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CC: CSA Jurisdictions

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RE: Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters

On behalf of SECURE Energy Services Inc. ('SECURE Energy'), we are submitting comments regarding the Proposed National Instrument 51-107 Disclosure of Climate-related Matters.

SECURE Energy welcomes the proposed National Instrument to create climate-related disclosure consistency among publicly traded organizations in Canada.

Among the only concern of the proposed National Instrument is regarding Scope 3 greenhouse gas (GHG) emissions reporting. Accurately capturing and reporting Scope 3 emissions remains a challenge for most businesses. Additional resources and time may be required to successfully report on Scope 3 emissions as there continues to be confusion regarding who is responsible for certain Scope 3 emissions.

Please find SECURE Energy's responses to the questions included in the Instrument.

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?

   Not applicable

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, SECURE Energy currently discloses GHG emissions on a voluntary basis. In absence of consistent reporting frameworks and protocols, SECURE has calculated emissions following the BC Methodological Guidance for Quantifying Greenhouse Gas Emissions but is able to report under GHG Protocol if necessary.

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?

   No, SECURE Energy does not currently 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?

   SECURE Energy supports the Proposed Instrument not requiring scenario analysis. If required, issuers should have the option to not provide this disclosure and explain why they have not done so. We believe scenario analysis has limited usefulness for investors and like many other ESG items, there is no standardized set of assumptions for scenario analysis.

   Development of scenario analysis is costly for an issuer and because it is an emerging practice, there is limited expertise in this area even among consultants. The time and effort required to complete this type of exercise provides limited value in its current form.

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?

SECURE Energy suggests all issuers be required to disclose Scope 1 and 2 GHG emissions. Regarding Scope 3 emissions, SECURE Energy supports a disclose or explain approach. Accurately capturing and reporting Scope 3 emissions is a challenge for most businesses and additional resources and time may be required to provide meaningful disclosure on Scope 3 emissions.
SECURE Energy would support disclosure of Scope 3 emissions in the future if the reporting criteria was well defined and not onerous to apply.

- 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?

  SECURE Energy believes it is appropriate for issuers to disclose Scope 1 GHG emissions. If materiality was applied to disclosure, SECURE Energy suggests the CSA provide additional guidance regarding materiality in this context and the criteria that may trigger such disclosure. Currently even the environmental regulatory requirements for reporting GHG emissions vary significantly from jurisdiction to jurisdiction. Also, the price of a tonne of GHG varies widely across the country and as a result, this creates diverse opinions on what may be considered material.

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

  SECURE Energy suggests all issuers disclose Scope 1 and Scope 2 GHG emissions. Regarding Scope 3 emissions, SECURE Energy supports a disclose or explain approach. Accurately capturing and reporting Scope 3 emissions is a challenge for most businesses and additional resources and time may be required to provide meaningful disclosure on Scope 3 emissions.
  SECURE Energy would support disclosure of Scope 3 emissions in the future if the reporting criteria was well defined and not onerous to apply.

- 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?

  Consolidating Scope 1 and Scope 2 emission data to include in the AIF or annual MD&A is a tight timeline as not all sources of data may be available at that time. In some instances, utility data is not available from the providers until two months later (i.e. December data often becomes available in February). Including GHG emissions in an AIF or an annual MD&A may result in organizations filing these documents later than they ordinarily would.

Regulatory reporting deadlines for emissions data range from the end of March to the end of June. An option may be to report GHG emissions as a stand-alone item in annual sustainability reporting with a standardized reporting period better suited to the data consolidation associated with Scope 1 and 2 emissions.

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?

  A specific, mandated standard would be best, to enable "apples to apples" comparisons. If the reporting protocol is well defined and easy to follow, reporting should not be a concern for most issuers.

- 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?

  Yes, the GHG Protocol is appropriate for all reporting issuers and issuers should only be given flexibility to use alternative reporting standards that are comparable with the GHG Protocol.

- 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?

  The tool needs to be robust enough to allow for the variation in Scope 2 emissions that result from power generated from burning coal to natural gas combustion to hydroelectric to solar or wind. Similarly, for Scope 1 emissions there is variation among industry sectors and emission protocols and models must not over generalize to allow for variability of operations. This is especially critical for a company like SECURE Energy that has multiple business lines that range from fixed facility based midstream operations to landfill operations to contaminated soil reclamation on customer sites.

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?

   Perhaps not immediately, but as maturity of reporting increases, yes, the GHG emission reporting should be subject to some form of assurance for transparency.

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, the issuer should be able to incorporate the GHG disclosure and other disclosure requirements by referencing another document.

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?

   In addition to reporting on GHG metrics, additional climate-related information that is material to disclose includes:
   - ***Water***
   - ***Waste***
   - ***Energy intensity***

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?

    Aligning with TCFD disclosure highlights the importance of managing risks associated with climate and would enhance Canadian investment attractiveness. In addition, comparability between issuers is important for all stakeholders.

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?

    Accurate reporting requires people resources or a robust IT system to accurately capture data. There are costs associated with these resources. Captured data must be in a form that can be easily transferred into the formulas and protocols required. Units and sometimes conversion factors to get from one basis to another are required and that expertise may not always be available in-house, especially if issuers do not have scientists or engineers in-house.

Challenges include being able to accurately capture data. Energy and environmental data often come in multiple units (no standard reported) and often is not captured for any business need other than emissions reporting. As a result, many companies are not likely to have formalized work processes and protocols to accurately record and consolidate this data.

Issuers are also challenged with reporting emissions data under many protocols and frameworks (TCFD, SASB, GHG Protocol, and various environmental regulatory protocols). This may require considerable time and effort since these protocols may not all be consistent.

Finally, for any issuer that has a mobile fleet, especially non-commercial vehicles, accurate collection of fuel data is a challenge as fuel may be purchased from multiple vendors in various locations across the country and unlike electricity or natural gas it may be impossible to use a single vendor for means of purchasing fuel.

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 metrics are amongst the most challenging and costly to compile. Specifically Scope 3 will be onerous to compile as it requires engagement and buy-in through the whole value chain. The more complex the organization, the more complicated the reporting on scope 3 emissions.

    Each of the four TCFD core recommendations also requires specialized skill or expertise to develop and report on meaningful metrics and targets. Many companies may not have this expertise in house and because this is an emerging area, external resources/support form consultants is widely varied and in some cases issuers may unknowingly receive poor quality work for a high cost due to immaturity in the field.

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?

    Not applicable, however, perhaps there is an opportunity to provide some relief for venture issuers.

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?

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Not at this time.

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?

    Yes, the guidance is sufficient.

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?

    In addition to the proposed disclosure, if organizations complete a comprehensive TCFD aligned report, it could be included as an appendix to a long form prospectus at the end of the phased implementation in 2024.

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?

      Yes, the timing is sufficient. However, among the only concern of the proposed National Instrument is in regard to Scope 3 greenhouse gas (GHG) emissions reporting. Accurately capturing and reporting Scope 3 emissions remains a challenge for most businesses and additional resources and time may be required to successfully report on Scope 3 emissions. If reporting on Scope 3 emissions is required, the CSA should consider a longer phase-in period for such disclosure.

    - 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?

Not applicable

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?

    SECURE Energy recommends social topics be considered, including, employees and workforce, safety, supply chain, indigenous relations, community engagement and giving. As echoed throughout SECURE Energy's response, adding broader environmental factors and other sustainability topics should only occur if there is a standardized reporting protocol in place to ensure that reporting is on a level playing field.

    Additional environmental factors to consider include water usage and waste.