

October 10, 2018

Hon. Rod Phillips,  
Minister of the Environment, Conservation and Parks  
77 Wellesley Street West, 11th Floor, Ferguson Block  
Ministry of Environment, Conservation and Parks  
Toronto, ON  
M7A 2T5

**Re: Proposed Bill 4, Cap and Trade Cancellation Act, 2018 as posted by the Ministry of Environment, Conservation and Parks on September 11, 2018**

Dear Minister Phillips,

Thank you for the opportunity to comment on proposed Bill 4, Cap and Trade Cancellation Act, 2018.

The Shareholder Association for Research and Education (SHARE) is a Canadian leader in responsible investment services, research and education for institutional investors. Since 2000, SHARE has carried out this mandate by providing active ownership services, including proxy voting, engagement, education, policy advocacy, and practical research on issues related to responsible investment and the promotion of a sustainable, inclusive and productive economy. Our clients include pension funds, mutual funds, foundations, endowments, faith-based organizations and asset managers across Canada with more than \$22 billion in assets under management.

There is widespread scientific consensus that climate change is real, is happening now and is primarily caused by humans.<sup>1</sup> This warming is affecting our physical environment, with impacts such as an increased likelihood of extreme and unpredictable weather, but there is also growing recognition that climate change poses serious risks to the stability of markets and financial systems.<sup>2</sup> The impact on the Canadian economy has been valued as high as \$21 to \$43 billion per year by 2050.<sup>3</sup> Economic impacts from climate change are expected to be greater in some sectors than others, but few sectors are expected to remain untouched.<sup>4</sup>

Ontario has the second highest greenhouse gas (GHG) emissions in Canada, and the province is experiencing global warming at a rate that is faster than the global average.<sup>5</sup> In order to limit the threat of severe, widespread and irreversible impacts, as well as pave the way for a sustainable and prosperous future, there is an urgent need for Ontario to reduce GHG emissions and transition to a low-carbon economy.

As long-term institutional investors, SHARE and our clients are taking action to address climate risks and opportunities in our portfolios and seeking ways to shift capital towards the low-carbon transition. Through initiatives such as Climate Action 100+,<sup>6</sup> a collaboration involving 296 investors with USD \$31 trillion in assets under management, we are working

with the companies in our portfolios to ensure that they are minimising and disclosing the risks and maximizing the opportunities presented by climate change.

However, we recognize that investor actions alone are not enough; policy makers also have a crucial role to play. This is why investors continue to call upon governments at all levels to take action on climate change. For instance, in June 2018, 288 investors representing more than USD \$26 trillion in assets called upon G7 leaders to step up their ambition and actions to address climate change.<sup>7</sup>

In addition, we support the work of the Ontario Securities Commission and the Canadian Securities Administrators to consider new disclosure requirements for issuers in relation to “business risks, including climate change-related risks, and risk oversight and management,”<sup>8</sup> and believe climate-related disclosures should be aligned with the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures.

In order to remain an attractive jurisdiction for investment, it is essential that Ontario establish a clear and effective climate action plan, and demonstrate continued commitment to achieving the climate goals of Canada and the rest of the world. Therefore, we would like to offer the following comments and recommendations regarding the proposed Cap and Trade Cancellation Act:

### **1. Setting targets for greenhouse gas (GHG) emissions reductions**

There is broad consensus from the scientific community that limiting global warming to 1.5 or 2 degrees is necessary to reduce threats to ecosystems, human health, and economic growth, and to avoid the most catastrophic impacts of climate change.<sup>9</sup> It is vital that Ontario’s targets for GHG emissions reductions are clearly aligned with this global temperature limit. We implore the government of Ontario to carefully consider the potential economic damage associated with delaying climate action<sup>10</sup> and the risks associated with a failure to set appropriate GHG emissions reduction targets.

We support Ontario’s current targets to reduce GHG emissions to 37% below 1990 levels by 2030 and 80% by 2050<sup>11</sup> and urge the government to reconsider the cancellation of these targets. The existing targets help to put us on a path towards keeping global temperature change below 2 degrees, as agreed to by the 197 countries, including Canada, that signed the Paris Agreement.

If new GHG emissions reduction targets are being considered, we request that the Government ensure that these new targets are science-based, relevant to slowing the impacts of climate change, and consistent with Canada’s commitment to limit global warming to well-below 2 degrees. We support the Environmental Commissioner of Ontario’s recommendation to establish carbon budgets that are “legally binding...set well in advance, based on non-partisan, expert advice, coupled with rigorous progress reporting and independent evaluation.”<sup>12</sup>

## **2. Process for preparing a new climate change plan**

An effective plan is essential to reducing the impact of climate change in Ontario. We recommend that the Government of Ontario establish GHG emissions reduction targets in advance of finalizing its new climate change plan in order for the plan to be built around achieving the targets.

It is critical that Ontario set a clear deadline for the plan's release. The timeline for the plan's release should reflect the urgency of the issue. Immediate action is needed to prevent further costs associated with meeting our GHG target, address the policy and regulatory gap that currently exists, and ensure that Ontario's GHG emissions continue on a downward trajectory.

We encourage Ontario to consult on the new plan with a wide range of stakeholders and experts, including businesses, investors, climate change scientists, technical experts, and communities across the province. The new plan should be posted to the Environmental Registry for comment before approval to provide investors and other stakeholders an opportunity to comment on a draft of the new climate change plan before it is finalized.

## **3. Content of new climate change plan**

SHARE welcomes the Government of Ontario's renewed focus on addressing climate change and its associated risks. We hope to see a new climate plan that fits and make sense for Ontario's economy, providing new economic opportunities and jobs in areas such a clean technology, while ensuring that climate impacts are reduced. Any effective plan would have a strong focus on the mitigation of climate impacts and include an absolute reduction of Ontario's GHG emissions. We encourage Ontario to consider a wide range of policy tools to address climate change, including those outlined in the recent report by the Environmental Commissioner.<sup>13</sup>

One key feature we would hope to see in the new plan is an outline of a transition pathway to a low-carbon economy that includes details on specific programs to address the primary sources of GHG pollution in Ontario, such as building energy efficiency, transportation, and industrial processes.<sup>14</sup>

Another critical feature to address in any robust climate plan is consideration of how a "just" transition will be achieved, in which workers and communities do not bear a disproportionate share of the costs, and can share in the benefits, of a low-carbon economy. This would include government plans to support workforce retraining and redeployment.

## **4. Minister's progress reports**

Given the urgency of this issue, a clear and specific time frame for issuing progress reports is necessary. Given the information required by investors to assess their own climate-related risks, annual progress reports from the Minister would be reasonable. These reports should include details on budgets and spending on climate action, as well as an evaluation of progress made against GHG targets.

## 5. Retirement and cancellation of cap and trade instruments

We continue to support carbon pricing as an extremely effective tool to enable a transition to a low-carbon economy. Carbon pricing is being widely adopted across many jurisdictions globally, and has received substantial support from the business community.<sup>15</sup> Absence of such an instrument will likely result in the implementation of the federal backstop carbon pricing plan. We strongly encourage the Government of Ontario to work with the federal government to ensure a smooth transition to this system and support affected parties.

Should you wish to discuss these comments further, I can be reached at 416-306-6462 or by email at [lgosset@share.ca](mailto:lgosset@share.ca).

Sincerely,



Laura Gosset  
Shareholder Association for Research & Education (SHARE)

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<sup>1</sup> IPCC (2018). *Special Report on Global Warming of 1.5C*. <http://www.ipcc.ch/report/sr15/>.

<sup>2</sup> See for instance, the recommendations of the FSB's Task Force on Climate-related Financial Disclosures, <https://www.fsb-tcfd.org/publications/final-recommendations-report/#>.

<sup>3</sup> Canada. National Round Table on the Environment and the Economy. (2011). *Paying the Price: The Economic Impacts of Climate Change for Canada*. <http://nrt-trn.ca/climate/climate-prosperity/the-economic-impacts-of-climate-change-for-canada/paying-the-price>.

<sup>4</sup> SASB (2016). *Climate Risk Technical Bulletin* TB001-10182016.

<sup>5</sup> Environmental Commissioner of Ontario. (2018). *Climate Action in Ontario: What's Next? 2018 Greenhouse Gas Progress Report*. <https://eco.on.ca/reports/2018-climate-action-in-ontario/>.

<sup>6</sup> Climate Action 100+. <http://www.climateaction100.org/>.

<sup>7</sup> 2018 Global Investor Statement to Governments on Climate Change.

[http://www.unepfi.org/news/industries/investment/investor\\_agenda\\_g7\\_statement\\_2018/](http://www.unepfi.org/news/industries/investment/investor_agenda_g7_statement_2018/).

<sup>8</sup> p.3 in Canadian Securities Administrators (2018). *CSA Staff Notice 51-354: Report on Climate change-related Disclosure Project*. [http://www.osc.gov.on.ca/en/SecuritiesLaw\\_csa\\_20180405\\_51-354\\_disclosure-project.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20180405_51-354_disclosure-project.htm).

<sup>9</sup> IPCC (2018). *Special Report on Global Warming of 1.5C*. <http://www.ipcc.ch/report/sr15/>.

<sup>10</sup> The Council of Economic Advisers (2014). *The Cost of Delaying Action to Stem Climate Change*.

<https://obamawhitehouse.archives.gov/blog/2014/07/29/new-report-cost-delaying-action-stem-climate-change>.

<sup>11</sup> See Climate Change Mitigation and Low-carbon Economy Act, 2016, S.O. 2016, c. 7.

<https://www.ontario.ca/laws/statute/16c07>.

<sup>12</sup> p.15 in Environmental Commissioner of Ontario. (2018). *Climate Action in Ontario: What's Next? 2018 Greenhouse Gas Progress Report*. <https://eco.on.ca/reports/2018-climate-action-in-ontario/>.

<sup>13</sup> Environmental Commissioner of Ontario. (2018). *Climate Action in Ontario: What's Next? 2018 Greenhouse Gas Progress Report*. <https://eco.on.ca/reports/2018-climate-action-in-ontario/>.

<sup>14</sup> Government of Ontario (2016). *Ontario's Climate Change Action Plans*.5. <https://www.ontario.ca/page/climate-change-action-plan#section-4>.

<sup>15</sup> See for instance Delphi Group and the Carbon Pricing Leadership Initiative (2018). *The Role of Carbon Pricing in a Low-Carbon Transition: Report from Canadian Business Members of the Carbon Pricing Leadership Coalition*.