

March 25, 2016

Climate Leadership Plan
Ministry of Environment
Climate Action Secretariat
P.O. Box 9486, STN PROV GOV
Victoria, B.C.
V8W 9W6

Sent by email to: climateleadershipplan@gov.bc.ca

Re: Comments on the Climate Leadership Plan Consultation

We are writing to offer our investor perspective on British Columbia's Climate Leadership Plan Consultation.¹ We participated in the 2015 consultation and appreciate the opportunity to provide further input and commend the Government of British Columbia (B.C.) for continuing to solicit public input on this issue.² We strongly support decisive government action on climate change and look forward to the release of the final Climate Leadership Plan in the near future.

With approximately C\$6.0 billion in assets under management (AUM), 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 believe that mitigating the risks of climate change should be an imperative for all Canadian investors regardless of what part of the economy they are invested in. Climate change is one of the greatest threats facing the planet and consequently the global economy. Investors who are concerned about long-term financial returns face significant risks from climate-related impacts.

Developments since Phase I of the consultation have only served to reinforce the importance of formulating a robust climate leadership plan in B.C. The adoption of the Paris Agreement at the twenty-first session of the Conference of the Parties is a major precedent that has the potential to fundamentally shift the trajectory of global actions to combat climate change.³ The Government of Canada's explicit commitment to meet the ambition of the Paris Agreement is another significant shift for Canadian actors.⁴ While in our view these developments have effectively eliminated the option of doing nothing (due to the risk of having external policies dictate B.C. actions and impacts), we believe the focus should be on the opportunity that this national, and global, momentum augurs.

We believe the comments in our earlier submission are still relevant, but offer the following additional

¹ <http://engage.gov.B.C..ca/climateleadership/files/2016/01/ConsultationGuide-ClimateLeadershipPlan.pdf>

² Our previous submission can be found here:

<https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2015/B.C.%20Climate%20Action%20Secretariat%20-%20Comments%20on%20the%20Climate%20Leadership%20Discussion%20Paper.pdf>

³ <https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf>

⁴ <http://www.scics.gc.ca/english/Conferences.asp?a=viewdocument&id=2401>

comments on the specific issues raised in the most recent Consultation Guide.

Implement the Recommendations of the Climate Leadership Team

At a high level, we believe that B.C. should implement the 32 recommendations released by the Climate Leadership Team (CLT) in October of 2015.⁵ The recommendations are ambitious but realistic, and represent a strong framework that would maintain B.C.'s reputation for world-leading climate policies.

We believe the value of the multi-stakeholder nature of the CLT cannot be overstated. While we know from experience that convening multiple stakeholders for the purpose of reaching consensus can be very challenging, it is almost always rewarding. Not all of the recommendations reflect unanimous consent, and care should be taken to understand the implication of a lack of unanimity on those particular recommendations. However, it would be a significant missed opportunity if the Government of B.C. did not build upon the success of this group in finding common ground.

We have further context from our investor perspective to add to some of the recommendations of the CLT, and provide details below.

Harmonization with Provincial and Federal Jurisdictions

We urge B.C. to continue to work with its provincial and federal counterparts to ensure that regulations and incentives are aligned and reflect an equivalent level of ambition. However, this does not mean that B.C. need wait for other jurisdictions to match its policies. We believe that the opportunities of moving ahead without a pan-Canadian consensus far outweigh the risks. But continued effort should be made to ensure that all jurisdictions in Canada are working together effectively, as a harmonized regulatory landscape is a more efficient regulatory landscape.

All Canadians will be impacted by the success or failure of Canada in meeting its targets as set out in Paris. As a Canadian firm invested broadly across the Canadian economy, we see material risks to our portfolio if Canada falls behind international efforts. We believe the Canadian energy sector is already experiencing these impacts, and anticipate the reputational impacts of failing to meet our commitments will be felt across more than just the energy sector. More concretely, Canadian firms could be penalized in international trade if our efforts to mitigate carbon are seen as inferior.

As such, it is incumbent upon B.C. to continue to exert its political influence to ensure Canada lives up to the intent of the Vancouver Declaration.⁶ Many of the recommendations put forth by the CLT will also be easier to implement in coordination with other jurisdictions.

Harmonize Methane Reduction Target with Alberta

We strongly support the announcement that B.C. will adopt the same methane reduction target as Alberta (45% reduction from 2012 levels by 2025).⁷ As a country, ensuring that our oil and gas industry is effectively managing methane emissions is one of the most cost-effective and impactful near-term

⁵ https://engage.gov.B.C..ca/climateleadership/files/2015/11/CLT-recommendations-to-government_Final.pdf

⁶ <http://www.scics.gc.ca/english/Conferences.asp?a=viewdocument&id=2401>

⁷ <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/canada-us-aim-to-reduce-methane-emissions-by-40/article29080108/>

steps we can take to minimize our climate impacts.⁸

Canada is the world's 4th largest emitter of methane from oil and gas operations – the majority of which comes from B.C. and Alberta. Some analysis suggests that oil and gas methane emissions in Canada could be reduced by 45 percent using existing technologies at an average cost of around one cent per thousand cubic feet of gas.⁹ Aligning the B.C. and Alberta targets is a prudent decision that will enable cross-provincial cooperation on best practices and regulatory approaches.

We note that the 45% reduction target is different from the recommendations of the CLT as outlined in recommendation 15.¹⁰ In this instance, we believe that harmonizing with Alberta's efforts in this regard would be the most effective and efficient approach and support the deviation from the CLT's recommendation. We would suggest that B.C. also consider how it could align with Alberta's proposed approach for achieving the reductions. Alberta has provided a voluntary grace period of five years for companies to achieve reductions, at which point the government will impose regulations to require the reductions by the target date of 2025. The CLT has recommended that B.C. consider expanding the carbon tax to cover all emissions, including methane (recommendation 6), after five years. Recommendation 15d suggests that B.C. could also consider continuing with the voluntary approach or implementing regulations to achieve reductions.

We believe a grace period of five years is reasonable, as there remains substantive work to be done to determine the baseline against which the 45% target will be set and to allow for the identification of the best opportunities for reduction. Companies should be mandated to provide accurate accounting of their current methane emissions during this grace period, so that any further regulatory action is based on hard data. However, while we believe that companies are likely best positioned to determine the most efficient way to meet their reduction targets (as opposed to regulated best practices) we also believe that absent any regulatory driver, voluntary approaches will ultimately fall short. As such, we think it is important to have a regulatory incentive in place after five years so that companies are motivated to meet their goals. We think the expansion of the carbon tax to cover methane emissions or the regulated requirement for best practices would both serve as an effective incentive at that time. We would suggest that further study of the pros and cons of both approaches should be done by a multi-stakeholder group similar to the CLT.

Incent First Nations Renewable Energy Joint Ventures

Recommendations 25 through 27 pertain to the opportunities for B.C. to work with First Nations communities to protect their aboriginal and treaty rights and to optimize the benefits of clean energy development for these communities. We support these recommendations and believe that B.C. should use the Climate Leadership Plan to strengthen its relationship with First Nations communities. To that end, we believe that B.C. should further consider making First Nations' economic participation a material factor when assessing any new clean energy projects. Specifically, the degree to which new clean energy projects engage First Nations communities through either procurement, impact and benefit agreements, or joint ownership should have a material impact on the successful permitting of

⁸ NEI was the co-author of an op-ed in the Vancouver Sun that urged Canada's provincial and federal leaders to collectively target methane reductions:

<http://www.vancouversun.com/technology/Opinion+Reducing+methane+emissions+best+place+start/11758011/story.html>

⁹ <https://www.edf.org/climate/icf-report-canadas-oil-and-gas-methane-reduction-opportunity>

¹⁰ https://engage.gov.B.C..ca/climateleadership/files/2015/11/CLT-recommendations-to-government_Final.pdf

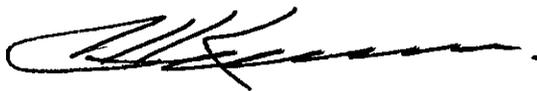
those projects.

In Conclusion

We commend the government of B.C. for its leadership in continuing to develop an effective climate change strategy and look forward to the near-term implementation of the plan. We reiterate our support for the development of a robust and credible carbon policy framework that builds upon the recommendations of the Climate Leadership Team. We thank you for the opportunity to provide feedback and look forward to the outcomes of the consultation.

If you have any questions regarding this letter please contact **Jamie Bonham, Manager, Extractives Research & Engagement, NEI Investments** (jbbonham@neiinvestments.com; +1-604-742-8328).

Sincerely,
NEI Investments

A handwritten signature in black ink, appearing to read "John Kearns".

John Kearns
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Robert Walker".

Robert Walker
Vice President, ESG Services & Ethical Funds

CC:

Mr. Jamie Bonham, Manager Extractives Research and Engagement, NEI Investments
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