



June 25, 2015

The Honourable Rachel Notley
Premier of Alberta, President of Executive Council, Minister of International and Intergovernmental Relations
Government of Alberta
307 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta T5K 2B6

Sent by email to: premier@gov.ab.ca

Re: Renewing Alberta's Climate Change Framework

Dear Premier:

Congratulations on your recent electoral victory and resulting mandate to govern Alberta. We are writing to introduce ourselves and offer our investor perspective on some of the challenges your government is poised to take on. We hope that we can provide some value and input as you move forward.

With approximately C\$6 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies integrating best environmental, social and governance (ESG) practices into their strategy and operations will build long-term sustainable value for all stakeholders and provide higher risk-adjusted returns to shareholders. We are a global investor and the largest provider of retail socially responsible investment (SRI) funds in Canada. Alberta-based companies are a key part of our portfolio and at times have represented close to 15% of our total worldwide equity and bond holdings. Our holdings include companies that operate in the conventional and unconventional energy sectors in Alberta, as we believe these resources can be developed responsibly in a way that creates value for all stakeholders.

We have been actively engaging Alberta-based companies on responsible energy development for many years and have developed a deep understanding of the challenges and opportunities facing Alberta's energy companies. As well, we have sat on the Canadian Association of Petroleum Producers (CAPP) Responsible Canadian Energy (RCE) advisory panel for the last few years. We are committed to seeing Alberta's energy resources developed responsibly.

We welcome the announced changes to the Specified Gas Emitters Regulation and the stated intention of your government to update Alberta's climate change action plan and strongly agree that this should be a priority area for Alberta policy development.¹ We have engaged with previous administrations on this issue and on responsible development of Alberta's resources more broadly over the last ten years and have seen progress on many fronts.² We

¹ <http://alberta.ca/release.cfm?xID=38232B11A8C17-0B34-BB8E-6B03088D90D1C786>

² We have appended links to some of these submissions at the end of this letter, but we most recently wrote to the Government of Alberta in December of 2014 on the topic of carbon policy specifically:

<http://www.neiinvestments.com/documents/PublicPolicyAndStandards/2014/Alberta%20Carbon%20policy%20letter%2020141217.pdf>

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see the current opportunity to update Alberta's climate policy as a vital step in ensuring the ongoing success of Alberta's energy sector.

We understand that Alberta intends to hold a broad consultation on a new climate framework and we believe this to be a prudent step forward. We are firm believers that lasting and sustainable solutions require the input of all stakeholders and we look forward to engaging in that process.

As an investor in companies operating in Alberta, carbon policy is a material topic for our portfolio. We believe that the implementation of a fair, robust and credible carbon policy will be critical to the performance of the energy sector and key to the diversification of Alberta-based investment opportunities writ large. We strongly agreed with the 2011 findings of the Premier's Council on Economic Strategy that the optimization of Alberta's natural resources means using the profits from today's development to fuel the diversification of opportunities tomorrow.³ To be clear, we believe that increased ambition in Alberta's climate policy is critical to the success of the province in the long-term and that the status quo will simply not meet investor needs. Without a more assertive climate policy in place, Alberta-based companies will face increasing scrutiny from global markets in relation to greenhouse gas emissions which will in turn feed uncertainty in regard to the long-term prospects of Alberta's energy sector.

At a high level, we agree with the Eco-Fiscal Commission's assertion that the most important near-term climate change policy that can be enacted is a broad-based and credible price on carbon at the provincial level.⁴ This would mean expanding the current system beyond the current sectoral approach to place a price on carbon broadly across all sources. We strongly recommend that as it develops its own policy recommendations, the government of Alberta consider the work of the Eco-Fiscal Commission and its findings on carbon pricing specifically.

Aside from a broad-based and credible price on carbon, we have noted in previous submissions that Alberta's current electricity system offers some of the biggest near-term opportunities in regard to emission reductions and we see solutions on this front as both available and affordable.

Finally, a crucial element of climate policy that is often overlooked is the role of Canada's boreal forest as a significant carbon sink. We are members of the Boreal Leadership Council (BLC), a multi-stakeholder collaboration including industry, First Nations, conservation groups and financial institutions that share a vision for conservation and sustainable development in the boreal.⁵ Suncor Energy is also a member of the BLC. We believe that Alberta has the potential to show leadership on this very crucial aspect of climate change mitigation.

As you develop Alberta's climate policy framework and look for validation of your approach from the capital markets we believe you will find that investors are not only keenly engaged but supportive of substantive action. We would highlight the broad support for the Global Investor Statement on Climate Change as proof of this interest (signed by 347 investors representing more than \$24 trillion in AUM).⁶

The capital markets have already engaged on Alberta-specific policy frameworks, as demonstrated by investor input we coordinated to the 2011 public consultation held by the Alberta Environmental Monitoring Panel (AEMP)⁷, and later to

³ Premier's Council for Economic Strategy (2011). Shaping Alberta's Future. http://alberta.ca/AlbertaCode/images/ShapingABFuture_Report.pdf

⁴ <http://ecofiscal.ca/wayforward/>

⁵ <http://borealcouncil.ca/>

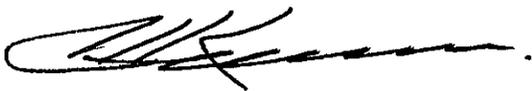
⁶ <http://www.neiinvestments.com/documents/PublicPolicyAndStandards/2014/Global%20Investor%20Statement%20on%20Climate%20Change%2020140818.pdf>

⁷ NEI Investments (2011). Re: Alberta Environmental Monitoring Panel: World-Class Environmental Monitoring for the Oil Sands Region <http://www.neiinvestments.com/documents/PublicPolicyAndStandards/2011/Investors%20Oil%20Sands%20Monitoring.pdf>

the Federal and Alberta governments on timely implementation of the recommendations of both the AEMP and the Environment Canada Integrated Oil Sands Monitoring Plan.⁸ We believe that investors will be similarly engaged as you seek stakeholder feedback on your policy framework and we look forward to taking part.

In conclusion, we commend the Government of Alberta for its efforts to raise the bar for environmental performance in the energy sector. We reiterate our support for the development of a robust and credible carbon policy framework that will benefit the industry in the long term. If you have any questions regarding this letter, please contact **Jamie Bonham, Manager Extractives Research & Engagement, NEI Investments** (jbongham@neiinvestments.com 604-742-8328).

Sincerely,
NEI Investments



John Kearns
Chief Executive Officer



Robert Walker
Vice President, ESG Services & Ethical Funds

CC:

The Honourable Shannon Phillips, Minister of Alberta Environment and Parks, Government of Alberta
Mr. Jamie Bonham, Manager Extractives Research and Engagement, NEI Investments
Ms. Michelle de Cordova, Director, Corporate Engagement and Public Policy, NEI Investments

Annex

Previous NEI Investments submissions to the Alberta Government (all located online at <http://www.neiinvestments.com/pages/about-nei/about-ethical-funds/esg-difference/public-policy-and-standards/>)

- [Renewing Alberta's Climate Change Framework](#)
- [Carbon Pricing Policy Changes and Opportunities for the Canadian Oil and Gas Sector](#)
- [Implementation Plan for a World-Class Monitoring System for the Oil Sands Region](#)
- [Implementation of a World-Class Monitoring System for the Oil Sands Region](#)
- [Draft Lower Athabasca Regional Plan](#)
- [World-Class Monitoring System for the Oil Sands Region](#)
- [A Vision for the Lower Athabasca Region](#)
- [Alberta Oil Sands Consultation: Phase II](#)
- [Alberta Oil Sands Consultation: Phase I](#)

⁸ NEI Investments (2011). Re: Implementation of a World-Class Monitoring System for the Oil Sands Region
http://www.neiinvestments.com/documents/PublicPolicyAndStandards/2011/Oil%20Sands%20Monitoring%20Implementation_Investor%20Letter.pdf