



March 16, 2026

The Right Honourable Mark Carney, P.C., M.P.
Prime Minister of Canada
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Dear Prime Minister,

Re: Integrity and effectiveness of industrial carbon pricing to support climate competitiveness

The Canada-Alberta Memorandum of Understanding, signed November 27, 2025, commits the parties to “conclude an agreement on industrial carbon pricing on or before April 1, 2026.” In the context of finalizing this agreement—and to advance Canada’s climate competitiveness and redouble nationwide efforts to reduce emissions—the federal government must act decisively to restore the strength and integrity of Canada’s industrial carbon-pricing framework. The objective must be an effective industrial carbon price that is genuinely strong, predictable and rising over time—one that consistently drives emissions reductions across covered sectors while supporting competitiveness. Industrial carbon pricing systems must:

- apply a strong and rising headline carbon price that is enforced;
- maintain balanced compliance credit markets that prevent chronic oversupply and ensure that effective prices reflect the intended level of stringency; and
- provide a high degree of transparency, including public reporting.

Priority recommendations to strengthen the federal benchmark and backstop

Recent changes to Canada’s climate policy framework have significantly widened the gap between Canada’s legislated climate targets and the policies in place to meet them. Canada will miss its 2030 target. As key measures have been weakened, paused or set aside, progress toward the 2035 target and net-zero by 2050—and Canada’s ability to maintain climate competitiveness—will now depend even more on the strength and credibility of industrial carbon pricing, particularly a strengthened OBPS.

Accordingly, the federal government’s engagement on driving effective carbon markets in Canada, together with the 2026 review of the federal industrial carbon pricing benchmark, must result in a strengthened benchmark and a robust federal OBPS backstop. This requires the following:

1. Ensure that the minimum industrial carbon price is strong, rising and enforced.

The federal benchmark must continue to require a rising minimum industrial carbon price, including maintaining the trajectory to \$170 per tonne by 2030. A federal benchmark without a binding backstop is ineffective and inequitable. Compliance should be assessed based on the effective price faced by covered facilities—that is, the price that prevails in carbon markets—not on nominal system design or a modelling assessment of how stringent policies are at the provincial and territorial level. Where provincial systems fail to deliver an effective price that meaningfully tracks the benchmark—whether through price freezes or credit oversupply, as already evident in Saskatchewan and emerging in Alberta—the federal OBPS backstop must apply automatically.

Application of the federal backstop should not depend on discretion or prolonged negotiation. The federal government needs to ensure that the legal framework establishes when and how the federal backstop will apply, with a view to avoiding delays and uncertainty.

2. Establish a clear and credible post-2030 industrial carbon price trajectory.

The absence of a defined post-2030 price signal aligned with net-zero by 2050 undermines investment certainty and weakens incentives for deep decarbonization. The government's Climate Competitiveness Strategy commits to a multi-decade industrial carbon price trajectory that targets net-zero by 2050, supporting present and long-run investor confidence. The federal government should work quickly to establish a post-2030 industrial carbon price trajectory that preserves the rising signal embedded in the current benchmark. A credible long-term price path is critical for capital-intensive investment decisions, alignment with Canada's net-zero-by-2050 objectives, and international competitiveness. Over time, the price should increasingly converge toward the social cost of carbon, estimated at \$294 per tonne in 2030 and rising to \$341 by 2040.

3. Restore a level playing field across jurisdictions.

The federal benchmark should require consistent coverage of major industrial emissions sources and prevent provincial system design choices from undermining market integrity or climate outcomes. This includes ensuring that provincial compliance markets maintain net demand for credits and do not allow chronic oversupply that depresses effective carbon prices. Where provincial systems fail to meet these conditions, the federal backstop must apply.

4. Ensure the effective price signal is not undermined by offsets and emissions-linked revenue recycling.

In practice, offset schemes have too often lacked credibility, weakened carbon price signals and failed to deliver verifiable, additional emissions reductions by covered facilities. Signatories to this letter hold a range of views—from organizations that oppose the use of offsets altogether to those that accept that a limited role for high-quality domestic offsets, excluding international offsets, may be acceptable. Regardless of these differing perspectives, if offsets are used, the federal benchmark must strictly limit their role and set clear eligibility requirements so that the effective industrial carbon price continues to drive robust, ongoing investment in direct emissions reductions.

In addition, provincial large-emitter systems should be prohibited from recycling carbon pricing revenues back to covered firms in ways that are linked to emissions or compliance obligations, as such practices undermine incentives to reduce pollution and weaken system credibility.

5. Improve transparency and durability of the carbon price signal.

The benchmark should require consistent public reporting on credit supply, credit use, prices and emissions outcomes to allow regulators and markets to assess performance and compliance. To reinforce durability and investor confidence, the federal framework should also incorporate market-stability tools, including mechanisms to address persistent credit oversupply that can undermine the effective carbon price. Expanded use of carbon contracts for difference would help de-risk and unlock final investment decisions for decarbonization projects, while reducing both the likelihood and the impact of future carbon-pricing policy reversals.

Conclusion

As global markets increasingly factor carbon intensity into trade and investment decisions, a robust industrial carbon price is essential to attract investment, modernize industry and protect Canada's competitiveness. Strengthening the federal benchmark, ensuring a rising effective price, restoring market integrity and applying the federal backstop automatically when provincial systems fall short are therefore essential. While a pan-Canadian agreement on a long-term industrial carbon price trajectory would be welcome, Canada's climate and competitiveness strategy cannot be made contingent on provincial consensus that will likely prove elusive.

Your government has rightly positioned climate competitiveness at the centre of Canada's economic strategy, and that strategy depends on industrial carbon pricing that is strong, predictable and enforceable in practice. Getting industrial carbon pricing right is among the most consequential economic and climate decisions of this mandate. We urge your government to act decisively to address these issues as the basis for any agreement with Alberta.

Yours truly,

Pierre Iachetti, Executive Director, David Suzuki Foundation

Tim Gray, Executive Director, Environmental Defence

Beverly Gingras, Executive Director, Conservation Council of New Brunswick

Patricia Fuller, President and CEO, International Institute for Sustainable Development

Caroline Brouillette, Executive Director, Climate Action Network Canada

Jessica Clogg, Executive Director and Senior Counsel, West Coast Environmental Law

Chris Severson-Baker, Executive Director, Pembina Institute

Daniel Rotman, Executive Director, Équiterre

Cc. Hon. Julie Dabrusin, Minister of the Environment, Climate Change and Nature