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SENT VIA EMAIL

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RE: Comments for Proposed National Instrument 51-107 – *Disclosure of Climate-related Matters*

Experience with TCFD Recommendations

1. For reporting issuers that have provided climate-related disclosures voluntarily in accordance with the TCFD recommendations, what has been the experience generally in providing those disclosures?

In 2012 Baytex published its first sustainability report and began participating in the CDP (formerly Carbon Disclosure Project) annual climate questionnaire. Our governance structure and strategy have continued to evolve since then, with additional resources added along the way. TCFD recommended disclosures remained predominantly in the CDP questionnaire until 2020 when a standalone TCFD report was published.

These disclosures have required additional resources and management time each year. Ensuring accuracy and completeness of TCFD disclosure has been time consuming.

Disclosure of GHG Emissions and Scenario Analysis

2. For reporting issuers, do you currently disclose GHG emissions on a voluntary basis? If so, are the GHG emissions calculated in accordance with the GHG Protocol?

Yes, we voluntarily disclose our Scope 1 and Scope 2 GHG emissions in accordance with the GHG Protocol. Our emissions sources are inventoried and reported on an operational control approach basis. We do not use the equity method to report emissions as a large portion of our oil and gas production is controlled by a third party not located in Canada who does not have a legal obligation to provide us such information. Obtaining sufficient and accurate information to report emissions with respect to this production may not be possible.

3. For reporting issuers, do you currently conduct climate scenario analysis (regardless of whether the analysis is disclosed)? If so, what are the benefits and challenges with preparing and/or disclosing the analysis?

Currently we do not conduct climate scenario analysis.

4. Under the Proposed Instrument, scenario analysis would not be required. Is this approach appropriate? Should the Proposed Instrument require this disclosure? Should issuers have the option to not provide this disclosure and explain why they have not done so?

We believe scenario analysis should not be required under the Proposed Instrument. Currently, the information used to prepare scenario analysis is inconsistent and the outputs are not useful for decision makers. For instance, the use of factors in preparing the analysis does not result in issuer specific data being provided. In addition, the cost and resources required to produce scenario analysis is substantial.

5. The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.
- The Proposed Instrument contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?

Yes, we support the option to “disclose or explain” scope 1 and scope 2 GHG emissions. All issuers are required to disclose material information, we would not object to an issuer having to explain why such disclosure is not material to them.

- As an alternative, the CSA is consulting on requiring issuers to disclose Scope 1 GHG emissions. Is this approach appropriate? Should disclosure of Scope 1 GHG emissions only be required where such information is material?

We support requiring scope 1 GHG emissions disclosure provided that the disclosures are consistent between issuers (both on a size and industry basis) and reasonably straightforward to prepare.

- Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?

We do not support mandatory scope 2 or scope 3 GHG emissions disclosure. Each issuer should make their own determination as to whether that information is material. The mandatory preparation and disclosure of scope 3 emissions would be particularly burdensome. However, if scope 2 GHG emissions disclosure is mandated then the disclosures should be consistent between issuers (both on a size and industry basis) and reasonably straightforward to prepare.

- For those issuers who are already required to report GHG emissions under existing federal or provincial legislation, would the requirement in the Proposed Instrument to include GHG emissions in the issuer’s AIF or annual MD&A (if an issuer elects to disclose these emissions) present a timing challenge given the respective filing deadlines? If so, what is the best way to address this timing challenge?

Reporting GHG emissions in conjunction with an issuer’s AIF or Annual MD&A presents timing challenges at present. Having all reporting requirements fall on one point of the year would necessitate additional resources, especially if dealing with new forms of filings where systems and outputs require additional attention and review.

In addition, there may be substantial differences between the existing reporting requirements and any new filings requirements. For example, in 2020 we were required to report on 187 facilities federally of our total 2,100 emitting facilities. In contrast, Part 6 of the N51-107 request for comment suggests reporting under the federal Greenhouse Gas Reporting Program is at a facility level and companies will be expected to disclose Scope 1 emissions for all such facilities. Furthermore, the relevance of existing Canadian reporting requirements is reduced for issuers with operations outside of Canada.

If additional filings are required, issuers should be allowed to determine the timing of such filings.

6. The Proposed Instrument contemplates that issuers that provide GHG disclosures would be required to use a GHG emissions reporting standard in measuring their GHG emissions, being the GHG Protocol or a reporting standard comparable with the GHG Protocol (as described in the Proposed Policy). Further, where an issuer uses a reporting standard that is not the GHG Protocol, it would be required to disclose how the reporting standard used is comparable with the GHG Protocol.

- As issuers have the option of providing GHG disclosures, should a specific reporting standard, such as the GHG Protocol, be mandated when such disclosures are provided?

If disclosure is required we believe the GHG Protocol should be mandated, and not suggested, to ensure consistency of disclosures. Issuers should also be required to disclose their calculation approach under the GHG Protocol. Key considerations are standardization and industry familiarity and acceptance.

- Is the GHG Protocol appropriate for all reporting issuers? Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol?

We suggest that the GHG Protocol be the only allowable standard for GHG emissions. If NI 51-107 is a response to a lack of consistency and comparability between issuers' climate-related disclosures, allowing other standards does not support a solution.

- Are there other reporting standards that address the disclosure needs of users or the different circumstances of issuers across multiple industries and should they be specifically identified as suitable methodologies?

Currently, we are not aware of other suitable methodologies that are used in the oil and gas industry. However, this is a continually evolving space and the collaborative work being done by Veritas¹ on emissions measurement and quantification protocols is worth consulting.

7. The Proposed Instrument does not require the GHG emissions to be audited. Should there be a requirement for some form of assurance on GHG emissions reporting?

We do not support an assurance requirement for GHG emissions.

8. The Proposed Instrument permits an issuer to incorporate GHG disclosure by reference to another document. Is this appropriate? Should this be expanded to include other disclosure requirements of the Proposed Instrument?

Yes – incorporation by reference should always be permitted. Issuers are already burdened by having to make similar disclosures in multiple locations, all of which are readily available to the public.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

9. What climate-related information is most important for investors' investment and voting decisions? How is this information incorporated into these decisions? Is there additional information that investors require?

Consistent and comparable disclosures would likely be beneficial to investors.

¹ <https://www.gti.energy/gti-launches-veritas-an-initiative-to-measure-and-verify-companies-methane-emissions-reductions/>

10. What are the anticipated benefits associated with providing the disclosures contemplated by the Proposed Instrument? How would the Proposed Instrument enhance the current level of climate-related disclosures provided by reporting issuers in Canada?

No comment.

Costs and challenges of disclosures contemplated by the Proposed Instrument

11. What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?

We expect that the cost would be substantial and the dedication of internal resources would be similar to the resourcing associated with Oil & Gas reserves reporting. In addition, we foresee challenges in having adequate in-house resources and expertise, or the availability of third-party resources to support disclosure requirements. The Proposed Instrument requires a combination of accounting, sustainability, environmental engineering and industry specific knowledge for accurate emissions and TCFD reporting, this knowledge takes time to develop internally and is difficult to outsource.

12. Do the costs and challenges vary among the four core TCFD recommendations related to governance, strategy, risk management, and metrics and targets? For example, are some of the disclosures more (or less) challenging to prepare?

The vast majority of the costs and challenges are associated with metrics and targets, but all work in the other three areas depends on having metrics available.

13. The costs of obtaining and presenting new disclosures may be proportionally greater for venture issuers that may have scarce resources. Would more accommodations for venture issuers be needed? If so, what accommodations would address these concerns while still balancing the reasonable information needs of investors? Alternatively, should venture issuers be exempted from some or all of the requirements of the Proposed Instrument?

All issuers should make equivalent disclosures, regardless of size or industry. Standards should allow all issuers to make these disclosures.

Guidance on disclosure requirements

14. We have provided guidance in the Proposed Policy on the disclosure required by the Proposed Instrument. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Proposed Policy should refer to?

- TCFD implementation - [case studies](#) from different industries
- TCFD's [guidebook](#) on implementing their recommendations
- CDSB's "[Decision-useful climate-related information for investors](#)"
- SASB and CDSB's "[TCFD Implementation Guide](#)"
- SASB and CDSB's "[TCFD Good Practice Handbook](#)"

15. Does the guidance set out in the Proposed Policy sufficiently explain the interaction of the risk disclosure requirement in the Proposed Instrument with the existing risk disclosure requirements in NI 51-102?

No comment.

Prospectus Disclosure

16. Form 41-101F1 *Information Required in a Prospectus* does not contain the climate-related disclosure requirements contemplated by the Proposed Instrument. Should an issuer be required to include the disclosure required by the Proposed Instrument in a long form prospectus? If so, at what point during the phased-in implementation of the Proposed Instrument should these disclosure requirements apply in the context of a long form prospectus?

No. Such disclosure should only be considered for inclusion in a long form prospectus once climate-related disclosure (both process and rule-making) has advanced to the stage where it can be prepared in a similar fashion to financial results.

Phased-in Implementation

17. The Proposed Instrument contemplates a phased-in transition of the disclosure requirements, with non-venture issuers subject to a one-year transition phase and venture issuers subject to a three-year transition phase. Assuming the Proposed Instrument comes into force December 31, 2022 and the issuer has a December 31 year-end, these disclosures would be included in annual filings due in 2024 and 2026 for non-venture issuers and venture issuers, respectively.

- Would the transition provisions in the Proposed Instrument provide reporting issuers with sufficient time to review the Proposed Instrument and prepare and file the required disclosures?

If the comply or explain approach for scope 1 and 2 emissions were adopted, we could meet this timeline. If Scope 3 is incorporated, this would not be sufficient time.

- Does the phased-in implementation based on non-venture or venture status address the concerns, if any, regarding the challenges and costs associated with providing the disclosures contemplated by the Proposed Instrument, particularly for venture issuers? If not, how could these concerns be addressed?

No comment.

Future ESG considerations

18. In its comment letter to the IFRS Foundation's consultation paper published in September 2020, the CSA stated that developing a global set of sustainability reporting standards for climate-related information is an appropriate starting point, with broader environmental factors and other sustainability topics to be considered in the future. What broader sustainability or ESG topics should be prioritized for the future?

Each issuer will have topics which are material with respect to its business. At present, beyond GHG emissions, no item lends itself to broad market applicability.

**Yours Truly,
Baytex Energy Corp.**

**Chad Kalmakoff
Vice President, Finance**