BRIEFING NOTE

Is Canadian trade association lobbying aligned with Canada's Paris Agreement commitments?

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This briefing note is the fourth and final in a series of case studies released as part of a three-year project to encourage dialogue among capital market participants about how Canadian corporations' influence on public policy debates and decision-making affects the interests of long-horizon investors. SHARE would like to thank the British Columbia Government and Service Employees' Union, the Douglas-Coldwell Foundation, the Glasswaters Foundation, and the J.W.McConnell Family Foundation for their support of this project.

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Introduction

Climate policy and the Trump effect

With President Trump's intention to withdraw from the Paris Agreement,[1] roll back environmental regulations, further fossil fuel development, and adopt other measures to attract investment and prioritize national interests, discussion of climate policy in Canada is once again mired in concerns about Canada's competitiveness with our largest trading partner.

The implications for policy-making are potentially profound. Some Canadian trade associations have raised concerns about Canada's diverging climate policies – which include a carbon pricing announcement, plans to phase-out the use of coal, methane emissions reduction regulations and an emissions cap on the oil sands – as a competitive disadvantage that will cost Canadians in terms of jobs, investment and prosperity.

Barely three weeks after the US election, for instance, the Canadian Fuels Association – whose membership includes Husky Energy Inc., Shell Canada Products and Imperial Oil Ltd. – wrote:

> *The election of Donald Trump, together with a supportive Republican controlled Congress is a game changer for Canada. The North American climate policy partnership forged by Prime Minister Trudeau and President Obama is ending. The prospect for a renewed climate partnership with the incoming Trump administration is uncertain, to say the least. The competitiveness implications for energy intensive, trade exposed business sectors like petroleum refining are significant. Going it alone and imposing carbon price costs on Canadian businesses, when their US direct competitors face no comparable carbon costs, puts Canadian businesses and jobs at risk.*[2]

That message was reiterated very recently in a letter to Prime Minister Trudeau from the Canadian Chamber of Commerce, which argued that "Canada's competitiveness is eroding across the board. We cannot balance the impacts of becoming a high carbon cost economy if we are slipping in many other areas at the same time."[3]

The extent of the "Trump effect" is difficult to measure, as many industry associations that are currently critical of Canadian climate policies held these positions prior to the US election. However, in some cases there is evidence that this opposition has become more pronounced – and more public – since November 2016.

Clearly questions of competitiveness and effectiveness must be understood and considered, but for Canadian companies (and their investors) that are committed to addressing the risks climate change poses to their businesses and investments, and that have supported improved climate regulations and/or carbon pricing measures, the challenge is to separate fact from fiction and to ensure that short-term politics don't derail the long-term benefits from an energy transition in Canada.

To contribute to that discussion, we took a look at the concerns being raised by Canadian trade associations, and we developed a set of questions that member companies and their shareholders can raise to ensure greater clarity as the policy debate continues.

Institutional investors are asking for action on climate

Institutional investors recognize the need for decisive and timely action on climate change. In fact, according to one global index, over 60 per cent of the world's 500 largest asset owners, with assets worth US$27 trillion, are seeking to understand and mitigate their potential exposure to climate-related-risks.[4]

But there is a limit to what investors can do on their own. Investors need governments to create strong policies that support action to mitigate the impacts of climate change. Commitments from governments such as the Paris Agreement are important because they signal clear policy direction that allows investors to plan for a global transition to a low-carbon future. Decisive climate policies enable investment decisions and strategies that foster long-term low-carbon growth as well as reductions in global greenhouse gas emissions. Investors continue to demonstrate their support for government climate policy action through public statements such as the Global Investor Statement on Climate Change, signed by 409 investors representing more than US$24 trillion in assets,[5] and more recently a letter sent to G7 heads of state in advance of the May 2017 summit signed by long-term institutional investors representing more than USD 22 trillion in assets.[6]

At the same time, however, institutional investors own shares in companies that may be lobbying either directly or indirectly against those same policies. A report from the UK non-profit InfluenceMap, for example, found that following the US election, "many powerful US industry associations have seized the chance to message against climate change regulations… and push for policies that will favor the fossil fuel economy."[7]

While investors generally do not seek to dictate the policy positions taken by issuers, they are increasingly seeking improved disclosure of political spending and lobbying activity and asking for stronger oversight by the board to ensure that it is aligned with shareholder interests – including the investor interest in positive climate change policy.

Corporate lobbying on climate policy

A number of individual Canadian corporations have actively supported the adoption of carbon pricing mechanisms and other climate-related regulations in Canada and elsewhere. For instance, the CEOs of Suncor, Cenovus Energy, Loblaw Companies Ltd., and Teck Resources Ltd. were among the signatories of a letter to Canadian First Ministers in November 2016, which called for Canada-wide carbon pricing.[8] A large group of Canadian companies joined the Carbon Pricing Leadership Coalition, calling for Canada to take advantage of the opportunities associated with a low-carbon economy.[9] Suncor, Cenovus Energy, Shell Canada and Canadian Natural Resources Ltd. also endorsed the Alberta Climate Leadership Plan in 2015, which included carbon pricing and an overall emissions cap on the oil sands.

However, much of the registered lobbying carried out on behalf of corporations is actually done by the trade associations to which they belong.

As organizations with wide membership within an industry, trade associations are well placed to advocate on public policy at a lower cost than if each individual company were to lobby. They can also help industries arrive at common positions on issues and educate their membership about the benefits and costs of various policies and regulations.

There is a risk for members, however, that the association may not represent their own company's views or interests, and in some cases may even counter the position their company has taken on an issue.

That is why SHARE, on behalf of its institutional investor clients, has engaged with Canadian and US companies to improve oversight and disclosure of both direct political activity as well as indirect activity through trade associations and policy-oriented non-profit organizations. The companies with which we have raised the issue have agreed that strong oversight of any policy activity is important not only to mitigate risks to the company but also to better address the company's policy and regulatory concerns.

Canadian companies join trade associations for many good reasons: networking opportunities, membership benefits and programs, educational opportunities, and collective policy advocacy. But a company should be aware of any misalignment in positions between itself and its association, and should regularly assess whether to maintain its membership, seek to change the association's position, clarify its own position, or exit the relationship.

This is especially important when the issue at hand is a material concern for the company and its investors. In many sectors, climate change policy is one such concern.

Our study: Methodology

We wanted to know whether Canadian trade associations representing publicly-traded companies have been advocating for strong Canadian climate-change-related policies and regulations and whether they are continuing to do so in the Trump era.

To find out, we first identified the Canadian trade associations that reported the most lobbyist meetings with federal officials in the Canadian federal lobbyist registry and also identified climate change as one of the issues they were discussing. Through this process we identified 22 trade associations that, between them, registered more than 1200 communications with the federal government in 2016.

Then we analyzed the organization's publicly-available materials on the issue of climate change, and any related media coverage, to identify which concerns they were raising, to what extent they supported carbon-pricing mechanisms in Canada, and whether their public declarations had changed after the election of Donald Trump in the US.

From the information we gathered, four main categories of concerns on climate policy in Canada emerged, and we identified which associations had taken positions regarding those areas of concern. We reviewed the implications of those positions both from a public policy and an investor point of view.

Based on this analysis, we developed a set of questions that a trade association's corporate members can ask their association to ensure that the association's climate-change-related advocacy is aligned with shareholder value and interests.

We also developed a related set of questions that investors can ask of the companies they own to determine whether their portfolio companies' interests and position on climate change regulation are consistent with association lobbying activities and whether the company has established adequate oversight of its trade association's policy activity.

The list of associations we reviewed, and the companies that are represented on their boards of directors, is included in Appendix A.

Four trade association concerns with climate policy

The following represent four broad concerns that Canadian trade associations have raised in discussions on climate policy in Canada, especially in the post-Trump era. We discuss some of the analysis underpinning each of these concerns and conclude each section with a set of questions for company members and their shareholders to better evaluate the real-world basis for these concerns and ensure effective policy alignment with shareholder interests.

1 Carbon pricing (federal and provincial)

> "A carbon tax will significantly increase the cost of doing business for farmers."
>
> - Canadian Federation of Agriculture[10]

> "We think it's the best way to send a market signal to reduce emissions."
>
> – Mining Association of Canada[11]

> "It's all pain for no gain."
>
> - Explorers and Producers Association of Canada[12]

Carbon pricing as an approach to limit greenhouse gas emissions has gained support both from mainstream financial institutions such as the World Bank, OECD and the IMF as well as many countries around the world that have adopted carbon pricing schemes. Twenty-five percent of global emissions are now estimated to be covered by carbon pricing.[13]

Canada has experienced a recent flurry of activity at both the federal and provincial levels around carbon pricing, including the introduction of a carbon tax in Alberta in January 2017 and Prime Minster Trudeau's late 2016 announcement of a national price on carbon. Unsurprisingly, many trade associations have weighed in on this issue, with varying degrees of support.

Many trade associations have made public statements of support for carbon pricing. For example, the Mining Association of Canada (MAC) stated that a carbon price is "the most effective and efficient means of driving emissions reductions and making real progress in the global fight against climate change."[14] MAC, the Business Council of Canada, and the Forest Products Association of Canada also endorsed an open letter to Canadian First Ministers promoting a range of positive climate actions including carbon pricing.[15]

While most of the associations reviewed here publicly endorse carbon pricing, for some that support is conditional, requiring, for instance, that any implemented scheme is revenue-neutral and/or is accompanied by de-regulation in other areas. Among those associations openly critical of carbon pricing, some have called for exemptions and delays in implementation.[16]

While the design of carbon pricing options is open to debate, it is important to differentiate between genuine discussion of design options and de facto opposition to carbon pricing policies. For example, while the US Chamber of Commerce has claimed that it supports "strong federal legislation and a binding international agreement to reduce carbon emissions and address climate change,"[17] watchdogs note it has "opposed every viable effort to do so."[18]

Questions for trade association members:

- Does the association support specific carbon pricing schemes relevant to its membership (e.g. the Pan-Canadian Framework for Clean Growth and Climate Change, or Alberta's Climate Leadership Plan)? If not, why not?
- At what carbon price and in what time frame does the association support federal and/or provincial action?
- What effect would the association's position(s) above have on meeting Canada's nationally-determined commitments under the Paris Agreement? If they impede meeting those commitments, how may the position(s) be adjusted to ensure those commitments are met?

Questions for shareholders:

- What discrepancies, if any, exist between the company's position on climate policy and carbon pricing and that of its trade association? How has the company communicated any discrepancies to the association and/or governments? Would the company consider making clear public statements where there is a material difference between the company and trade association's position?
- Has the company indicated how it monitors, oversees and manages policy positions taken by the trade associations to which it belongs?

2 Competitiveness concerns and "carbon leakage"

> "While we support [federal] efforts toward a more consistent approach to climate policy across Canada, we must also acknowledge that the United States and several other major GHG emitters are headed in a different direction – one that imposes significantly lower costs on business."
>
> – Business Council of Canada[19]

> "Everything produced or moving in our economy will have to shoulder a carbon tax that our American competitors will happily avoid... Let's hit the pause button on carbon taxes until we understand how imposing economy-wide higher costs will affect our competitive position in North America."
>
> – Explorers and Producers Association of Canada[20]

A recurring view expressed by trade associations in Canada is that aggressive climate policies will undermine the competitiveness of Canadian businesses. As the argument goes, these businesses will face higher costs - for instance, through a carbon tax or in order to comply with emissions caps - and will be placed at a competitive disadvantage against companies from less-restrictive jurisdictions.

These concerns have intensified in the wake of President Trump's election. Some industry associations argue that, along with reducing their profitability and ability to attract investment, strict climate policies will cause businesses to relocate to jurisdictions with weaker environmental requirements, leading to not only economic losses for Canada but "carbon leakage,"[21] resulting in no net reduction of emissions.

We observed competitiveness concerns raised in both general discussions on climate policy and in opposition to specific regulation, including methane emissions caps and carbon pricing.

For example, the Canadian Chamber of Commerce announced, "We favour a price on carbon" yet at the same time hinted at its disapproval by suggesting the timing might be wrong: "new climate policies, particularly carbon taxes or trading systems, are being imposed at a time of anxiety for Canadian business community [sic]."[22]

MAC recently pointed to "evidence of declining Canadian competitiveness" for the mining sector and emphasized the danger of "carbon leakage" if emissions-intensive and trade-exposed industries are not protected.[23] The President of the Canadian Association of Petroleum Producers (CAPP) stated in 2016 that "if we look at the jurisdictions we are competing with to attract capital dollars and which ones of those have a price on carbon, it's pretty much no one."[24]

These kinds of statements suggest that carbon pricing will drive industry, jobs and investments to move to jurisdictions where there is no pricing. However, these concerns may be overstated.

First, it is true that there are a small number of highly trade-exposed, carbon-intensive industries for which carbon pricing could have significant implications. Yet empirical studies to date have not shown carbon pricing as having a significant impact on investment and productivity of the Canadian economy as a whole. Recent analysis concludes that competitiveness pressures will only significantly impact a portion of Canada's overall economic activity, estimated at around 5 percent of Canada's economy (with variation between 2 percent and 18 percent depending on the province or territory).[25]

Empirical studies to date have not shown carbon pricing as having a significant impact on investment and productivity of the Canadian economy as a whole.

Members of trade associations should assess, using the best available evidence, whether their industry and specific segments of the industry are truly affected in this manner and to what degree. Where a trade association is making more general assertions rather than raising limited, specific concerns, it should be challenged to clarify the position and provide evidence for the expected impacts on particular sectors.

Secondly, it is important to remember that the competitiveness of a firm or industry is impacted by a set of complex factors, not just carbon pricing. It might be tempting to attribute much impact to carbon pricing when in reality the causes are much more complicated.

Differences in carbon price across jurisdictions are expected to diminish over time, which will reduce competitiveness pressures that industries are facing.

Further, differences in carbon price across jurisdictions are expected to diminish over time, which will reduce competitiveness pressures that industries are facing,[26] so analysis of competitive pressures should be conducted over specific time frames that acknowledge regulatory and firm adaptation and resiliency.

Lastly, despite President Trump's intention to withdraw from the Paris Agreement and the current head of the US Environmental Protection Agency's effort to undo federal regulations, a growing number of US states and cities have pledged to continue to meet their commitments under the Paris Agreement.[27] Therefore, assessment of potential "carbon leakage" and competitiveness must also be specific to the geographic locations of the industry's competitors and relevant markets.

If, for example, key competitors are based in California, they are already facing climate regulations and carbon pricing[28] that more than match the expected actions in Canada, making claims about competitiveness with US firms less relevant.

In general, experts argue that any concerns raised about the competitiveness impacts of carbon pricing can be addressed through "smart design" of the pricing framework.[29] Targeted and transparent mitigation measures that are evidence-based should be applied to sectors that may be materially impacted. For example, offering free emissions allowances under a cap and trade system can help to mitigate competitiveness pressures while maintaining the incentive to reduce emissions.[30]

We would add, however, that in order to effect a "just transition" to a low carbon economy the costs of that transition should not be shifted on to the backs of those least able to bear it. When the Canadian Chamber of Commerce raised its concerns about carbon pricing, for instance, its list of competitiveness concerns included "high labour cost[s]" and "low rates of labour productivity costs."[31] Instituting a price on carbon should not be used as an excuse for limiting wages, benefits or protections for Canadian workers.

Questions for trade association members:

- Has the association quantified the impacts – both positive and negative – of climate regulations and carbon pricing on specific segments of the industry?
- For each of the quantified impacts, has the association identified specific design elements to mitigate those effects without compromising the ability of Canada to meet its Paris Agreement commitments, and without proposing to shift the burden onto the industry's workers through lower wages, benefits or protections?
- To what extent has the association identified existing factors specific to the industry and jurisdiction that might mitigate the risk of carbon leakage (e.g. availability of particular resources, technologies, tax regimes, qualified workforce, etc)?
- Does the association's analysis of competitive pressures address longer-term time frames that acknowledge regulatory and firm adaptation and resiliency? If so, what are the time-frames considered?
- Has the association identified relevant carbon pricing mechanisms and regulations at the municipal and state levels in the foremost trading jurisdictions for their industry or has it focused solely on the national level?

Questions for shareholders:

- Which are the company's most active trading jurisdictions and/or the jurisdictions in which their main competitors are located? How different are climate regulations or carbon pricing mechanisms in those jurisdictions (including state and municipal regulations) from those proposed in Canada?
- What is the company's cost/benefit analysis of operating in Canada, and what is the material impact of proposed climate change regulations and/or carbon pricing on that cost/benefit analysis?

Which associations are raising competitiveness concerns?

This table shows the positions, where known, that trade associations are taking on carbon pricing in Canada, based on publicly available material from the past year.[32] Nearly every association has raised concerns about the impact of carbon pricing on Canadian competitiveness. In some cases, this has been used to justify opposition to a carbon tax (i.e. the Explorers and Producers Association of Canada). As noted in the report and as evinced by this table, several associations are publicly endorsing carbon pricing while simultaneously voicing concerns about its impact on industry. While concerns about carbon leakage and competitiveness are, in some instances, justifiable and should be addressed in policymaking, some trade associations may be lending "conditional" support to carbon pricing with caveats that render that support meaningless.

(**Y**= yes | **N**=no | **A** = ambiguous/unclear or no position taken)

Trade Association	Publicly supports carbon pricing?	Has raised public concerns that carbon pricing will negatively affect competitive-ness
Mining Association of Canada	Y	Y
Canadian Manufacturers and Exporters (CME)	A	Y
Forest Products Association of Canada	Y	Y
Canadian Chamber of Commerce	Y	Y
Retail Council of Canada	A	Y
Canadian Electricity Association	Y	Y
Canadian Gas Association	A	Y
Canadian Association of Petroleum Producers	Y	Y
Chemistry Industry Association of Canada	A	Y
Canadian Federation of Agriculture	N	Y
Canadian Fuels Association	Y	Y
Canadian Energy Pipeline Association	A	A
Business Council of Canada (former Canadian Council of Chief Executives)	Y	Y
Insurance Bureau of Canada	Y	A
Air Transport Association of Canada	N	Y
Automotive Industries Association of Canada	A	Y
Canadian Propane Association	A	A
Canadian Wood Council	A	Y
Council of Forest Industries	A	Y
Explorers and Producers Association of Canada	N	Y
Real Property Association of Canada	A	A
Smart Prosperity	Y	A

3 Regulatory burden

> "[We recommend] carbon pricing OR regulations, not carbon pricing AND regulation."
>
> – Canadian Chamber of Commerce[33]

Trade associations have also raised concerns about regulatory burdens related to climate change, arguing that climate-related regulations are stifling to businesses or unnecessarily complex. While overt calls for de-regulation are generally not as prominent in Canada as in the US, at least one association has argued that reducing the current regulatory burden would better allow businesses to reduce their greenhouse gas emissions through innovation.[34]

Multiple trade associations are actively lobbying on specific pieces of climate regulation, such as emissions caps, clean fuel standards, and the review process for major energy infrastructure projects.

Within the last year, for instance, trade associations have successfully lobbied the federal government to delay implementation of regulations to reduce methane emissions in the oil patch. This was widely viewed as the result of successful industry association lobbying. The Canadian Association of Petroleum Producers argued that methane regulations place huge additional cost burden on Canadian companies, and that US companies do not face these costs.

As with the analysis above on carbon pricing regimes, however, the discussion needs to account for specific state-level regulations. US states are pressing ahead with regulations on methane, and in fact "more oil and gas production is covered by existing or pending U.S. state regulations than what the federal Canadian regulations will cover."[35]

For that matter, companies in states with methane emissions regulations have noted the benefits of these regulations, such as increased operational efficiencies and cost savings, as well as added benefits to the economy as a whole, such as job creation.[36] Trade associations must account for both benefits and costs when assessing a proposed regulation.

Further, a trade association should indicate whether the proposed regulation may have differential effects on its membership, and how it addresses those. For example, in the US the US Chamber of Commerce instigated a legal challenge to the federal government's Clean Power Plan, saying that the plan "imposes massive harms on local businesses and communities."[37] In response, some of its members (including Microsoft, Amazon, Apple and Google) filed an Amicus Curae brief arguing that, on the contrary, the Clean Power Plan will benefit their organizations by "making renewable energy supplies more robust, more reliable, and more affordable."[38]

Questions for trade association members:

- Has the association quantified the impact – both positive and negative – of the proposed regulations on specific segments of the industry?
- For each of the quantified impacts, has the association identified specific design elements to mitigate those effects without compromising the ability of Canada to meet its Paris

Agreement commitments, and without proposing to shift the burden onto the industry's workers through lower wages, benefits or protections?

- Has the association acknowledged the impact of regulations in the foremost trading jurisdictions for their industry, at a disaggregated level (e.g. state level)?

Questions for shareholders:

- Would this specific company be affected negatively or positively by the proposed regulatory initiative?
- Which are the company's most active trading jurisdictions and/or the jurisdictions in which their main competitors are located? How different are climate regulations in those jurisdictions from those proposed in Canada?
- Will this regulatory initiative generate positive economic effects such as improvements in efficiency or capturing new sources of revenue for this company?

4 Revenue recycling

> "What we're suggesting is the revenue generated [from carbon pricing] go back to our industry for technology and innovation to help us become that low-carbon supplier of petroleum products."
>
> – Canadian Association of Petroleum Producers[39]

> "While the sector does support a price on carbon, it is very important that carbon pricing revenue generated by governments should be revenue-neutral and returned to industry in some form; for example, a technology fund."
>
> – Forest Products Association of Canada[40]

Some trade associations are advocating for "revenue recycling" – for revenue generated from climate policies such as carbon pricing to be returned to industry for various purposes.

A variety of forms of revenue recycling have been advanced, including rebates to offset competitive disadvantages, technology funds to advance innovation, and investments in retrofits to help carbon-intensive industries reduce their emissions. Often underpinning calls for revenue recycling is the argument that, without returning this revenue to industry, businesses will find it too expensive to invest in emissions reduction strategies and/or will relocate to jurisdictions outside of Canada.

Targeted revenue recycling measures may assist with a transition for companies and for workers. For instance, dedicating carbon tax revenues towards a designated innovation fund could help to stimulate clean technology developments, or revenues could be targeted towards promoting job creation for regions and workers that might be negatively impacted by the energy transition.

However less targeted initiatives – such as lowering corporate taxes generally – does not necessarily provide incentives for companies to reduce emissions and may in fact offset costs that would otherwise incentivize emissions reductions in high-intensity sectors. Further, while revenues from carbon taxes or other regulatory or pricing measures may be used to assist companies, workers and/or consumers with transitions, specific measures should be considered on their own cost/benefit merits rather than implicitly assuming that carbon price revenues must by definition be segregated from other government revenues and applied to industry or other subsidies.

Questions for trade association members:

- If revenue recycling measures are promoted by the association, are they targeted to specific transition-related needs?
- Has the association conducted an analysis setting out how the industry can meet its share of emissions reductions required to fulfil the country's commitment under the Paris Agreement? How dependent is the industry's transition pathway on revenue recycling measures?

Question for shareholders:

- Has the company developed its own planning related to climate change scenarios (including regulatory scenarios)? If so, what role does revenue recycling play in those scenarios? How dependent is the company's transition pathway on revenue recycling measures?

Disclosure to shareholders

Investors have been asking companies to improve corporate disclosure related to campaign spending and lobbying activity, which includes disclosure of trade association memberships and the oversight of those relationships. Recent shareholder proposals in Canada filed by SHARE clients have asked company Boards to prepare a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications;
2. Payments or dues paid by the company that may be used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient;

3. The company's membership in and/or payments to any tax-exempt organization in Canada or the USA that writes and endorses model legislation or advocates for policy change; and
4. Description of the decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

The last point is intended to solicit disclosure of how the company reviews its memberships in trade associations for alignment with its policy priorities and shareholder value, and how often it does this. Disclosure along these lines is becoming more common at Canadian firms as shareholder requests increase.

A further set of investor expectations specifically regarding corporate climate lobbying was issued in 2015 by a group of global investors, including SHARE clients, representing approximately $4 trillion in assets under management. The full set of investor expectations can be found here: https://www.unpri.org/download_report/8535

Conclusion

Members of Canadian trade associations that support effective action on climate change can play a role in ensuring that their associations are raising genuine concerns and offering proposals to improve regulatory efforts, rather than raising red flags as a means of obstructing or delaying climate action.

Differentiating between the two approaches requires careful analysis.

Recognizing the active role trade associations play in lobbying on climate change policy in Canada, we have attempted to provide some questions for trade association members to ask of their association in order to help develop a thoughtful analysis and guide associations towards constructive contributions to climate action.

We have also provided some questions company shareholders might ask of the company members themselves, to determine how relevant these policy concerns are for their operations and whether the company is actively promoting good climate policy positions within their trade associations.

We believe that constructive dialogue between shareholders and management of the companies they own can strengthen not only the company's own bottom line and reduce investment risks, but also can promote positive impacts and reduce negative externalities across the investor's whole portfolio. This is especially true when the subject is climate change policy.

We hope that this briefing note contributes to a thoughtful and productive dialogue on climate policy that advances the interests of Canadian investors as well as the economy as a whole.

Appendix A

Trade Association	Companies currently represented on the board of directors (alphabetical)[41]
Mining Association of Canada	Agnico Eagle Mines Ltd., Albion Sands Energy Inc., Alexco Resource Corp., ArcelorMittal Mines Canada, B2Gold Corp., Baffinland, Barrick Gold Corporation, BHP Billiton, Cameco Corporation, Canadian Zinc Corporation, De Beers Canada Inc., Dominion Diamond Corporation, Eldorado Gold, Excellon Resources, First Quantum Minerals, Glencore Canada, Goldcorp Inc., HD Mining International Ltd., HudBay Minerals Inc., IAMGOLD Corporation, Imperial Metals Corporation, KGHM International, Kinross Gold Corporation, Lundin Mining Corporation, MMG Limited, New Gold Inc., Newmont Mining Corporation of Canada, Noront Resources, Nyrstar, Pan American Silver Corporation, Rio Tinto Canada (IOC), Royal Canadian Mint, Sherritt International Corporation, Shore Gold Inc., Suncor Energy Inc., Syncrude Canada Ltd., Taseko Mines Ltd., Teck Resources Limited, Vale, Victoria Gold Corp., Western Copper and Gold Corporation
Canadian Manufacturers and Exporters (CME)	3M Canada Company, ACDEG International Inc., Acrylon Plastics Inc., ArcelorMittal Dofasco, Bombardier Inc., Breakpoint Human Capital, Continental Marble of Canada, Crestline Coach, Daniel Peloquin Consultant (DPC), Ford Motor Company of Canada, GE Canada, Genoa Design International Ltd., Halifax Port Authority, Industrial Technology Centre, Imperial Oil Limited, IPEX Management Inc., Ironside Design Manufacturing, KPMG, Lavery, de Billy LLP, Malley Industries Inc., Plasti-Fab Ltd., Price Industries Limited, ProVantage Automation, RayleeValleyGroup, RBC Royal Bank, RC Management, Schneider Electric Inc., Siemens Canada, SNC-Lavalin International, Steelworks Design Inc., Suncor Energy Inc., Tenaris Canada, Voith Hydro
Forest Products Association of Canada	Alberta-Pacific Forest Industries Inc., AV Group NB Inc., Canfor Corporation, Canfor Pulp Ltd., Conifex Timber Inc., Daishowa-Marubeni International Ltd., Fortress Paper Ltd., Howe Sound Pulp and Paper Corp., Louisiana-Pacific Canada Ltd., Mercer International, Millar Western Forest Products Ltd., Resolute Forest Products, Tolko Industries Ltd., West Fraser Timber Co. Ltd., Weyerhaeuser Company Limited
Canadian Chamber of Commerce	Aimia Inc., Air Canada, Barrick Gold Corporation, Bell Canada, Bombardier, CapServCo Limited Partnership, CGI Group, CN, Davies Ward Phillips & Vineberg LLP, Deloitte, Desjardins (Federation des caisses Desjardins du Quebec), Enbridge Inc., Encana Corporation, Envenio, Ernst & Young LLP, General Motors of Canada Company, Goldcorp Inc., Hougen Group of Companies, IBM Canada Ltd., Ignite Management Services Inc., Inversa Systems Ltd., Leaders International, Manulife, Nexen Energy ULC, PotashCorp, Power Corporation of Canada, Royal Bank of Canada, Rogers Communications, ShiftCentral Inc., SNC-Lavalin Inc., Suncor Energy Inc., TD Bank Group, TELUS, Yamana Gold
Retail Council of Canada	Best Buy Canada Ltd., Canadian Tire Retail, Costco Wholesale Canada Ltd., Heirloom Linens, Liquor Control Board of Ontario, Loblaw Companies Limited, Newfoundland Labrador Liquor Corporation, Purdys Chocolatier, Sobeys Inc., Staples Canada Inc., The Stitch It Group Inc., The Shopping Channel, Toy Jungle, Toys 'R' Us (Canada) Ltd., Triple Flip Inc., Walmart Canada, Wicker Emporium Ltd.
Canadian Electricity Association	AltaLink, Alectra Utilities, ATCO Power, BC Hydro, Brookfield Renewable Energy Group, Capital Power Corporation, Emera Inc., ENMAX Corporation, FortisAlberta Inc., FortisBC Inc., Hydro One Inc., Hydro Ottawa, Hydro-Québec, Manitoba Hydro, Maritime Electric Company Ltd., New Brunswick Power Company, Newfoundland and Labrador Hydro, Newfoundland Power Inc., Oakville Enterprises Corporation, Ontario Power Generation Inc., Saint John Energy, SaskPower, Toronto Hydro Corporation, TransAlta, TransCanada Corp., Yukon Energy Corporation
Canadian Gas Association	AltaGas Utilities Inc., ATCO, CR Wall & Co. Inc., Enbridge Gas Distribution Inc., Foothills Industrial Products, FortisBC and Group of Companies, Gaz Métro, Manitoba Hydro, Pacific Northern Gas Ltd., SaskEnergy, TransCanada PipeLines Ltd., Union Gas Limited
Canadian Association of Petroleum Producers	ARC Resources Ltd., Aspenleaf Energy Limited, Athabasca Oil Corporation, Birchcliff Energy Ltd., Bonavista Energy Corporation, Canadian Natural Resources Limited, Canbriam Energy Inc., Cenovus Energy Inc., Chevron Canada Resources, ConocoPhillips Canada Resources Corp., Devon Canada Corporation, Encana Corporation, Enerplus Corporation, Imperial Oil Resources Limited, Kaisen Energy Corporation, Modern Resources Inc., NuVista Energy Ltd., Painted Pony Petroleum Ltd., Perpetual Energy Inc., Progress Energy Canada Ltd., Questerre Energy Corporation, Seven Generations Energy Ltd., Shell Canada Energy, Sinopec Canada, Suncor Energy Inc., Tamarack Valley Energy Ltd., Tangle Creek Energy Ltd., Woodside Energy (International) Canada Ltd., UGR Blair Creek Ltd., Zargon Oil & Gas Ltd.

Trade Association	Companies currently represented on the board of directors (alphabetical)[41]
Chemistry Industry Association of Canada	ARLANXEO Canada Inc., BASF Canada, CCC Group, Chemtrade Logisitics Inc., Dow Chemical Canada ULC, ERCO Worldwide, Evonik Canada Inc., Imperial Oil, MEGLobal Canada ULC, Methanex Corporation, National Silicates (PQ Corporation), NOVA Chemicals Corporation, Olin Canada ULC, Shell Chemicals Canada Ltd., Stepan Canada Inc.
Canadian Federation of Agriculture	CFA board members represent other associations (i.e. Mushrooms Canada, regional associations, etc.). Companies are not directly represented.
Canadian Fuels Association[42]	Chevron Canada Limited, Federated Co-operatives Limited, Husky Energy Inc., Imperial Oil Limited, Irving Oil, North West Redwater Partnership, Parkland Fuel Corporation, Petro-Canada Lubricants Inc., Shell Canada Products, Suncor Energy Products Partnership, Valero Energy Inc.
Canadian Energy Pipeline Association	Access Pipeline, Alliance Pipeline Ltd., ATCO Pipelines, Enbridge Pipelines Inc., Inter Pipeline Ltd., Kinder Morgan Canada, Pembina Pipeline, Plains Midstream Canada, Spectra Energy Transmission West, TransCanada Pipelines Ltd., TransGas Limited, Trans-Northern Pipelines Inc.
Business Council of Canada (former Canadian Council of Chief Executives)	Air Canada, Aon Reed Stenhouse Inc., BCE Inc. and Bell Canada, BMO Financial Group, CAE Inc., Cenovus Energy Inc., Clearwater Seafoods Limited Partnership, Federal Express Canada Corporation, Intact Financial Corporation, KingSett Capital Inc., Linamar Corporation, Manulife Financial Corporation, Maple Leaf Foods Inc., PCL Constructors Inc., Persis Holdings Ltd., Polygon Homes Ltd., Power Corporation of Canada, Richardson International Limited, Scotiabank, Suncor Energy Inc., Teck Resources Limited, TransAlta Corporation, TransCanada Corporation
Insurance Bureau of Canada	Board not listed on public website, but includes TD Bank and Economical Insurance.
Air Transport Association of Canada	Air Georgian, Air Labrador, Air North, Canadian North, Cargojet, Central Mountain Air, EnviroTech Aviation, First Air, Flair Airlines, FlightSafety Canada, Gowling WLG, Harbour Air, KF Aerospace, North Cariboo Air, Pacific Coastal Airlines, Provincial Airlines, Sunwing Airlines, Transwest Air
Automotive Industries Association of Canada	3M Canada Company, Autotec Inc., Canadian Tire Corp., Fix Auto World, Fountain Tire, Mr. Lube Canada, NAPA Canada, Schrader Performance Sensors, Spectra Premium Industries Inc., Sutherland Automotive, Uni-Select, Vast-Auto Distribution, Wakefield Canada Inc.
Canadian Propane Association	Budget Propane 1998 Inc., Canwest Propane, Diversco Supply Inc., Dowler-Karn Ltd., Factor Gas Liquids Inc., Keyera Corp., Kiros Energy Marketing, NGL Supply Co. Ltd., Moore Propane Ltd., Parkland Fuel Corporation, Pembina Pipeline Corporation, Plains Midstream Canada, Shell Canada Energy, Suncor Energy, Superior Propane, Westcan Bulk Transport, Wilson Fuel Co. Limited
Canadian Wood Council	Blackwell Structural Engineers, Canfor Corp., MHI Canada, Mill & Timber Products Ltd., Resolute Forest Products, Western Archrib, West Fraser Timber Co. Ltd.
Council of Forest Industries	Babine Forest Products Ltd., Brink Forest Products Ltd., Canfor Corporation, Carrier Lumber Ltd., CONIFEX Timber Inc., Domtar Corporation, Dunkley Lumber Ltd., Gorman Bros. Lumber Ltd., Interfor Corporation, Lakeland Mills, Louisiana-Pacific Corporation, Mercer International, West Fraser Timber Co. Ltd., Weyerhaeuser Company Limited
Explorers and Producers Association of Canada	Advantage Oil & Gas Ltd., Bonterra Energy Corp., Centrica Energy Canada, Corval Energy Ltd., Crescent Point Energy Corp., Crew Energy Ltd., Enerplus Corporation, Lakeview Energy Inc., Mancal Energy Inc., Peyto Exploration & Development, Questfire Energy Corp., Raging River Exploration Inc., Red River Oil Inc., Seven Generations Energy Ltd., Surge Energy Inc., TORC Oil & Gas Ltd., Tundra Oil & Gas Partnership, Westbrick Energy Ltd., Whitecap Resources Inc.
Real Property Association of Canada	BMO Capital Markets Real Estate Group Inc., Crombie REIT, CT REIT, Dorsay Development Corp., GWL Realty Advisors, MCAN Mortgage Corporation, Oxford Properties Group Inc., The Cadillac Fairview Corporation Ltd., The Minto Group
Smart Prosperity[43]	Bullfrog Power, Desjardins Group, Loblaw Companies Ltd., McKinsey and Co., Pan American Silver Corp., RBC, Shell Canada, Siemens Canada, TELUS, Tembec, The Cooperators, Unilever Canada, UpCapital Ltd., Venture Communications

Endnotes

1 The Paris Agreement is an agreement involving nearly two hundred countries within the United Nations Framework Convention on Climate Change. It was adopted in December 2015. Under the Paris Agreement, countries make "nationally determined contributions" to reduce greenhouse gas emissions to limit global temperature increases to less than 2 degrees Celsius above pre-industrial levels, and pursue efforts to limit the temperature increase to 1.5 degrees Celsius. As of June 2017, the Paris Agreement has been ratified by over 150 countries, including Canada.

2 http://www.canadianfuels.ca/Commentary/November-2016

3 http://www.chamber.ca/media/news-releases/170725-protect-competitiveness-while-fighting-climate-change

4 Asset Owners Disclosure Project fifth Global Climate 500 Index. (2017) http://aodproject.net/clear-majority-of-worlds-biggest-investors-now-take-action-on-climate-change/

5 http://www.iigcc.org/publications/publication/2014-global-investor-statement-on-climate-change

6 http://globalinvestorcoalition.org/letter-global-investors-governments-g7-g20-nations

7 https://influencemap.org/site/data/000/240/Post_Trump_Lobbying_Report_Jan2017.pdf

8 Available at: https://www.marsdd.com/news-and-insights/letter-first-ministers-clean-growth-climate-change

9 https://www.canada.ca/en/environment-climate-change/news/2016/07/joint-statement-on-the-carbon-pricing-leadership-coalition.html

10 https://sencanada.ca/content/sen/committee/421/AGFO/Briefs/CFA_e.pdf

11 http://www.cbc.ca/news/politics/carbon-price-business-plan-1.3864928

12 http://calgaryherald.com/business/energy/varcoe-energy-ceos-pitch-business-case-for-albertas-unloved-carbon-tax

13 https://www.carbonpricingleadership.org/posts-op-eds/2017/3/15/global-carbon-pricing-how-full-is-the-glass

14 http://mining.ca/news-events/press-releases/mining-industry-supports-carbon-price-address-climate-change

15 Available at: https://www.marsdd.com/news-and-insights/letter-first-ministers-clean-growth-climate-change

16 For instance, the Canadian Federation of Agriculture has called for agriculture to be exempt from a carbon tax "until adequate measures are in place to ensure that such a tax is revenue neutral for farmers" (see http://www.cfa-fca.ca/wp-content/uploads/2016/11/Policy-Manual-E-2016.pdf). This position was reaffirmed in April 2017 to the Senate Committee on Agriculture and Forestry (see https://sencanada.ca/content/sen/committee/421/AGFO/Briefs/CFA_e.pdf). In a March 2017 presentation to the Senate Committee on Energy, the Environment and Natural Resources, the Forest Products Association of Canada called for industrial users of fossil fuels to be exempt from carbon taxes in certain instances (see https://sencanada.ca/en/Content/SEN/Committee/421/enev/22ev-53128-e).

17 https://www.uschamber.com/press-release/us-chambers-donohue-comments-climate-change

18 http://polluterwatch.org/us-chamber-commerce

19 http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/ottawa-provinces-will-face-pressure-to-backtrack-on-emission-targets-under-trump/article33569076

20 http://calgaryherald.com/opinion/columnists/leach-welcome-news-on-pipelines-but-trumps-agenda-signals-tough-competition

21 "Carbon leakage occurs when an emissions-reduction policy such as a carbon price inadvertently causes an increase in emissions in other jurisdictions that do not have equivalent emissions-reduction policies. This increase in emissions in other jurisdictions may arise because the differences in the costs of complying with policy can cause a shift in the location of production. If the emissions intensity

of production in jurisdictions that see an increase in production is greater than in jurisdictions where production falls, it is conceivable that, under extreme circumstances, this could even lead to a net increase in global emissions." (World Bank Partnership for Market Readiness. Carbon Leakage: Theory, Evidence and Policy Design. October 2015. Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/22785/K8516.pdf)

22 http://www.chamber.ca/media/blog/170316-climate-change-and-competitiveness

23 http://mining.ca/news-events/press-releases/return-optimism-mining-puts-canada-crossroads

24 http://www.metronews.ca/news/edmonton/2016/10/03/alberta-premier-rachel-notley-worried-on-carbon-tax.html

25 Provincial Carbon Pricing and Competitiveness Pressures (Ecofiscal Commission)

26 Provincial Carbon Pricing and Competitiveness Pressures (Ecofiscal Commission)

27 See, for instance: https://www.nytimes.com/2017/06/07/opinion/the-mayors-of-pittsburgh-and-paris-we-have-our-own-climate-deal.html, and http://under2mou.org/background

28 See http://www.climatechange.ca.gov/state/regulations.html

29 http://www.pembina.org/op-ed/carbon-pollution-pricing-lead

30 http://publications.gc.ca/site/eng/9.822040/publication.html

31 http://www.chamber.ca/media/news-releases/170725-protect-competitiveness-while-fighting-climate-change

32 Associations marked as "A" in the second column – meaning their stance on carbon pricing is ambiguous or unclear, or they have not taken an official position – may have commented on preferences for carbon pricing schemes, without explicitly endorsing or opposing carbon pricing overall.

33 http://www.chamber.ca/media/blog/170316-climate-change-and-competitiveness

34 The Chemistry Industry Association of Canada (CIAC) took this position in its February 28th, 2017, testimony to the Senate Standing Committee on Energy, the Environment and Natural Resources on the transition to a low-carbon economy. In particular, see the exchange between Bob Masterson, President and CEO of CIAC, and Senator Griffin about innovation, investment and regulation. Transcript available at https://sencanada.ca/en/Content/Sen/Committee/421/ENEV/22ev-53112-e.

35 http://blogs.edf.org/energyexchange/2017/03/08/states-underscore-u-s-methane-momentum-latest-reason-for-canada-to-press-ahead

36 See for example http://www.washingtonpost.com/sf/brand-connect/wp/perspectives/curbing-fugitive-emissions-could-save-millions-for-local-economies/?utm_term=.8016ac3d1172

37 https://www.edf.org/sites/default/files/content/2016.01.27_business_assns_scotus_stay_application.pdf

38 https://www.edf.org/sites/default/files/content/2016.04.01_major_tech_companies_amicus_brief_for_epa.pdf

39 http://www.cbc.ca/news/canada/calgary/carbon-tax-capp-oil-gas-1.3883181

40 https://sencanada.ca/en/Content/SEN/Committee/421/enev/22ev-53128-e

41 This list reflects only representation on the board of directors, and not association membership. For instance, more than 60 petroleum-producing companies are members of CAPP, including ExxonMobil Canada, Syncrude Canada, Statoil Canada and Husky Energy Inc., but they are not included in this table.

42 Board of Directors not provided on website; this list represents full association membership.

43 Listed here are Smart Prosperity's "Leaders"

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