July 25, 2017

To: The Honourable Catherine McKenna MP, Minister of Environment and Climate Change, Environment and Climate Change Canada

From: Interfaith Center on Corporate Responsibility (ICCR); Ceres Investor Network on Climate Risks and Sustainability (INCR); Shareholder Association for Research & Education (SHARE)

Re: Proposed Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) as published in the *Canada Gazette*, Part I, on May 27, 2017.

Dear Minister McKenna,

We are writing to you as investors representing $89.75 billion CAD in assets under management with a significant interest in the long-term success of the Canadian natural gas industry.

We share a growing concern for the potential impacts of the oil and gas industry on climate change, and commend the Government of Canada for proposing regulations that would reduce the release of methane and certain volatile organic compounds (VOCs) from the upstream oil and gas sector. We are writing today to express support for strengthening these regulations with a faster implementation timeline. Our compelling rationale is as follows.

As responsible investors, we are increasingly focused on the transition to a low-carbon economy but acknowledge that natural gas acts as a complement to the expanding utilization of renewable energy. Natural gas has the potential to lower Canada's greenhouse gas emissions and limit climate change if produced efficiently. However, uncontrolled leaks of natural gas (methane) across the supply chain threaten those potential environmental benefits and pose reputational and financial risks to our investments.

Methane is of particular concern due to its potency as a greenhouse gas with a high short-term impact. Methane emissions are a threat to the climate, and to public health due to the potential negative impacts on air quality. For investors, methane emissions also represent lost revenue and operational inefficiencies that need to be addressed.

The oil and gas sector is the largest source of methane emissions in Canada. Reductions in methane emissions in the oil and gas sector can be not only cost effective but also achievable with existing technologies and techniques. Implementation of reasonable methane controls will provide investors with confidence that companies are taking necessary action to protect the long-term value of their businesses and promoting a sustainable global economy. A clear regulatory framework will help to align the interests of investors, businesses, communities and the climate.

Reducing methane emissions from the oil and gas industry reduces air pollution, creates jobs, and ensures Canada keeps pace with the rest of the world. Methane reductions are one of the most effective and affordable ways for Canada to deliver on its climate commitments and prevent the worst aspects of climate change. The proposed regulations are a good starting point for the types of rules we believe are necessary for the continued competitive performance of the Canadian oil and gas industry, and we support these draft regulations being strengthened and finalized in a timely fashion.

Accordingly, we ask the government to strengthen the rules with respect to the following:

1. **Accelerate the Timeline:** The delayed implementation of the rules will allow, according to some estimates, as much as 55 million tons of additional greenhouse gas emissions to be released. This calls into question Canada's ability to meet its greenhouse gas reduction targets for 2030 and 2050. The proposed regulation timeline should be adjusted to begin in 2019 (not 2020) and reach full implementation by 2022 (not 2023).

2. **Require Quarterly Leak Inspections:** Leaks are one of the largest sources of methane emissions in Canada and the scientific literature is clear that the more frequent the monitoring, the more likely leaks will be caught. This relationship is a central reason why quarterly leak detection and repair is required in some capacity by both federal and state regulations across many U.S. jurisdictions. The proposed regulations should require quarterly monitoring, following best practices that have been proven in U.S. states such as California and Colorado.

3. **Lower the "Potential to Emit" Threshold:** "Potential-to-emit" (PTE) is a theoretical measurement of how much methane a facility potentially could emit. Based on estimated data submitted to federal government agencies, oil facilities often have emissions sufficiently low to exclude them from the regulations. However, measured emissions in the United States [1] and observed emissions in Canada[2] from such oil facilities have been shown that they often have higher methane emissions than gas facilities, meaning that some facilities, which are, in reality high-emitting, would fall below the PTE threshold defined in the draft regulation and therefore not be covered by the rules. By lowering the proposed PTE threshold for oil facilities, Canada would guarantee that more of the leakiest sites are held to the necessary standards and thus secure more emissions reductions.

4. **Ensure Real Equivalency:** Many provinces are expected to develop their own oil and gas methane regulations and petition the federal government to drop federal requirements in exchange for the provincial requirements, maintaining that these provincial regulations will achieve equivalent reductions to the federal proposal. The federal government needs to

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[1] Lyon DR, Alvarez RA, Zavala-Araiza D, Brandt AR, Jackson RB, Hamburg SP. "Aerial surveys of elevated hydrocarbon emissions from oil and gas production sites." Environmental science & technology. 2016 Apr 15;50(9):4877-86, http://pubs.acs.org/doi/pdf/10.1021/acs.est.6b00705

[2] "Canada's Methane Gas Problem: Why strong regulations can reduce pollution protect health, and save money," Environmental Defence, accessed July 10, 2017, http://environmentaldefence.ca/report/canadas-methane-gas-problem/

ensure that the provincial regulations are in fact equivalent in terms of reductions across the lifetime of the rules. Any inconsistencies will lead to unnecessary uncertainty for investors.

We view these draft rules as the first step on the road to cutting methane emissions in Canada and believe the regulations should be strengthened and accelerated, as detailed above. Again, we appreciate the Canadian government's commitment to pursuing meaningful methane regulation, and want to play a supportive role in this process. We believe that the proposed regulations with our recommended changes will benefit Canadian citizens, the Canadian economy, and those investors seeking to protect our investments in this industry.

Investor Signatories:

As You Sow
Basilian Fathers of Toronto
British Columbia Teachers' Federation
Caisse de Prévoyance des Interprètes de Conférence (CPIC), Switzerland
CAP Prévoyance, Switzerland
Castellum Capital Group
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle, Switzerland
Columbia Foundation
Congrégation des Soeurs des Saints Noms de Jésus et de Marie
Dana Investment Advisors
Dignity Health
Echo Foundation
Etablissement Cantonal d'Assurance (ECA VAUD), Switzerland
Ethos Foundation, Switzerland
Evangelical Lutheran Foundation of Eastern Canada
Everence and the Praxis Mutual Funds
Felician Sisters of North America Leadership Team
Franciscan Sisters of Allegany NY
Friends Fiduciary Corporation
Glasswaters Foundation
IBVM Canadian Province (Loretto Sisters)
Mennonite Education Agency
Miller/Howard Investments Inc.
Nest Sammelstiftung
OMI Lacombe Canada Inc.
Our Lady's Missionaries
Paulist Fathers of Toronto
Pension Plan of the United Church of Canada
Pensionskasse Caritas
Pensionskasse der Stadt Winterthur, Switzerland
Pensionskasse Unia, Switzerland

Prévoyance Santé Valais (PRESV), Switzerland
Prévoyance.ne – Caisse de pensions de la fonction publique du canton de Neuchâtel
Prosperita Stiftung für die berufliche Vorsorge, Switzerland
Public Service Alliance of Canada Staff Pension Plan
Region VI Coalition for Responsible Investment
SAGE Investment Advisors
Saint Joseph's Province House Inc.
Saint Joseph's Villa Foundation
SEAMARK Asset Management Ltd.
Sisters of Instruction of the Child Jesus
Sisters of Mercy of Newfoundland
Sisters of St. Ann (Victoria)
Sisters of St. Francis of Philadelphia
Sisters of the Presentation of the BVM, Aberdeen SD
Stephen Whipp Financial
Stiftung Abendrot, Switzerland
The Callan Foundation
The George Cedric Metcalf Charitable Foundation
The Redemptoristine Nuns in Canada
Trillium Asset Management
Trinity Health
United Church of Canada
University of St. Michael's College
Ursuline Religious of the Diocese of London in Ontario
Ursuline Sisters of Tildonk, U.S. Province
Youville Provident Fund