



Chief Executive Officer's Report

Date: January 26, 2017
To: The Atmospheric Fund Board of Directors
From: Chief Executive Officer

GOVERNANCE & ORGANIZATIONAL MATTERS

Regional GTHA program:

Exploration and program development: An RFP has been issued to secure consulting support in exploring regional GHG reduction opportunities, best practices, stakeholders and partners. A consultant is expected to be selected by mid-March. We are undertaking meetings with colleagues already involved in regional programs related to TAF's mandate, including Clean Air Partnership, the Toronto and Region Conservation Authority, The Greenbelt Foundation, and Evergreen (regarding the Greening Greater Toronto initiative). We have begun assessing the method and approach for development of a regional GHG inventory to guide our programming and evaluate regional GHG reduction progress, consulting members of the GTA Clean Air Council, and surveying other stakeholders online.

Requirements under the Transfer Payment Agreement: Terms of Reference for the Grants & Programs Committee are being amended to include regional expertise in the membership; see Item 10 for Board approval. Also, new [grantmaking criteria](#) have been published on TAF's website concerning eligibility of organizations within the Greater Toronto and Hamilton Area.

Operations 'tune-up': A management consultant has been engaged to undertake a review of TAF's core management systems and recommend areas that need reinforcement to support our expanded mandate with excellence and comply with all new requirements.

STRATEGIC PROGRAMS

TowerWise

TCHC retrofits: TAF's retrofit of seven TCHC buildings has now reached "substantial completion" (90 percent complete). The final measures – smart thermostats and radiator valves to provide in-suite heating controls will be operational by June. Ecobee, a Toronto-based company that has developed award-winning "smart thermostats" and is capturing a significant part of this market throughout North America, has generously donated 770 units of their latest model for installation in four of these TCHC buildings;

the approximate value of the equipment alone is \$150,000 plus the invaluable technical support of the Ecobee team.

Pumping Energy Savings: TAF's technical consultant has completed draft feasibility studies for heat pump retrofits with eight partner buildings across the GTHA. Our research, including extensive stakeholder interviews, indicates the lack of actual, local heat pump retrofits, and lack of confidence in economic and technical viability are the key barriers to scale-up. A follow-up proposal to IESO will focus on completing four demonstration projects, and a funding application has been submitted to Natural Resources Canada for this next stage of work.

Enbridge Gas Distribution and Union Gas have jointly provided a contribution of \$40,000 to undertake enhanced performance monitoring of the innovative gas heat pumps installed at two of TAF's ten TW Energy Efficiency Demonstration (TWEED) sites, as well as an assessment of scale-up potential for the technology based on project results.

Building Value: TAF joined approximately 20 leading business and non-profit energy efficiency experts at a roundtable focused on providing the federal government with specific programming to advance the ambitious objectives for the building sector outlined in the Pan-Canadian Framework on Climate Change.

Rotman/MaRS Sustainability Innovations Case Study Competition: TAF's Ekaterina Tzekova was one of nine judges who selected Project GreenBridge from ten submissions focused on solving a key barrier to advancing energy efficiency retrofits in Ontario and best strategies to facilitate decarbonization of existing tower properties.

Impact Investing

Ontario green bank: TAF has developed comments on the proposed regulation creating the Ontario Climate Change Solutions Deployment Corporation, aka the Ontario 'green bank/agency'. Our advice focuses on how the government can strategically use cap & trade revenues to leverage additional investment, given the business case and potential for return.

Deep retrofit financing facility: [The Pan-Canadian Framework on Clean Growth and Climate Change](#) places great emphasis on improving the energy efficiency of all buildings, and there is interest in ensuring that the emerging Canada Infrastructure Bank is able to play a role in accelerating investment in retrofits, despite their disaggregated nature. Following discussions with colleagues in key departments, TAF has submitted a draft proposal for a dedicated \$100M financing facility which would focus on deep retrofits of approximately 50-75 large buildings, and leverage at least double this funding either through co-investment and/or securitizing the transactions. The aim would also be to help build more retrofit project origination capacity, which is key to accelerating investment in this space.

Senior Debt re-financing: TAF has ‘sold’ portions of ESPA-financed retrofits to the Ivey Foundation. We are currently in discussions with several other foundations, and individual and a pension fund who are interested in having Senior Debt invested in retrofits; these could potentially close in 2017. TAF maintains at least 20% of every ESPA and continues to manage the transaction over the term of the contract. This is allowing us to introduce a wide range of investors to impact investing principles and TAF’s expertise in this space.

Investments concluding: The final payment on TAF’s first \$600,000 Green Condo Loan to Tridel’s Grande Triomphe will be made on February 1, 2017. TAF’s \$1M loan to Exhibition Place for the Exhibition Place Trigereneration Project has just been repaid in full. Both Tridel and Exhibition Place have been important partners for TAF, having worked collaboratively with us to demonstrate innovative financing approaches and technologies, which have really held change perceptions, policies and practices.

ESPA-financed retrofits: A total of \$6M is approved and drawn for investment in seven ESPA contracts retrofitting 22 buildings and over 70 townhouses. \$2M of this is allocated as Subordinated Debt for transactions financed directly by Efficiency Capital Corp., of which \$300,000 has been drawn. Our first ESPA transaction (Harbourfront Centre) has been sold to CoPower. Our monitoring shows average per-building GHG reduction of 200 tonnes per year, for a total of 4,400 tonnes per year.

Efficiency Capital Corp.: ECC has been stepping up its sales and marketing efforts resulting in seven Letters of Intent, one ESPA signed and significant momentum. We expect an additional \$500,000 draw on TAF’s approved funding in the first half of this year. Tim Stoate will continue to work at ECC one day a week, through Q1 and Q2 of 2017.

Direct Investment Diversification: The Investment Committee helped to shape an incremental strategy for diversifying our portfolio. The investment ‘strike zone’ is products and/or services related to energy efficiency (and eventually transportation and waste management) that have potential for significant deployment in Canadian cities, are proven in Canada or elsewhere, but are not extensively deployed locally. Recognizing TAF’s size and capacity, the approach will be to co-invest with partners who can share the due diligence, financing and management. Investment will likely be in the form of project financing or leveraging TAF’s expertise in performance contracts. This approach will be evaluated to determine the viability of a more formal structure, for example a fund, that TAF could help create. In addition to financing, TAF should be prepared to provide other support to address challenges or barriers faced by investees through policy reform, education, match-making or other strategies.

TransformTO

Council approval was received in December for [TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report #1](#) including a 2020 Action Plan presenting five short-term strategy areas to set Toronto on the path to exceed our 2020 goal of a 30% reduction in greenhouse gas (GHG) and put us on a trajectory to reach the 80% reduction target by 2050. A budget request to build new capacity to deliver the 2020 Action Plan is being considered by City Council. Development of the short-term plan was underpinned by detailed scenario modelling by TTO's consultant, Sustainability Solutions Group.

Two additional reports have recently been developed: a literature review identifying co-benefits and co-harms associated with deep carbon reduction actions in cities; and a second long-term scenario identifying a pathway to an 80 percent GHG reduction for Toronto by 2050. The latter will be reviewed and refined in consultation with the TransformTO Modelling Advisory group, who will evaluate the top reduction actions against a suite of weighted criteria representing multiple benefits of deep carbon reduction in cities. All these findings will contribute to the TransformTO 2050 Pathway to GHG Reduction, to be considered by Toronto City Council in May 2017.

Transportation-related projects

Microtransit: TAF and MaRS co-hosted a workshop on December 5, 2016 to present the results of a scoping study assessing the GHG reduction potential of “microtransit” – shared public or private sector transportation services that offer fixed or dynamic routes and schedules in response to consumer demand (e.g., UberPOOL). This first-ever microtransit study in the GTHA estimated that microtransit could cut regional GHG emissions from personal transportation by almost six per cent. The report also identified other potential benefits of microtransit including congestion relief, affordability, employee attraction and retention, and community resilience. The workshop canvassed feedback from 35 public and private sector stakeholders, who collectively prioritized three specific microtransit use cases for deployment across the GTHA: travel to and from suburban rail stations, shift worker commuting, and travel from low density neighbourhoods underserved by transit. TAF and MaRS have agreed to continue engaging key stakeholders – including Metrolinx, local transit authorities, private delivery agents and labour representatives – to co-develop a strategy for piloting priority microtransit use cases with a view towards scaling deployment across the GTHA.

Communications

In addition to the December 5 workshop mentioned above, MaRS and TAF co-released a report and media release with their findings on the GHG reduction potential of microtransit. The report received significant media attention, including an article in the Toronto Star and two radio interviews with Grants Manager Ian Klesmer.

TAF continues to work collaboratively with the Clean Economy Alliance and its members in a communications working group to support strong climate policy at the provincial level. TAF is currently scanning other opportunities to fund climate change communications.

Traffic to TAF.ca increased by 47% during 2016. TAF's social media followers increased by 66% on Twitter and 22% on LinkedIn. Newsletter subscribers increased by 27% and blog subscribers by 86%.

TAF was well-represented and profiled at the Foundations and Endowments Summit, participating on an impact investing panel, leading the Private Debt for Impact session, and referenced by former TAF Vice-Chair Guy Burry.

CONTACT

Julia Langer, CEO, 416.392.0253, jlanger@taf.ca

SIGNATURE

Julia Langer
Chief Executive Officer