Canadian Electricity Association | Association canadienne de l'électricité

February 2, 2022

Attention:
Alberta Securities Commission,
Autorité des marchés financiers,
British Columbia Securities Commission,
Financial and Consumer Services Commission, New Brunswick,
Financial and Consumer Affairs Authority of Saskatchewan,
Manitoba Securities Commission,
Nova Scotia Securities Commission,
Nunavut Securities Office,
Office of the Superintendent of Securities, Newfoundland and Labrador,
Ontario Securities Commission,
Office of the Superintendent of Securities, Northwest Territories,
Office of the Yukon Superintendent of Securities, and
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Submitted via email

Re: Consultation on Proposed National Instrument 51-107

We are pleased to respond to the Canadian Securities Administrators' (CSA) request for comments on the Proposed Instrument for the Disclosure of Climate-related Matters.

The Canadian Electricity Association (CEA) is the national forum and authoritative voice of electricity in Canada. CEA members represent approximately 90 percent of all generation, transmission, distribution, and marketing of electricity in Canada, as well as leading manufacturers and suppliers to the industry. CEA's Finance and Accounting Committee, Legal Committee, and Sustainable Electricity Steering Committee, together including representatives from more than 35 of our member organizations, have reviewed the Proposed Instrument and we appreciate the opportunity to provide constructive feedback.

CEA's membership consists of a mix of companies with publicly traded securities who will be directly affected by the Proposed Instrument, as well as electricity companies without such publicly traded programs who do not fall under the scope of the Proposed Instrument. However, Canadian regulators may be looking to CSA's National Instrument to guide their own requirements, and therefore all types of CEA members have participated in drafting these comments, as they may be indirectly affected by CSA's decisions.

Overall, CEA is supportive of the Proposed Instrument. We believe that the proposed disclosure requirements succeed in meeting the goals of the instrument, and we are pleased that CSA has chosen to follow the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations, with appropriate modifications, such as the exclusion of scenario analysis requirements. We offer comment on three key areas of concern for our members: 1) greenhouse gas (GHG) emissions disclosures and assurance, 2) reporting timeline and implementation, and 3) future Environmental, Social, and Governance (ESG) priorities.

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GHG Disclosures and Assurance

CEA supports the current wording of the proposal on GHG emissions disclosure requirements, in which issuers may disclose each scope of their GHG emissions or explain why they have not done so. We believe that it is reasonable not to make the disclosures mandatory initially, however, CEA supports gradually phasing in mandatory requirements of scope 1 and scope 2 emissions disclosures in the future. While many CEA member companies already disclose their scope 1 and 2 emissions, scope 3 emissions are particularly challenging to assess and requires more time to develop and implement. Further clarity and consistency are needed for companies to identify what to include in scope 3 reporting. Work also must be done to determine how these emissions can be effectively monitored while avoiding double counting.

We are also in agreement that the proposal should not require the disclosure of scenario analysis. Given the lack of a standardized set of processes and assumptions, such scenario analysis would not be comparable between different disclosers.

Finally, CEA also supports the Proposed Instrument's position on auditing and assurance, namely that GHG emissions are not required to be audited. Auditing requirements would create significant additional costs and time to the reporting process, as climate risk auditing is different from financial auditing. In some cases, it would also possibly create duplication of work, as information currently disclosed in other reports may already be subject to assurance mechanisms.

Reporting Timeline and Implementation

The majority of CEA members currently provide information that represents the principles of their organization, as well as their dedication to sustainability, through annual integrated financial reports, dedicated sustainability reports, and/or via their public websites. In the absence of the requirements contained in the Proposed Instrument, such sustainability disclosures do not necessarily appear in an issuer's continuous disclosure documents. Our members agree that, ultimately, continuous disclosure documents such as the Annual Information Form (AIF) or the year-end annual Management's Discussion and Analysis (MD&A) are the best location for such disclosures. However, it does raise two concerns with respect to the reporting timeline:

First, including these new disclosures in continuous disclosure documents creates an additional burden to the already demanding and time-sensitive reporting cycle. This is particularly problematic in the early years of implementation of the Proposed Instrument as issuers adjust to the timing of the collection and reporting process for the new disclosures. We suggest that CSA consider an approach in which the new climate-related disclosures are initially included in a supplementary filing which is separate and provides flexibility on timing of filing from financial and other continuous disclosure documents and reports in the first year of implementation and, over the course of several annual periods, gradually moving the timeline of the supplementary filing until it can be aligned with other continuous disclosure documents. This would accommodate the learning curve of issuers and provide time for the GHG emissions advisory industry to adjust its processes in order to meet the Proposed Instrument's annual reporting cycle.

The other major timeline issue is that our members release their annual MD&A, AIF, and sustainability reports at different times in the year, with sustainability reports generally coming later due to the complexity of collecting the data required to calculate GHG emissions. CEA members are committed to improving efficiencies and working toward aligning the reporting time of GHG disclosures with their AIF or MD&A. However, we ask that CSA recognize the current challenge and

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1. consider our above recommendation for a phased approach for the first years of implementation, and

2. provide guidance on where and how to provide GHG emissions to ensure that our members' disclosures are consistent and comparable, possibly including:

   - identifying emissions sources that must be disclosed, including assessment criteria, and

   - identifying if and when estimation is acceptable if information is not available at the time of reporting.

Finally, regarding the implementation period, CEA's members who are non-venture reporting issuers are concerned that the one-year transition period proposed will not provide sufficient time to review the Proposed Instrument and prepare and file the required disclosures. We recommend that CSA extend this short transition time for reporting issuers to alleviate some of the burden of implementation. Our venture issuer members are satisfied with the three-year transition phase proposed.

Future ESG Priorities

CSA has asked respondents to consider what broader sustainability or ESG considerations should be prioritized for the future. As previously stated, CEA is pleased to see alignment with the international movement toward the adoption of TCFD standards. However, there still exists a wide array of inconsistent standards, and consolidation of ESG reporting standards should continue to be a priority. Additionally, we believe that there is currently a lack of sector-specific guidance, which may lead to reporting of non-material information by private-sector companies.

Together, the consolidation of global reporting frameworks and the development of sector-specific guidance would provide the tools necessary to publish high-quality, comparable information for use by key stakeholders.

We thank you for this opportunity to comment on the Proposed Instrument. Should you have any questions or require any additional information about our comments, please contact Vanna Willerton, CEA's Legal and Finance Program Coordinator. Vanna may be contacted as follows:

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Sincerely,

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