



## REPORT FOR INFORMATION

### Chief Executive Officer's Report

Date: October 23, 2020  
To: Toronto Atmospheric Fund Board of Directors  
From: Chief Executive Officer

#### **GOVERNANCE AND ORGANIZATIONAL MATTERS**

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##### **Board and Committee Membership**

Please join me in thanking Deepak Ramachandran for his contribution to TAF over the past year. He has tendered his resignation from the Board following this meeting but will continue to be engaged as a volunteer, for instance providing advisory support on scaling impact investing at TAF and throughout the LC3 network.

Recruitment for two Board members to fill the terms of the vacant positions is underway via the Civic Appointments process. Thanks to Board and Committee members who have been promoting the opportunity. Over 100 applications were received and the caliber of candidates is a testament to TAF's reputation and the burning interest of the community in advancing low-carbon solutions. Appointments will be made by Council before our February meeting.

As a condition of the Canada fund agreement, Jeremy Klein has joined the Investment Committee as FCM's non-voting observer, and will have the same role on the Investment Committees of the other six LC3 centres. Jeremy has extensive experience in investment management and private equity. He joined FCM earlier this year to advise on the investment of their \$1.6 billion fund.

##### **Staff and Organizational News**

TAF staff continue to work remotely and engagement is strong. Weekly all-staff meetings provide an opportunity to connect across teams, and our managers are building a culture of connection through check-ins, connecting regularly with their teams to support productivity, workflow and wellbeing. We were able to meet in person (outside, and safely distanced, of course) over the summer months, and our Operations team and Social Committee are working on plans to keep our team together during the cooler months.

Although paused in the spring to mitigate financial uncertainty, we are currently recruiting for a Climate Policy Coordinator and Communications Coordinator (both hiring vacated roles) and Administrative Assistant (new role supporting Jaime's shift to Operations Lead). With the goal of improving our recruitment process and outcomes, reducing bias and making the process more accessible to many more applicants, we took this opportunity to test a new platform, [Applied](#), which uses behavioural science,

anonymous applications and work-related questions rather than CVs. So far feedback has been very positive, such as this comment: *Thank you for using beapplied.com in your hiring process! I really appreciate the effort to reduce bias and to hire people for their skills, rather than what their resume or cover letter says. This process gives candidates more dignity in the application process and an opportunity to showcase their skills. Really impressed!*

## **Risk Analysis**

A Risk Register was presented to the Board earlier this year and refined in the context of the Canada Funding Agreement. Staff will assess the risks at the intervals relevant to each and identify the required mitigation action(s). The higher-ranking risks identified as of November are summarized below:

- Financial risk - there is a significant capital market downturn. Q3 results indicate significant recovery from the spring downturn, but we are projecting a \$450K shortfall from budgeted investment revenues; TAF is in compliance with its asset mix requirements; and diversification of Direct Investments is growing.
- Financial risk - a direct investment under-performs. The impact of Covid-19 on one investment is being addressed, and recovery arrangements for two projects are in development.
- Operational risk – TAF experiences an IT disruption. Procuring new accounting software to facilitate financial management of three endowments, with full implementation scheduled for FY2021; staff briefed on preventing unintentional data breaches in February 2020 and intentional data breaches in October 2020; and full migration to the cloud planned for 2021.
- Reputational risk - Actions taken by TAF staff, Board or Committees or by LC3 colleagues damage TAF's reputation in the eyes of its stakeholders, funders and/or the public. Requirement for awareness of all TAF policies embedded in employment contracts; Auditor recommendations for internal financial controls implemented and any additional requirements for three funds to be discussed in context of 2020 audit; and signatories for banking and other transactions currently being updated.

## **Endowment-Related Matters**

### **ON/TAF/TO Transfer Payment Agreement (TPA)**

Following submission of the 2019 Annual Report, TAF and Ministry of Municipal Affairs (MMA) have been examining various aspects of TPA implementation. We are in process of collaboratively resolving some issues and ambiguities before the end of the year including use of the endowment Funds provided (ie: the \$17 million versus the proceeds), the definition of and how we allocate and calculate “administrative expenses”. Some of the issues are timing-related so will be less challenging once the asset value has had a chance to build up, and if we can use a rolling average rather than calendar year snapshot. Having more robust definitions, policies and procedures will streamline accountability and compliance.

This confirms that TAF is in compliance with the terms of the Transfer Payment Agreement with the Province of Ontario.

### **FCM/TAF/TO Funding Agreement (FA)**

The City of Toronto received the \$40 million Canada Fund on August 31, and transferred it to TAF on September 14. Phased deployment into marketable securities has started based on the Investment Committee's direction starting with equities and fixed income, to be followed by direct investments and private funds as financing for new transactions is advanced. FCM will be providing templates for quarterly and annual reporting, including for the annual plan due January 8. Staff have initiated separate (triple) fund accounting in readiness for the first reporting period ending December 31, 2020. The significant work undertaken by TAF and the City of Toronto to negotiate the Funding Agreement with FCM has helped the other LC3 centres accelerate the process of developing agreements; it is likely most of them will receive their endowments by year-end.

## **STRATEGIC PROGRAMS**

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### **TowerWise**

Development of the Retrofit Delivery Centre (RDC) continues. Several funding requests to governments and foundations are in process to complement TAF investment with a focus on operationalizing the RDC in 2021 and continue to scale-up our retrofit work in the years that follow. We are also making progress on expanding and formalizing partnerships for the implementation of RDC including with Toronto Community Housing Corporation (TCHC), engineering firms, utilities and others.

TAF's new report on [The Case for Deep Retrofits](#) along with a supporting [blog post](#) and a fun [video](#) have been well received, especially by spreadsheet geeks. The key message – that simple payback analysis is not adequate for deeper carbon reductions but there are methods that work to make the business case – is backed up with practical examples and tools like Life Cycle Cost Analysis to help building owners see both the direct and indirect benefits of deep retrofits.

Our own deep energy retrofit projects continue. Construction has started on a heat pump retrofit of a private rental complex in Mississauga (127 suites, \$1.5M project), with completion expected by Q1 of 2021. We are surveying residents and will be monitoring electricity consumption and the indoor environment for a subset of apartments in order to fully assess the impact of the retrofit. Work on the retrofit of TCHC's 66 Walpole site (120 suites, \$2.7M project) is wrapping up despite a few delays, notably from COVID-19, and substantial completion is expected by the end of October.

TAF was part of a winning bid, led by WSP, to provide the Canada Infrastructure Bank with advice on the design of a new financing program for public sector building retrofits. As a subcontractor, the TW and Impact Investing teams will provide guidance on measurement and verification, technical standards, and due diligence requirements, as well as assist in a market sounding to gather feedback from investors and energy services companies.

The TowerWise team is again participating in Youth Challenge International's [InnovateMYFuture](#) where we provide guidance to future leaders looking to tackle local climate issues through youth-led projects and research. We can't wait to see the results!

## **Climate Policy**

Whitby Town Council unanimously passed the Whitby Green Standard which will result in increasingly more energy-efficient buildings being constructed. It is modelled on the Toronto Green Standard (TGS) which TAF helped to advance and is now in its third iteration. Various Town of Whitby departments worked on the Standard and consulted widely, which received considerable support from TAF, academics, many civil society organizations, youth in the Friday's For Future movement, and local businesses. As has been our experience in supporting the TGS, the key is to provide education and support for implementation, including by leaders who can demonstrate leading-edge techniques on a voluntary basis. We are now exploring opportunities to advocate adoption of Green Development Standards by other GTHA municipalities, working with the relevant stakeholders.

Based on the results of the TAF-funded pilot in Peel Region, TAF and the Retail Council of Canada (RCC) jointly supported the government's proposal to make off-peak delivery a permanent program Ontario-wide. It has been included in the Main Street Recovery Act and we expect to see this implemented before the end of 2020. TAF and RCC recommended regular monitoring to track the environmental and financial results.

After significant consultation by Environment and Climate Change Canada (ECCC), the Clean Fuel Standard (CFS), Minister Wilkinson has committed to submitting the regulations to the Canada Gazette before the end of the year. The 25 organizations working together under the Clean Fuel Standard Advocates banner have continued to propose improvements to the credit market aspects, including how they are created and what/who qualifies for what categories. Not unexpectedly, the oil and gas sector continues to be strongly opposed, and this will likely escalate after Gazetting. The approach TAF has done with the CFSA is creating an informal coalition of groups from many different aspects of the environmental sector that all have the same goal seeing the CFS come into effect. Goals and objectives of each individual organization vary, but in the diversity of opinions and perspectives there is strength when speaking with the government. Groups range from associations representing companies, to environmental organizations like Pembina, and are from coast, to coast, to coast. This diversity of opinion and perspective gives credibility when speaking with the Federal Government as bring a multitude of voices all with the same core message. This has resulted in what we have found to be an effective relationship with ECCC.

## **Impact Investing**

The Investment Committee held a session on September 23 to refine the Direct Investment strategy and process. Action items include: improving how TAF defines and measures key terms (such as co-investing, NAV, market-rate funder); having overall risk/return targets so that diversification can be geared to meeting them; elaboration of financing structures (including the metrics used to evaluate them, the risk mitigation mechanisms); clarity on how reserves are established and held; standardization of pipeline analysis and transaction due diligence and presentation; and a capacity plan to

match the strategy. Further input will be solicited in the spirit of continuous improvement.

Over the past 18 months TAF and the YMCA have been discussing approaches to resolve challenges with the ESPA-financed retrofit of six YMCA buildings. Given statutory deadlines, TAF filed a Notice of Arbitration, which has been paused as both parties agreed to negotiate a solution. Key terms have been discussed and the intention is to develop a formal agreement so that activity can begin to remedy the situation in the interest of both parties.

All our efficiency-related investments – Green Condo Loans and Energy Savings Performance Agreements – are performing well, with the latter achieving above projected returns despite downward pressure on savings due to increased occupancy/use as a result of the pandemic. With Covid-19 placing strains on many organizations, including the private high-rise sector, these investment and underwriting choices have proven to be prudent.

The Impact Investing team is currently undertaking due diligence on four (4) potential transactions, and the pipeline of opportunities continues to grow. A virtual, multi-day ‘fair’ is planned for January with the goal of getting to know some exciting investment opportunities in our strike zone, developing new co-investor relationships, and positioning TAF as a leader in the impact investing space.

## **Communications**

After a decrease in activity due to the pandemic, our website traffic and social media engagement are both swinging back up. For instance, [announcement](#) of receiving the Canada endowment triggered a big spike and readership of [recent blog posts](#) -- the business case for retrofits, the throne speech, and workforce development -- has been strong. Communications support for policy advocacy has helped position TAF’s analysis and value clearly, telling the story of the benefits for the Greater Toronto & Hamilton Area. Filming of a video that complements the two TowerWise heat pump retrofit case studies is underway, as is planning of the next regional GHG inventory and Carbon Data Network event with the quantification team. We are actively participating in an LC3 communications committee and other communications ally groups within the sector to promote a clean economic recovery.

## **Updates from Completed Grants**

### **Environmental Defence Canada – *Impacts of Vehicle Pollution in the GTHA***

\$75,000 over 12 months approved by TAF Board in April 2019

This project was designed to draw attention to the health co-benefits of electrifying transportation in the GTHA, and to present policy options to accelerate vehicle electrification. Environmental Defence collaborated with University of Toronto researchers to model population exposures to air pollution from vehicles in the GTHA, and to quantify the health benefits associated with reducing vehicle emissions where emissions are most concentrated. Environmental Defence also partnered with Ontario Public Health Association (OPHA) to establish a Vehicle Pollution Advisory Committee, which included experts in public health, electrification, policy and communications, as

well as EV owners. This Committee met six times and provided guidance to refine the project scope, inform key messages, and share outcomes with key audiences.

The two most important deliverables of this project were, 1) a public-facing report that included a ranked list of electrification policies based on the potential for reducing air pollution and health Impacts for neighbourhoods across the GTHA, and 2) an interactive website, [www.clearingtheair.ca](http://www.clearingtheair.ca), designed to communicate findings of the report to a broader public audience. Each of these deliverables have been distributed to thousands of people through Environmental Defence's existing communications channels, and through the health-focused networks of OPHA.

OPHA has continued to collaborate with Environmental Defence in support of their new TAF-funded campaign to propose climate-friendly alternatives to the planned GTA West Highway project. The findings from the *Vehicle Pollution* project have provided a potent message and clear local evidence that more vehicles in the GTHA will lead to an increase in premature deaths from traffic-related air pollution. Due to a broad shift in policy priorities resulting from COVID-19, Environmental Defence struggled to coordinate meetings with policymakers to present project findings. However, they have responded to the uncertain policy and media landscape by incorporating the report findings into their ongoing efforts to push for a green and healthy recovery post-pandemic.

### ***Pollution Probe - Replacing Pickering: The Next Step in the GTA's Clean Energy Transition***

\$50,000 over six months approved by TAF Board in April 2019

The goal of this project was to identify and promote the full benefits related to replacing the Pickering Nuclear Generating Station with non-emitting sources when the facility is retired in 2024. Pollution Probe conducted preliminary research and stakeholder engagement to identify the most viable alternatives to natural gas, which is the presumed energy source that might otherwise be used when Pickering is decommissioned. The project was originally proposed as a collaboration between Pollution Probe and Greenpeace. However, early into the project Greenpeace had to withdraw due to a staffing change and reduced organizational capacity. Pollution Probe, in consultation with TAF, decided to advance the project on its own, with some additional contracted support from QUEST Canada. One of the results was that the project's conclusion was delayed by one year.

In spring 2020, Pollution Probe published their report, [\*Replacing Pickering: The Next Step in the GTA's Clean Energy Transition\*](#), which shows that filling the energy gap with non-emitting options is an ambitious but achievable goal. Input from stakeholders identified that increasing energy efficiency and developing small scale clean electricity solutions could be effective strategies to fill this gap. Pollution Probe has since presented findings from this project as part of the Ontario Energy Board's ongoing regulatory consultation regarding distributed energy resources and has contributed to consultations on the provincial energy efficiency framework.

Pollution Probe notified TAF that COVID-19 related restrictions were causing delays in presenting the project findings with policymakers and sector stakeholders at two conferences. In response, Pollution Probe decided to host its own webinar, which was attended by more than 60 individuals representing key stakeholder groups, and agreed to meet with policymakers from the Ontario Energy Board, IESO, and Province of Ontario as soon as it is safe to do so.

**Toronto Green Community – *Community Futures: Sustainable Neighbourhoods Pilot Project***

\$36,696 over seven months approved by TAF Board in November 2018. TAF's contribution to this project was partially offset by a contribution from the Echo Foundation.

The purpose of this project was to support the creation of two community groups that would work together to advance neighbourhood-based climate initiatives in Etobicoke and Scarborough. The aim was to reach out to those who are not typically engaged in climate conversations and contribute towards a behaviour and attitude shift in support of stronger climate actions. This project led to the creation of three new community groups that continue to convene and to advance community priorities, although not all work being led by these organizations is directly related to climate outcomes.

Due to unforeseen challenges and reduced capacity, Toronto Green Community (TGC) determined that it would be unable to complete the final deliverables outlined in the contribution agreement. At that time, it was mutually agreed that TAF would rescind the interim and final payments, totaling \$15,696. However, TAF staff encouraged TGC to complete an evaluation of the program to capture lessons and recommendations for other organizations to engage community members in small-scale climate actions. We agreed to provide \$2,500 in support of this evaluation. The subsequent evaluation report provides a series of recommendations to guide future environmental projects that aim to mobilize new audiences towards local climate action. Although the evaluation found that the Sustainable Neighbourhoods Pilot Project was successful in engaging new voices to advocate for climate outcomes, it also found that more time and resources must be invested to build relationships and identify common goals for community members to collaborate towards. TGC will now share the outcomes of this evaluation with other climate-focused organizations in its network.

**Quality Urban Energy Systems for Tomorrow (QUEST) – *Accelerating Renewable Natural Gas Handbook for Municipalities in the GTHA***

\$50,000 over 15 months approved by TAF board in November 2018

Funding for this project was used to develop an applied resource designed to accelerate the implementation of renewable natural gas (RNG) projects in the GTHA, to be informed through consultation with local RNG stakeholders. QUEST exceeded targets set out in the contribution agreement by completing more than 15 interviews with RNG proponents and held two roundtable events to facilitate discussion among a diverse group of stakeholder representatives. The resulting [\*Renewable Natural Gas Handbook\*](#) includes a list of decisions for municipalities to consider when reviewing an RNG project, a risk assessment checklist, case studies, and a summary of policy

recommendations to support the acceleration of RNG projects in the GTHA. QUEST also produced a slide deck summarizing the key methods and tools included in the *Handbook* and presented the findings at three industry events, which were well attended by relevant stakeholders.

There were two notable shifts in the project strategy and deliverables. The original project plan included the development of a calculator that would enable municipalities to assess energy data and GHG emission savings related to RNG projects. However, it became apparent through conversations with industry stakeholders that a calculator would not meaningfully address any existing barriers or support municipalities in adopting RNG projects. In response, the *Handbook* includes dedicated sections identifying what municipalities must consider in estimating the GHG impacts of their projects, and highlights existing resources that can support these assessments. The conclusion of this project coincided with the outbreak of COVID-19, which hindered the project team's ability to present the *Handbook* to relevant policymakers who are well-positioned to act on the recommendations in the document. In response, the project team submitted a policy engagement strategy with timelines and a list of municipal, provincial, and federal policymakers who would be contacted when feasible.

## **CONTACT**

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## **SIGNATURE**

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