

Investor statement in support of the Clean Fuel Regulations

March 4th, 2021

Paola Mellow
Executive Director, Clean Fuel Standard
Environment and Climate Change Canada
351 Saint-Joseph Blvd., 21st floor
Gatineau (Quebec) K1A 0H3

Mrs. Mellow,

We are writing to voice our support for the Canadian government's proposed Clean Fuel Regulations (CFR)¹ that aims at reducing carbon intensity of liquid fossil fuels produced in and imported into Canada.

Bâtirente² is a labour-sponsored pension fund system representing over 23,000 beneficiaries, with C\$820.6M in assets under management. As long-term investors, we recognise the threat of climate change to the economy and investments. We acknowledge the global imperative to limit warming to 1.5 degrees Celsius to mitigate significant negative impacts on the global economy. We recognise energy companies have an important role to play in accelerating the transition to a low carbon economy and can benefit from low carbon business opportunities.

In order for Canada to succeed in fostering a quick and just transition to a low carbon economy, public policies and regulations have a critical role to play in incentivising greenhouse gas reductions while equitably distributing costs and sharing benefits. We support public policies which put a price on carbon emissions and incentivize emissions reductions across the full life cycle of energy products.

As such, we strongly support the proposed CFR as an effective mechanism to achieve reductions of greenhouse gases in Canada. Following four years of public consultation, the most recent proposal is

¹ <http://www.gazette.gc.ca/rp-pr/p1/2020/2020-12-19/html/reg2-eng.html>

² **About Bâtirente:** Bâtirente is a group retirement system created in 1987 at the initiative of the CSN. It allows 23,000 workers, grouped in 300 labour unions, to benefit from pension plans tailored to their needs by pooling their savings. A pioneer in responsible investing in Quebec, Bâtirente believes that actively managing its investee companies' environmental, social and governance (ESG) risks helps ensure long-term economic and social development, as well as sound capitalization of the pension plan, which are both required for sustainable financial performance.

likely to achieve an adequate balance between the need for significant reductions in the country and supporting an economically feasible and just transition to a low carbon economy.

More specifically, regarding:

- Implementation: The regulation should come into force **no later than December 2022** as proposed,
- Real-world impact: We agree with the annual lifecycle carbon intensity reductions requirement **becoming more stringent on a linear yearly basis with the goal of reaching 12 gCO₂e/MJ by 2030**,
- Transparency: We recommend Environment and Climate Change Canada (or another entity) ensures there is a **publicly available database** allowing investors and other stakeholders to track compliance by individual companies/facilities, to the extent feasible while maintaining adequate confidentiality.

The proposed CFR will give us more confidence that Canadian companies subjected to these rules will adopt robust business strategies that ensure their long-term resiliency. Because GHG reductions achieved through the CFR will be quantifiable and verifiable, we believe it will help Canada position its industries as producing and transforming natural resources in a responsible and carbon efficient manner. The proposed regulation, in addition to the federal government-mandated carbon price, will:

- Help foster much needed certainty regarding long term public policy on climate change in Canada,
- Allow companies to better assess long term risk and opportunities,
- Allow investors to allocate capital more efficiently to maximize risk adjusted returns,
- Allow users of Canadian fuel products to have confidence that these products are carbon competitive.

We remain dedicated, like you, to building a better future for all Canadians.

Yours truly,

Daniel Simard, CEO, Bâtirente

Jean-Philippe Renaut, CEO, Æquo³

³ About Æquo: Æquo Shareholder Engagement Services (“Æquo”) is a Canada-based service provider for institutional investors seeking to integrate environmental, social, and governance (ESG) considerations into their investment processes. We lead dialogues with listed companies on behalf of our clients and accompany them in different consultation processes, for the long-term benefit of all stakeholders.