

## Chief Executive Officer's Report

Date: June 24, 2021  
To: Board of Directors of the Toronto Atmospheric Fund  
From: Chief Executive Officer

### **GOVERNANCE MATTERS**

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#### **Board and Committee News**

As she has served the maximum two terms, please join me in thanking Jacqueline Loewen for her significant contribution to TAF during her eight years as Board member, a member of the Investment Committee, Chair of the Audit Committee, and director of TAF's subsidiary CAIT Ventures Inc (CVI). She has contributed to the organization's growth and professionalism including being at the table for the provincial and federal endowments, incubation of Efficiency Capital, and evolution of the Direct Investment strategy. Jacqueline has sung TAF's praises as a leader in impact investing to the wider financial community and pressed us to be better communicators as part of our strategy to mobilize minds and money for low-carbon solutions. We expect Council to make an appointment next month. We are grateful that Jacqueline will continue in a volunteer capacity as a member of the Investment Committee; see TA13.10 for the formal appointment. We will advance replacements on the CVI board and Audit Committee Chair at the November meeting of the Board.

#### **Risk Register**

TAF's Risk Register includes ten key risks of relevance to the organization. Risks assessed by staff to be of note as of June 15, 2021, and actions taken to mitigate them, are summarized below:

- **Financial risk – a significant capital market downturn.** The strengthened Canadian dollar has depressed un-realized gains and realized gains from a June redemption, although performance has been strong overall, both from the equities and a defensive fixed income position. The current rate of inflation could start to pose a challenge as interest rates increase, making projects harder to finance, but could also make TAF financing more attractive.
- **Financial risk – a direct investment under-performs.** One direct investment that has been affected by Covid-related and other delays has a strategy in place which is actively being implemented, and recovery arrangements are ongoing for two others.
- **Operational risk – TAF experiences an IT disruption.** While none were experienced, cyber-attacks have become more frequent and TAF has a significant asset which could attract attention. TAF's IT service maintains updated protective software and best practices have been reinforced with staff. We will participate in the City's Agency/Corporation Risk Assessment in Q3 and will determine if any updates to our policies and procedures are necessary.

- **Operational risk – Staff capacity and/or governance capacity are inadequate to deliver on TAF's mandate.** Keeping up with the City's many governance and administrative requirements is a significant demand on staff time which must be balanced against project-related activities, funder stewardship, internal operations, etc., often with conflicting timelines. A key objective for the updating of TAF's governance policies currently underway is to reduce administrative burden over-bearing requirements that risk complicating or compromising our work.
- **Operational risk – TAF's activities give rise to legal liability or litigation. Staff do not currently see any significant legal exposure for the organization.** TAF's Counsel examined the question of indemnification of Board members and determined that the current limitations and amount of insurance coverage is appropriate and consistent with market practice. Counsel also advised on updates to TAF's Grants Contribution Agreement and Service Contract templates.
- **Program risk – Risk aversion constrains TAF's ability to fulfill mandate.** Staff and the Investment Committee continue to refine the direct investment risk and diversification framework to provide guidance and comfort though allocation of a range of risk-return within the portfolio. Consultation with external stakeholders indicates that this will be a leading-edge product, which will also be of value to the LC3 network.
- **External Factors** - External factors affect TAF's ability to reduce carbon emissions. Changes to a number of regulations, including under the Electricity Act, have increased barriers to deployment of renewable energy and could negatively impact the risk profile for potential investments and/or grants in this space, and pose a barrier to gas phase out objectives.

## **Agreement-Related Matters**

### **TO/TAF Agreements**

Proposed amendments to the Statement of Investment Objectives & Principles (SIOP) are found in Item TA13.4. Updating of both the Relationship Framework and By-law is in process, with the goal of presenting to the TAF Board in November and Council thereafter.

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

TAF's 2020 annual report was submitted to and discussed with Ministry of Municipal Affairs as per the TPA. To the best of my knowledge, this confirms that TAF is in compliance with the terms of the Transfer Payment Agreement.

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

TAF's first annual report was submitted to FCM as per the FA. TAF was the first LC3 centre to undertake the program audit and will be debriefing with the Auditors and FCM to streamline the templates and protocols.

## STRATEGIC PROGRAMS AND OPERATIONS

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### Staff News

Please join me in welcoming one returning and two new staff members.

After a three-year hiatus, **Ekaterina Tzekova** has returned to TAF part-time as Director of Research & Innovation. This new leadership role, reporting to Bryan Purcell, Vice President of Policy & Programs, will provide a central perspective on all the research that TAF is involved with and ensure the advancement of insights critical to scaling climate action. She will oversee the Quantification & Co-Benefits team and liaise with all other teams involved in research and innovation.

**Paruksheen Dhunjisha** is filling a vacated role as Project Management Lead, Retrofits. She will provide coordination of all projects under this team as well as stakeholder relations support. **Elli Shanen** is filling a vacated role as Building Environmental Researcher, Retrofits. She will provide data management, technical, research-related support for retrofit projects.

We are currently recruiting for two positions: Electric Vehicle Charging Program Manager and Intern, Quantification and Co-Benefits Team. See [www.taf.ca/jobs](http://www.taf.ca/jobs) for postings. Three summer interns are being recruited to assist with three Carbon & Co-benefits Quantification projects: improving the quantification of industrial and freight emissions in the GTHA and establishing a quantification database.

### Return to the office

TAF's premises at 75 Elizabeth Street is a City-owned building and the City has not provided any indication of re-opening its offices. We will follow all relevant public health guidelines in this process and have no intention or need of returning earlier. We have initiated planning with the Senior Management Team (SMT) and with staff about priorities and approaches, and there are several key issues related to the timing and ability to return to the office which need to be considered.

First, our current desk arrangement does not fit our current staff contingent, which has grown as a result of the Canada endowment and external funding. Nor do we have sufficient or appropriate meeting space for all staff to attend at once (for example for regular All Staff meetings) and the smaller meeting rooms are not equipped for virtual meetings. Secondly, the current IT including wi-fi, personal computers (mostly desktops), and other equipment is inadequate for supporting significantly more virtual activity and hybrid home/office work arrangements.

Our aim is to take the best of this #VirtualTAF experience, including better internal communication, better documentation and filing, greater personal flexibility and autonomy, and also restore the elements we need to really succeed at our work: spontaneity, fieldwork, opportunity, and creativity. Staff have indicated their top priorities are to: maintaining flexibility of time and schedule during the workday, maintaining flexibility of virtual or in-office presence, and re-gain the benefits of in-person collaboration and social/collegial cohesion from both planned and unplanned activities.

TAF is included in the City's [ModernTO Plan](#) which will relocate various TO agencies, including TAF, to Metro Hall as 75 Elizabeth has been declared surplus and will

eventually be re-developed. However there is no set move-in timeframe (beyond a general indication of 2023-2025) or accommodation plan.

### **Accelerating Retrofits**

New deep retrofit work is underway. The retrofit of a 59-unit apartment on Eglinton Ave East planned and implemented by TAF and partners should reach substantial completion in July. City Council approved TAF's investment of \$2.8M for the deep retrofit of a 175-unit community housing building which will now move into detailed design and construction. Preliminary design for the retrofit of another five community housing buildings is underway with detailed design planned for Q4. In total, we have 600 suites in design and construction, targeting 40-50% carbon reductions; the abovementioned Eglinton project is our most ambitious targeting 85%.

TowerWise has evolved to Retrofit Accelerator. Building on the TowerWise experience, we have branded TAF's "retrofit delivery centre" concept as a Retrofit Accelerator. And building on our investment of \$600,000, we are actively seeking funding for Retrofit Accelerator, including from foundations, Employment and Social Development Canada for social procurement aspects, and Canada Mortgage and Housing.

TAF contributed to the development of Efficiency Canada's excellent "retrofit mission" paper and we are actively sharing the Retrofit Accelerator model and theory of change with other potential "accelerators" including LC3, Canada Green Building Council, and Pembina Institute. We are speaking to a range of stakeholders, building on our 2020 pre-Budget submission, regarding the need for a "retrofit market development" program to ensure rapid development of the goods and services and regulatory framework that will ensure the pace and scale of retrofits needed to address the climate crisis.

The Canada Infrastructure Bank (CIB) has launched two retrofit financing programs -- for commercial and for public-sector buildings -- with \$2B available over the next several years. TAF advised in the development of the programs and is now exploring how we can support the mobilization of these funds for deep retrofits in the GTHA, working with a range of stakeholders including Efficiency Capital.

### **Electrification of transportation**

TAF received conditional approval of its \$2M funding application to Natural Resources Canada's (NRCan's) Zero Emission Vehicle Infrastructure Program (ZEVIP) and, subject to the execution of a Contribution Agreement, TAF will serve as a Delivery Organization (i.e. grantmaker) to distribute funding to eligible stakeholders throughout the Greater Toronto and Hamilton Area (GTHA) as an incentive to install electric vehicle (EV) charging infrastructure. The ZEVIP funding would support up to 50% of project costs for deployment of approximately 300 connected EV chargers, including 15 fast chargers. TAF would focus on installation in public places, on-street and in multi-unit residential buildings (MURBs) with a priority on smaller projects and clients who would otherwise face difficulties securing government funding and/or navigating the process of selecting and installing EV chargers.

In accordance with section 6.3.2 of the City-TAF Relationship Framework, TAF secured approval by Toronto City Council to receive the ZEVIP funding on June 9, 2021. As part of its approval, City Council adopted a motion requesting that the Boards of Directors for

the Toronto Parking Authority and Toronto Hydro, respectively, direct their staff to submit a funding application under TAF's ZEVIP program.

TAF is currently putting in place the capacity needed to deliver its ZEVIP program successfully. Recruitment is under way for an EV Charging Program Manager who will manage the day-to-day administration of the program. Concurrently, we are procuring expert consulting support to finalize the detailed program design and to develop the design, branding and marketing for the program. A launch in late summer is planned.

Development of a strategy for accelerating the uptake of personal EVs and the phase-out of internal combustion engine (ICE) vehicles in Canada is the focus of other EV-related work TAF has commissioned. The draft has been informed by a landscape assessment and interviews with a range of thought leaders in Canada's EV sector, identifies the key barriers to accelerating EV adoption, and outlines priority tactics for overcoming these. It will be shared with funders and others over the summer to build engagement and resource its execution.

### **Carbon and Co-benefits Quantification**

45 members attended TAF's Carbon Data Network (meeting #5). The focus was TAF's research on the full life cycle of fossil gas emissions which shows that factoring in fugitive emissions associated with extraction, transmission, and distribution substantially increases the emissions profile of fossil gas. This will be in a forthcoming research report. Builders for Climate Action presented on the emissions associated with building materials (aka embodied carbon) and how this can be quantified.

TAF's expertise has been sought by a range of organizations and we have agreed to partner with five lead applicants to the federal Climate Action Awareness Fund (CAAF) which will support projects that will strengthen Canada's capacity to understand, identify, accelerate and evaluate actions to achieve net-zero emissions. Awards would be announced in Fall 2021.

### **Climate Policy**

TAF provided a grant to the Town of Halton Hills to support updating their Green Development Standard (GDS), took part in a seminar to introduce the proposed updates to local stakeholders, and deputed at the Halton Hills Council meeting. The updated GDS was passed unanimously. The Halton Hills adoption is key for expanding the adoption of Green Standards into high growth regions like Halton Region and will positively influence nearby municipalities to adopt their own standards.

TAF has again worked closely with City of Toronto to update the Toronto Green Standard (TGS). Version 4 will incrementally raise the mandatory energy and carbon requirements, i.e.: the currently voluntary Tier 2 becomes the mandatory Tier 1. The voluntary Tiers 2 and 3 would also increase and TAF is particularly interested in ensuring appropriate incentives are put in place for the voluntary tiers. The proposed update would also strengthen EV charging requirements modestly. Version 4 will be considered by the Planning and Housing Committee on June 28<sup>th</sup>. The TGS will require all new buildings to be near-zero by 2030.

The TAF website now includes [a detailed explainer](#) about Green Development Standards, including a toolkit with guidance on what to look for on this highly technical and complicated topic and key messaging that can assist stakeholders in engaging on the development and passage of Green Development Standards.

Bill C-12, the Climate Accountability Act, was passed by the House of Commons and is expected to be passed in the Senate before the end of June. TAF provided comments and recommendations focused on improved progress reporting, inclusion of municipalities and First Nations in more consultations, and alignment with UNDRIP. After engaging with the Government of Canada and the Members of Parliament on the ENVI committee we have seen many positive changes to the bill along the lines suggested by TAF and other stakeholders. At time of writing, it is unclear whether Bill C-12 will be approved prior to the summer parliamentary recess.

In response to motions from 29 Ontario municipalities calling for the phase out of gas-fired electricity to enable meeting climate targets, the Independent Electricity System Operator (IESO) will be assessing feasibility of a phase-out and has initiated a consultation regarding the scope of the analysis. [TAF's comments](#) focus on the need for evaluation of multiple gas phase-out scenarios, sensitivity analysis and consideration of 'tipping points', and transparency. TAF will be convening a range of stakeholders in the next few months to build understanding of the costs/benefits, challenges/opportunities, perspectives/preferences, and other factors in order to frame the problem and develop go-forward strategy.

### **Impact Investing**

The team is pursuing multiple prospects from a strong pipeline of projects investments, including opportunities in the EV space. Due diligence ongoing on four potential transactions.

### **Grants, including summary of completed Grants**

#### **Hamilton Chamber of Commerce – *GHG Reductions through Industrial Waste Heat Diversion***

\$189,500 over two years approved by TAF Board in November 2018.

The objective of this project was to study the feasibility of recovering and using waste heat produced by manufacturers in Hamilton's Bayfront Industrial Area. The Hamilton Chamber of Commerce worked closely with researchers at McMaster University to identify and characterize sources of waste heat across the target area and to determine uses that are technically feasible, economically viable and sufficiently effective in reducing carbon emissions. The project team also convened and consulted with a wide range of government and industry stakeholders to better understand existing barriers and necessary solutions to unlock the potential of waste heat diversion. The [final report](#) confirms the feasibility of using waste heat from the Bayfront Area, as well as the potential for a district energy system to serve heating and cooling needs of adjacent buildings. The estimated recoverable waste heat generated in the area is enough to heat approximately 45,000 homes for an entire year and could result in a carbon offset of nearly 200,000 tonnes per year. However, the report also identifies a variety of

'recovery and reuse' challenges that must be overcome. These challenges include finding ways to enable cooperation among local manufacturers, de-risk projects, secure waste heat recipients, and fund common infrastructure. The Chamber of Commerce will continue working with project partners to overcome remaining hurdles which will require shared goalsetting, the development of new business models, and government leadership incentivize and increase industrial uptake in waste heat recovery technologies.

**Heating, Refrigeration, and Air Conditioning Institute of Canada (HRAI) - *Overcoming Implementation Barriers to HVAC-led Building Retrofits***

\$32,800 over six months approved by TAF Board in November 2020.

With few notable exceptions, HVAC contractors have yet to embrace their potential role as advocates for enhancing building performance. The objective of this project was to identify the key internal barriers that have prevented this transition and to identify strategies to encourage HVAC contractors to become champions of building performance, energy efficiency and carbon reduction. Through surveys, interviews, and focus groups with dozens of HVAC companies across the GTHA, the research team found few systemic or regulatory barriers preventing industry members from adopting whole home retrofit service offerings. Findings from these consultations show a general willingness among business owners to do more to mitigate climate impacts and identified a series of "soft barriers" including a lack of in-field experience, uncertainty over the risks involved, and an incomplete understanding of the potential benefits and opportunities. The final report recommends next steps to increase industry comfort and knowledge, including the creation of a Peer-Exchange-Process Committee, improving access to existing training opportunities, and creating low-risk opportunities for hands-on learning and mentoring along with targeted technical support to ensure a smooth transition. HRAI has applied for funding from a federal grant program to implement a national communications campaign which seeks to overcome the barriers identified in the report. HRAI is also seeking to launch a pilot program, which would help a small number of local HVAC companies access relevant training opportunities and complete whole home retrofit demonstrations.

**Pembina Institute – *An Action Plan for Urban Freight Electrification in the GTHA***

\$99,000 over nine months approved by TAF Board in February 2020.

Electrifying urban freight presents a significant opportunity to decarbonize the transportation sector in the GTHA. The objective of this project was to equip businesses with the information needed to integrate and scale-up electric vehicles into their delivery fleets. Pembina Institute sought to help businesses overcome barriers to electrification through modelling and research, and by identifying which segments of the urban freight supply chain are best placed for electrification. The project resulted in two key deliverables. [\*Making the Switch to Electric Urban Delivery Fleets in the GTHA\*](#) includes a step-by-step guide - from selecting the right vehicle models to accessing financing to training drivers and maintenance staff - to deploy battery-electric urban delivery vehicles with on-site depot charging. [\*Making the Case for Electric Urban Delivery Fleets in the GTHA\*](#) uncovers the expected costs, energy demands and carbon emission savings associated with a switch to electric cargo vans. Pembina's analysis shows that in one

year of operating an EV, businesses can expect to save an average of \$3,800 to \$4,400 in fuel costs per vehicle and reduce 12 tonnes CO<sub>2</sub>e per vehicle. The reports also identify key policy measures at municipal, federal, and provincial levels that can help to overcome barriers and accelerate demand for electric cargo vans. Pembina Institute has already promoted these findings to relevant staff at five municipal organizations across the GTHA and will continue to engage key provincial and federal decision makers to advance policy solutions at those levels.

### **The Atmospheric Fund - *Regional Cultivation Agents***

\$131,400 over two years approved by TAF Board in July 2019.

The purpose of this project was to deepen TAF's capacity to engage with stakeholders throughout the GTHA through the commissioning of "local agents" from each of the five single-tier and regional municipalities within the GTHA who would identify locally relevant low-carbon opportunities, pre-screen local grantseekers, and liaise with counterparts across the region to help create a region-wide carbon reduction strategy. Due to the cost, time and logistical challenges involved in identifying and equipping local agents with the tools and knowledge needed to fulfil the tasks envisioned for them, TAF instead decided to hire one Regional Outreach Lead. Over seven months the Regional Outreach Lead, Diana Yoon, made significant progress in cultivating new partnerships and opportunities for TAF across the region. Diana also worked closely with each of TAF's programmatic teams to foster a collective sense of regional accountability. As a result of the significant profile raised and connections made, this position has been gapped, and we will continue to monitor TAF's efforts to develop and deepen the relationships needed to support strong climate action across the region and reassess the value of/need for this this.

### **Communications**

The communications team has updated TAF.ca to increase impact and audience engagement, including a streamlined user experience for financing and grant-seekers on the [Impact investing](#) and [Grants](#) pages, more human-oriented photography, and a statement about TAF's commitment to [Equity, Diversity and Inclusion](#). A TAF briefing about the Demand Side Management (DSM) Framework was recently referenced in a [Globe and Mail article](#) about fuel-switching.

Collectively Canadians need to address the trauma and harm Indigenous people across Canada have historically and continue to experience and move towards reconciliation. Locally, the Yellowhead Institute and indigenous students are [proposing a formal replacement](#) of "Ryerson University" with "X University" while the proposed renaming of the University is being studied by the Standing Strong (Mash Koh Wee Kah Poo Win) Task Force. TAF recognizes that the University itself must determine its name and meanwhile, as a small step towards reconciliation yet recognizing that more needs to be done, we will refer to "X University" in communications.

## **CONTACT**

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## **SIGNATURE**

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