

Sent via electronic mail

January 30, 2026

To: Carbon Markets Bureau, Environment and Climate Change Canada

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**Subject: UPP comments on the Discussion paper “Driving Effective Carbon Markets in Canada”**

Dear members of the Carbon Markets Bureau:

University Pension Plan is pleased to provide this submission to Environment and Climate Change Canada's (ECCC) solicitation of feedback on its discussion paper “Driving Effective Carbon Markets in Canada”.

UPP is a jointly sponsored pension plan created by and for Ontario's university sector with over 44,000 members, and \$12.8 billion in assets under management. Climate change presents a systemic risk to the economy as a whole and material risks and opportunities for our investment portfolio. UPP's ability to realize adequate investment returns and provide retirement benefits depends on a stable climate, and our investments affect the stability of the climate. Our approach to climate change is outlined in our [Climate Action Plan](#).

As a pension plan for Canadian beneficiaries and as an investor in the Canadian economy, UPP views industrial carbon pricing as a foundational for the transition of Canada's high-carbon economy and strengthen long-term economic competitiveness. Predictable, economy-wide carbon pricing reduces policy and transition uncertainty for long-lived, capital-intensive assets, which allows companies and investors to internalize transition costs in capital allocation decisions and reduces the risk of abrupt regulatory adjustment over time. Ultimately, effective carbon pricing supports earlier and lower cost decarbonization and improves the competitiveness of Canadian assets.

We commend the Government of Canada for having a national industrial carbon pricing system backed by a strong federal benchmark and welcome the opportunity to provide input on the modernization of that system. We submit the following feedback for consideration in the interest of ensuring Canada's industrial carbon pricing scheme drives decarbonization, clean technology investment and competitiveness over the short- and long-term:

1. **Scope of Coverage:** UPP supports an approach to coverage that aims for the broadest coverage of GHG emissions reduction potential and mitigates intra-sectoral competitiveness risks with facility size to ensure market function and consistent economy-wide incentives. This is best reflected in Option 2 Activity-based approach or Option 3 Combination-based approach. As noted in the Discussion Paper, conventional oil and gas activities should be included in Option 2 by considering aggregation, a threshold of less than 10kt, and exemption of methane from venting and fugitive sources if there is overlap with methane regulations.
2. **Carbon Price Signal:** System predictability and durability are essential for companies and investors. This means ensuring the value of credits is stable and reliable and the market for credits is liquid. Emissions Reductions Accounts and other programs that return funds to the facility or corporate level or allow facilities to avoid participating in the carbon market through investment in decarbonization projects negatively impact the price signal and the credit market. Such approaches should only be permitted to

an extremely limited extent and where they can net additional emissions reductions that would not be achieved through a stringent and efficient output-based pricing system with negligible impact on broader market stringency and price signal. We welcome the government's consideration of additional tools and tests such as 'price collars', 'expiry tests', and a net-demand 'buffer'. These tools should reinforce the predictability and durability of the price signal and pricing system and keep market prices close to the headline price.

3. **Benchmark Assessment and federal backstop** We encourage the Government of Canada to announce swiftly the path forward for the minimum backstop beyond 2030. The price trajectory needs to be robust enough and projected out far enough to allow for investment planning and decision making. Certainty about the federal backstop beyond 2030 needs to be provided by the beginning of 2027 at the latest to inform planning around asset retirements and capital expenditures.
4. **Harmonization:** Though not the subject of the current consultation, we emphasize that further integration of carbon compliance markets across the country is essential to the competitiveness and efficiency of the system. Many of the problems identified in the consultation paper related to price distortions, market disruptions, and transparency limitations are rooted in the existence of multiple isolated and concentrated carbon markets in Canada, rather than an integrated national system. The Government of Canada with the Provinces and Territories, individually and as a group, need to direct their effort towards integration across jurisdictions to reduce administrative burden and enhance the efficiency, predictability and interoperability of the system. This would strengthen investment signals and market dynamism and contribute to the reduction of inter-provincial trade barriers.

The market integrity and quality of Canada's carbon pricing system depend on the efficiency, stringency, and coordination of each sub-system within it. As carbon border adjustment mechanisms enter into force in other markets, a robust federal benchmark that mitigates leakage and market distortions is essential to preserving market access, attracting investment, and maintaining the competitiveness of the overall system.

We appreciate the opportunity to comment. We can be reached at [brian.minns@universitypensionplan.ca](mailto:brian.minns@universitypensionplan.ca) for further discussion of the points outlined above or any other issues on which we can add value to the Government of Canada's effort to ensure effective and strong carbon markets in Canada.

Sincerely



Brian Minns

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University Pension Plan Ontario