively influence decision making towards lower emission options.
6. The current federal carbon pricing regime is restricted to specific generation types, which do not provide opportunities for many low-carbon technologies, such as nuclear and hydro, to benefit from carbon pricing due to a lack of protocols. Greater clarity and consistency in carbon pricing regimes could be achieved with focused attention on creating new/accepting provincial offset credit protocols that engage the economy more widely. This will also enhance financial incentives to build emission-free technologies like nuclear and hydroelectric generation.
7. Changes to improve the transparency of credit markets would be welcome and could enhance consistency and improve access across markets.
8. Carbon pricing should recognize the role renewable fuels play in reducing emissions from electricity generation in a manner that is practically feasible for the sector.

Given the significance of carbon pricing to Canada's overall industrial policy, it would be beneficial for ECCC to publish a comprehensive analysis of the effects of the current carbon pricing regime on the economy and emissions reductions. This would promote a common understanding of the impact of the system amongst stakeholders and Canadians. Considering how industrial carbon pricing interacts with other federal regulations that require the electricity sector to take action to reduce emissions, such as the Clean Electricity Regulations, would be beneficial to ensure policies are harmonious and support optimal outcomes.

Thank you for considering our comments. Should you have any questions, please do not hesitate to reach out to Michael Powell, VP Government Relations at powell@electricity.ca.

Sincerely,

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