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VIA EMAIL: PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca

September 30, 2022

ATTN:

Environment and Climate Change Canada

Dear Minister Guilbeault, and Minister Wilkinson,

RE: Comments on discussion document on the Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050 ("the Discussion Document")

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD $211 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our province, including university and college instructors, teachers, healthcare workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will deliver strong and stable financial returns.

BCI believes in engagement and advocacy over divestment. We have historically addressed long-term and persistent ESG risks through constructive engagement with the oil and gas industry. As a long-term investor, BCI raise concerns and influence companies, standard-setters, and regulators. Through engagement, we encourage companies to adopt targets aligned to the Paris Agreement and improve climate-related disclosure and performance. As part of the Climate Action 100+, the world's largest investor-led engagement initiative, BCI is leading, co-leading, or supporting engagement with four of Canada's largest oil and gas target companies.

BCI welcomes the opportunity to provide feedback to the Ministry of Environment and Climate Change Canada and the Ministry of Natural Resources on the discussion document. Climate change is one of the key strategic priorities for BCI given that we view it as a systemic risk that will impact the entire economy. For further information about how we approach this priority as an investor, I would point you to our Climate Action Plan[1]. This document was published in 2018 and we are looking to update it later this year as the pace of change has been swift and our practices continue to evolve.

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[1] https://www.bci.ca/wp-content/uploads/2019/06/BCIs-Climate-Action-Plan-and-Approach-to-the-TCFD-Recommendations.pdf.

In 2021, we were appointed to the federal government's Sustainable Finance Action Council (SFAC), where we are helping to shape sustainable finance markets in Canada. We believe that timely considerations and implementation of upcoming recommendations of the SFAC Taxonomy Technical Experts Group (TTEG) could be complementary to the regulatory options under review.

We commend the Government of Canada for taking action to reduce greenhouse gas emissions from the oil and gas industry at a pace and scale necessary to achieve Canada's 2030 and 2050 climate targets in a way that allows the industry to compete in a global economy that is transitioning to net-zero. Supportive government policies and regulations are critical to accelerating the transition to a low-carbon economy.

We agree that the relative importance to Canada's net-zero ambitions of emissions from the oil and gas industry, and the current trajectory of those emissions, warrants a comprehensive approach. It is our observation that while many companies have adopted operational net-zero targets by 2050, the degree to which they have aligned their strategy and business model to achieving this varies greatly. Investors are engaging with oil and gas companies on setting voluntary targets. Regulatory efforts would be highly supportive of investors' success at driving down emissions in support of global, national, and provincial contributions to climate pledges.

Absent further oversight from the federal government, we are concerned that the current path of industry emissions will make meeting Canada's 2030 and 2050 climate goals challenging. Failure to meet our national commitments will not only add to the systemic risks of climate change – a critical risk to investor portfolios – it may also exacerbate the access to capital challenges of the oil and gas industry itself. Critically, we also believe the sector has the capability and the innovative capacity to meet this time-sensitive challenge.

Reducing emissions will help prepare the Canadian economy and the oil and gas industry for the low-carbon future and address the economy-wide risks and opportunities of climate change. As long-term investors, we believe managing emissions is critical to increasing certainty on carbon pricing and emission pathways, which would enable more informed investment planning and capital flows while limiting risk to our portfolios.

We recognize that the mechanics of the proposed options have advantages and disadvantages, and we are supportive of implementing regulatory changes that are practical, are effective at reducing emissions from the sector at the necessary pace and scale, ensure price certainty, are transparent (functionally and financially), are structured to operate in a holistic manner with other policy areas, and are implementable on a reasonable time frame while resilient over time. It should be ensured that other climate-related regulations and policy levers currently in place or under way are delivering on their stated intent and optimized for applicability and/or interoperability with the oil and gas specific regulatory options under review. Furthermore, we would be supportive of expanding the scope of coverage to the natural gas transmission pipelines.

Importantly, the option chosen should encourage the industry to allocate the necessary capital required to meet the net-zero ambition. Policies should strike the right balance between incentivizing capital deployment towards emission reduction projects in the short term and capital flows towards compliance mechanisms. Capital allocation decisions are needed in the short term to ensure significant emission reductions in the medium term. This would ensure actionable decarbonization and transition plans to assist with achieving an orderly transition to net-zero by 2050.

Regardless of the specific approach the federal government chooses to implement, we believe there should be a near-term focus on methane detection, measurement, and management. Considerations should be given to how the final regulation can incentivise increased ambition to significantly reduce, and even eliminate methane emissions from flaring, venting and fugitive sources. We view methane reduction regulation as a cost-effective way to quickly achieve significant emission reductions in parts of the industry that are not currently captured by other regulatory frameworks.

Actual emission reductions need to be anchored in rigorous emissions accounting and assurance. BCI supports requirements for external attestation for companies' direct emissions. Seeking external assurance will embed companies' achievement of current and future emission reduction targets and will provide investors with enhanced confidence in companies' reported emissions. As investors, we will continue to engage with large emitters on obtaining reasonable assurance from audit firms on their scope 1 and 2 emissions.

We encourage the Government of Canada to adopt the most practical and effective regulatory changes to incentivise emission reduction innovation and implementation to further limit climate change and to reduce systemic risk in our portfolios.

For any clarifications related to this submission please contact Jennifer Coulson at **jennifer.coulson@bci.ca**, Senior Managing Director ESG in Public Markets, or Anne-Marie Gagnon at **anne-marie.gagnon@bci.ca**, Manager ESG in Public Markets.

Sincerely,

Daniel Garant
Global Head & Executive Vice President
Public Markets

cc Jennifer Coulson, Senior Managing Director ESG
cc Anne-Marie Gagnon, Manager ESG