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Tax Alert – Canada

Alberta revises industrial carbon prices

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On 15 May 2026, the federal government released the [Implementation Agreement for the Canada-Alberta Memorandum of Understanding of November 27, 2025](#). The implementation agreement sets out joint commitments relating to revised carbon pricing pathways, laxer tightening or “stringency” rates, carbon credit price floors, carbon contracts for difference (CfDs), and coordinated industrial carbon market management.

The agreement also sets out commitments relating to the electricity grid, a carbon-capture initiative (i.e., the Pathways Project), an oil pipeline to global markets, and other collaborative efforts. Notably, the agreement allows Alberta to set a lower industrial carbon price than the federal benchmark currently imposed under Part 2 of the *Greenhouse Gas Pollution Pricing Act* (GGPPA).

Industrial carbon pricing

Alberta imposes a carbon price on large industrial emitters in accordance with the Technology Innovation and Emissions Reduction (TIER) Regulation passed under the *Emissions Management and Climate Resilience Act*. In general, the TIER Regulation applies to large emitters that have direct emissions of 100,000 carbon dioxide equivalent (CO_{2e}) tonnes or more in a calendar year. The federal government has accepted that the TIER system meets federal carbon pricing requirements for the emission sources they cover. Therefore, the federal output-based pricing system (OBPS) imposed under Part 2 of the GGPPA does not apply to Alberta large emitters that are subject to the TIER system.



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The industrial carbon price was set to rise to \$110 per tonne for the 2026 calendar year and rise by \$15 per tonne for each following year until reaching \$170 per tonne in 2030. Affected industries expressed concerns about investment competitiveness, compliance costs and carbon leakage.

On 12 May 2025, Alberta announced it would freeze its industrial carbon price at the 2025 rate of \$95 per tonne of CO₂e emissions. Saskatchewan also paused the industrial carbon tax imposed under its own OBPS regime, effective 1 April 2025. Both Alberta and Saskatchewan cited the need to provide financial relief and create certainty for industry in the wake of US tariffs.

In an effort to improve industry competitiveness, energy growth and long-term carbon market alignment, Canada and Alberta signed a [memorandum of understanding](#) (MOU) on 27 November 2025. While the MOU confirmed that both parties remain committed to achieving net-zero greenhouse gas emissions by 2050, it also committed the parties to “achieve the shared objective of establishing Canada as a global energy superpower” and to increase Alberta oil and gas production to reach Canada’s export and national security goals.

In accordance with these goals, the implementation agreement increases minimum carbon pricing rates more slowly than originally scheduled and sets a top rate of \$140 per CO₂e tonne effective in 2040, as opposed to a top rate of \$170 that was scheduled to take effect in 2030.

Specifically, industrial carbon prices will be set under the TIER Regulation as follows:

Year	Charge per CO ₂ e tonne
2026	\$95
2027	\$100
2028	\$100
2029	\$100
2030	\$115
2031	\$118
2032	\$121
2033	\$124
2034	\$127
2035	\$130

Starting in 2036, rates will rise by 1.5% annually in accordance with an inflationary escalator and will reach a top rate of \$140 in 2040.

Minimum transfer price for credits - To ensure market integrity, the implementation agreement sets out minimum transfer prices for TIER credits beginning in 2030. Part of the impetus for this initiative stems from an oversupply of low-priced carbon compliance credits, which are trading well below current carbon pricing benchmarks.

The value of any traded credit that is used for compliance purposes must be no less than the price floor for that year or the price floor in the year it was obtained. Alberta aims to enact the requisite “price floor” regulation by 31 December 2026. However, credits generated before that regulation is enacted will remain eligible for transfer at a price below the price floor in accordance with their original expiry periods.

Alberta will be responsible for administrating and enforcing the price floor in the TIER market.

Minimum transfer prices for 2030 and later years are set out below.

Year	Minimum transfer price
2030	\$60
2031	\$63
2032	\$67
2033	\$71
2034	\$75
2035	\$80
2036	\$85
2037	\$90
2038	\$95
2039	\$100
2040	\$110

Stringency rates - Emission reduction obligations are determined using either a facility-specific benchmark (FSB) or high-performance benchmark (HPB). The former is determined by comparing a facility’s actual emissions against the facility’s own approved benchmark, which becomes more stringent over time. The HPB is sector-based and is determined in accordance with the emissions intensity of top-performing facilities or technologies within an industry. Facilities outperforming the HPB may generate credits, while facilities with excess emissions are subject to compliance obligations.

The stringency rates prescribed by the TIER Regulation reduce the amount of a facility's annual allowable emissions by a set percentage. The implementation agreement reduces stringency rates for certain sectors for the 2031-2040 period.

Emissions sectors	Stringency rates	
	2027-2030	2031-2040
Firms building and operating the Pathways Project (FSB)	2.0%	1.0%
Large oil sands (FSB)	2.0%	2.0%
Small oil sands (FSB)	1.5%	1.0%
Electricity (HPB)	1.0%	1.0%
Oil sands (HPB)	0.5%	0.5%
Hydrogen (HPB)	0.5%	0.5%
Other sectors (HPB)	0.5%	0.5%
Other sectors (FSB)	1.5%	1.0%

Direct investments - In December 2025, the TIER Regulation was amended to recognize on-site emissions reduction investments as a way for industry to comply with the TIER system, in addition to options such as paying into the TIER fund or buying offset credits. In accordance with the implementation agreement, Alberta commits to a direct investment program that will allow the province to issue investment credits under the TIER Regulation. Credits will be limited to 50% of the eligible capital and up to 50% of operating costs directly attributable to the approved project, net of any government supports, such as government grants, TIER Fund support or investment tax credits. Direct investment credits will also be limited to use in years in which emitters have compliance obligations prior to their expiry.

Carbon contracts for difference - To provide carbon price risk protection for major projects and support the effective price of credits in the TIER market, Canada and Alberta will:

- ▶ Issue CfDs to parties pursuing emission reductions investments between 2030 and 2040; and
- ▶ Jointly fund CfDs covering up to 75 million tonnes of CO_{2e} reductions, issued on an equal cost-shared basis, with a maximum liability of \$600 million per party.

The intent of CfDs is to guarantee a fixed minimum carbon price when a company sells credits for its abated emissions on the carbon market. If the carbon market price is lower, either Alberta or Canada will pay the difference to the company, thus de-risking the company's investment.

If the federal OBPS is repealed or Canada otherwise fails to maintain its commitments under this part of the agreement, it will assume sole liability for the CfDs. Conversely, Alberta will assume sole responsibility if it repeals the TIER Regulation or fails to maintain its related commitments.

Clean Electricity Regulations

Alberta has referred the constitutionality of the federal Clean Electricity Regulations, which set out a plan to decarbonize the electricity grid, to the Alberta Court of Appeal. Canada will keep the regulations “in abeyance” while the reference is heard. If the regulations are held to be constitutional after all avenues for appeal (including any subsequent appeal to the Supreme Court of Canada) have been exhausted, Canada and Alberta will enter into negotiations for an equivalency agreement under the *Canadian Environmental Protection Act, 1999* to stand down the regulations in Alberta. If the regulations are held to be unconstitutional, Canada will repeal them and Alberta will maintain the carbon pricing framework set out in the agreement.

Pathways Project

Canada and Alberta commit to reaching a trilateral MOU with the companies advancing the carbon capture, storage and emissions reduction initiative in northeastern Alberta known as the Pathways Project. This project aims to achieve emissions reductions of 16 million tonnes per annum by 2045. Notably, the agreement confirms that this project and the construction of an oil pipeline to Canada’s west coast (see *Oil pipeline*) are mutually dependent.

To support the Pathways Project, Alberta will extend the Alberta Carbon Capture Incentive Program, while Canada will maintain a minimum credit creation rate of 20% for upstream carbon capture, utilization and storage (CCUS) projects under the Clean Fuel Regulations. As well, Canada will expand the eligible uses of captured carbon for the purposes of the CCUS investment tax credit to include enhanced oil recovery. This is in addition to extending current credit rates under the CCUS investment tax credit to 2035.

Oil pipeline

Canada and Alberta reaffirm their commitment to developing an oil pipeline to Canada’s west coast to serve Asian markets, in accordance with the following timeline:

- ▶ Alberta must submit its pipeline application to the federal Major Projects Office on or before 1 July 2026;
- ▶ Canada must refer the project to the Major Projects Office for consideration of designation under the *Building Canada Act*;
- ▶ Canada will pursue the designation of the pipeline as a project of national interest for approval under the *Building Canada Act* by 1 October 2026; and

- ▶ If the pipeline is designated, Canada will assess the project under the *Building Canada Act* to determine the conditions for constructing and developing the pipeline and make best efforts to provide the conditions document by 1 September 2027 to enable pipeline construction.

Canada and Alberta also commit to consult with First Nations with respect to the pipeline application and similarly engage with the province of British Columbia.

Other commitments

Canada and Alberta will establish a joint Electricity Working Group to work toward net-zero greenhouse gas emissions from the electricity sector by 2050. As well, Alberta acknowledges that Canada has fulfilled other MOU commitments, including:

- ▶ Announcing the extension of federal investment tax credits to support enhanced oil recovery;
- ▶ Extending current credit rates under the CCUS investment tax credit to 2035;
- ▶ Removing certain “greenwashing” provisions from the *Competition Act*; and
- ▶ Not introducing an oil and gas emissions cap.

Learn more

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