

February 15, 2022

The Secretary  
Ontario Securities Commission  
20 Queen Street West 22nd Floor, Box 55  
Toronto, Ontario M5H 3S8  
(Via email: [comment@osc.gov.on.ca](mailto:comment@osc.gov.on.ca))

Dear Secretary:

**Re: Energy Industry Commentary on CSA NI 51-107 – *Disclosure of Climate-related Matters***

The Canadian Association of Petroleum Producers (“CAPP”) is pleased to provide comments with regard to the Consultation on Climate-related Disclosure Update and the Canadian Securities Administrators (CSA) Notice and Request for Comment on Proposed National Instrument (NI) 51-107 Disclosure of Climate-related Matters

The Canadian Association of Petroleum Producers (CAPP) represents companies, large and small, that explore for, develop and produce natural gas and oil throughout Canada. CAPP’s member companies produce about 80 per cent of Canada’s natural gas and oil. CAPP’s associate members provide a wide range of services that support the upstream oil and natural gas industry. Together CAPP’s members and associate members are an important part of a national industry with revenues from oil and natural gas production of about \$116 billion a year and supported almost 400,000 jobs across the country as of 2021.

CAPP member companies recognize the importance of delivering reliable, affordable, responsibly produced energy that addresses important social and environmental issues, including climate change. The Canadian oil and gas industry has a critical role to play in integrated energy systems and is part of the solution needed to tackle the global climate challenge. The International Energy Agency (IEA) in their World Energy Outlook 2020 report recognized Canada as a leader in climate action and predicts strong growth in Canadian oil production and natural gas production to meet global energy needs through 2040.

Since its inception the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD) have been largely adopted by CAPP membership in guiding external disclosures to investors on climate-related risks and strategies. Further, many CAPP member companies release Environmental, Social, and Governance (ESG) and sustainability reports aligned with TCFD principles. We as a sector welcome greater transparency on climate related disclosure and believe the CSA is taking a prudent approach with NI 51-107, however we would like to highlight a few items that could cause concern to industry if not adequately addressed.

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**Scenario Analysis**

CAPP supports and appreciates that the CSA is “sensitive to concerns related to the regulatory burden and additional cost of mandatory climate related disclosure.” CAPP supports the CSA’s approach in not requiring issuers to disclose scenario analysis. While we recognize the value that scenario analysis provides both for issuers and investors when evaluating risk and investment opportunities we believe it is premature to mandate it at this time. Scenarios use different data sets and assumptions, making it difficult to compare and contrast different scenario analyses.

CAPP member companies consider a wide range of future scenarios based on multiple possibilities including forecasting the advancement of future technologies and potential financial risks associated with a changing climate. Mandatory disclosure of scenario analysis will require further advancement and standardization of scenario analysis to meet the rigorous standards of financial disclosure.

Further, issuers often find it challenging to disclose details on future business scenarios for a variety of reasons. Mainly, technologies need to be developed and deployed, and costs of future projects are still unknown and likely to evolve with scalability. Future scenarios are highly sensitive to assumptions that will likely change and the prediction of future earnings impacts as part of scenario analysis will be highly speculative and unlikely to meet the criteria of being material.

**Scope 3 Emissions**

We are supportive of the CSA’s approach to diverge from the TCFD with respect to the requirement of Scope 3 emissions reporting. Reporting Scope 3 emissions continues to be a challenge at this time and will prove difficult to provide in a timely manner, if at all. We believe this would not only add additional burden to industry, but is also not practical in that upstream oil & gas producers don’t have knowledge or control over the end use of their sales products (e.g., the proportion of their sales products that go to non-combustion uses such as chemical feedstocks, lubricants, and asphalts).

In addition, CAPP would note that concerns persist with the accounting for of Scope 2 emissions, as data sources for Scope 2 emissions can vary greatly. There are an additional 30 cogeneration plants that report emissions under other classifications that are not included in either the AESO or federal electricity emission aggregations, creating discrepancies in how Scope 2 emissions are accounted for.

**Metrics and Targets**

The CSA proposes that companies disclose “*the targets used by the issuer to manage climate-related risks and opportunities and performance against targets where such information is material*”. Many CAPP companies have disclosed GHG emission reduction targets and/or made declarations regarding pathways to achieve net-zero GHG emissions by 2050. These plans rely on innovation and technology, some of which is not yet identified or commercially viable. As such, any metrics or targets need to take into consideration this uncertainty, and the corresponding need for flexibility in interpretation.

As evidenced in the recent announcement of innovations like Carbon Capture Utilization and Storage (CCUS), these technologies hold exciting potential for carbon emission reductions in Canada but are still a way off being fully commercial. The federal government estimates that with an effective use of carbon capture technology, Canada will be able to capture 15 million tons of carbon per year. CCUS, as well as other innovations, will require significant partnerships and collaboration between industry, researchers, academia, government and others, and as future development plans and technologies are still being commercialized, it would be premature to include these details in a disclosure subject to investor scrutiny.

### ***Additional Cost***

We are appreciative that the CSA is *“sensitive to concerns related to the regulatory burden and additional cost of mandatory climate related disclosure.”*

We believe the exclusion of scenario analysis by the CSA is helpful in reducing potential costs related to the addition of climate disclosure. We appreciate the phased approach the CSA has outlined, however we would assert that there *“are anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument”*, depending on how the instrument is adopted. Should the GHG Protocol be mandated, this would lead to additional costs and burden in particular for some of CAPP’s smaller members. We agree with the CSA’s proposal to not require GHG emissions to be audited with a requirement for assurance, as this would also increase costs to issuing companies.

### ***Audit/Assurance***

CAPP does not support mandatory audits of climate-related disclosure at this time. Should the GHG protocol be mandated and a requirement for GHG emissions to be audited with a requirement for assurance, this would lead to additional costs, dual emissions reporting and incremental burden in particular for some of CAPP’s smaller producers.

Further, many CAPP member companies currently have their climate related metrics and targets assured (either to a limited or reasonable level) and the value of having assured data is recognized, but the assurance of climate-related data is still under development. Further developing the skills and capabilities auditing firms require to adequately assess climate risk and disclosure is necessary and it would be premature to mandate audits of climate-related disclosure until expertise further evolves in this realm.

### ***Timing of Disclosure***

The Proposed Instrument contemplates aligning TCFD disclosure with financial reporting timelines, providing non-venture and ventures three or four months, respectfully, to submit annual filings after their fiscal year-end. Further, Canadian reporting issuers that file on US SEC forms (i.e. Form 10-K) have an even shorter time period of 60 days from the end of the fiscal year. This proposed filing time frame may be difficult for issuers to accommodate given the disconnect between emissions data availability and the deadlines for financial filings. Annual emissions data for the prior year is generally not available until

after the financial reporting deadlines in March or April of the following year. GHG data aligns with provincial/national GHG reporting regulations that vary in each jurisdiction. Typical oil and gas companies' emissions reporting is based on their end of year production data, which subsequently determines their GHG emissions data. If GHG emissions data is required in the typical financial filings timeline, the data reported under CSA NI 51-107 should be flexible to allow for: unassured data; data that is estimated for the last 2-3 months of the year; and or, any portion of emissions that are subject to regulatory compliance be waived for inclusion in the NI 51-107.

Alternatively, CAPP would assert that a disclosure requirement that allows issuers to complete their climate disclosure (emission data) as it becomes available to them, or potentially by the end of Q2 of the following year would be a prudent approach; or allow issuers to reference their GHG reporting in a later, separate document (e.g., an appendix; inclusion in ESG or CSR reports).

Further, we would ask the CSA to consider flexibility in GHG quantification methodology (propose flexibility in this regard to allow for regulatory reporting methods where they may deviate from the GHG Protocol in order to avoid carrying two corporate GHG inventories).

As TCFD evolves and further mandates emerge, including additional GHG emissions disclosure and assurance requirements, there would be an expectation for future consultation if the CSA plans to adopt further TCFD guidance as part of NI 51-107.

In conclusion, we are grateful for the opportunity comment on the proposed NI 51-107, and believe it is step in the right direction for financial disclosure in Canada. Further, we believe effective and transparent climate disclosure will benefit Canadian capital markets in attracting necessary capital. As ESG disclosure requirements evolve and further mandates emerge, CAPP requests additional consultation with industry to ensure requirements remain cost-effective and meaningful.

We would be open to further communication to discuss NI 51-107 though CAPP's Capital Markets committee, please reach out as you see fit.

Sincerely,

*"Ben Brunnen"*

Ben Brunnen

Vice President, Oil Sands, Fiscal and Economic Policy