



REPORT FOR INFORMATION

Chief Executive Officer's Report

Date: June 14, 2017
To: The Atmospheric Fund Board of Directors
From: Chief Executive Officer

GOVERNANCE & ORGANIZATIONAL MATTERS

Board Membership

At the recommendation of the Civic Appointments Committee, City Council made three Board appointments on May 24, 25 & 26, 2017. Jacqueline Loewen and Susan McLean have been re-appointed – welcome back. Please join me in welcoming Kim Marshall; Kim brings both financial and energy sector expertise to the Board and experience with a range of other community organizations. Also please join me in thanking Ravi Seethapathy for his strategic contributions, as well as international cheerleading to TAF during his tenure on both the Board and Grants & Programs Committee.

Investment Committee Membership

Two members of the Investment Committee are stepping down due to workload challenges. Susan McLean will continue to be in touch with TAF's investments at the Board level, and assures us we can continue to count on her insights and connections. Lisa DeMarco has been a key voice at the table for ambitious energy efficiency, leveraging the carbon market, and attention to legal risk management, and I am also sure will continue to assist us informally and through her extensive networks. Many thanks are extended to both for their generous contribution of time, expertise, and social capital which have helped TAF advance its mandate. The Committee is considering a recruitment strategy to ensure that the core functions of fiduciary oversight can continue to be upheld.

Ontario Endowment – Transfer Payment Agreement

The following is both an update and conveys the key deliverables required in this period for compliance with the terms and conditions of the TPA.

- **Q2 Report:** In compliance with TPA Section F.3.1, a Q2 Financial Report must be submitted by July 31. Q2 financial information will be forwarded separately this time as results were not available for this meeting's deadline.
- **Program and Cultivation Strategy:** With external support, TAF is scanning best practices for regional approaches to GHG reduction, consulting widely with stakeholders in the region regarding opportunities for TAF engagement and investment, and exploring mechanisms for GHG analysis of potential investments.

This will feed into the refinement of TAF's regional grantmaking strategy. A report on this matter was submitted to the Province on April 28, 2017 in compliance with TPA Section C.8.1.

Staff news

Please welcome Nicole Leite to the new position of Account Manager, Impact Investing. Nicole will work with Tim Stoate, VP-Impact Investing to support direct investment cultivation, intake, due diligence, transaction structuring, administration and client relationship management. She brings a background in investment banking, corporate finance, and project financing.

With the completion of the Building Value project and a new career focus on “user experience”, we bid farewell to Vivian Chung who has ably supported a range of policy, partnership, practical and communications outcomes, as well as supporting the grants program.

Tim Stoate will be appointed to the Board of the Green Ontario Fund, the corporation established to administer a significant portion of the funds raised through the Cap & Trade system.

I am honoured to receive the 2017 Minister's Award for Environmental Excellence.

STRATEGIC PROGRAMS

TransformTO

[TransformTO Report #2](#): The Pathway to a Low Carbon Future was completed and submitted for review by Toronto City Council at its May 24-25 meeting. A short [summary report](#) was also developed and circulated to the public. The TransformTO recommendations to Council gained considerable public attention, especially in the wake of the US decision to pull out of the Paris Agreement, and were the focus of a [joint support letter](#) signed by 36 community groups, [formal comment](#) from the Toronto Region Board of Trade and others, and [media coverage](#). Consideration of the report has been deferred to the July 5 Council Meeting. In the meantime, TAF is undertaking plans to re-orient TAF grants and programs resources to support and advance TransformTO objectives in the short-term, and to build new community partnerships and resources to focus on the three campaign areas: Mobilize Low-Carbon Neighbourhoods, Prepare for Electric Mobility, and Develop the Workforce for High-Performance Buildings.

TowerWise

Nearly half of the 776 adaptive thermostats generously donated by Toronto-based Ecobee have now been installed across two Toronto Community Housing buildings. Deployment of the thermostats in these types of multi-unit buildings has not been done before and this project can help quantify the energy savings and thermal comfort benefits. To help residents understand how to use the thermostats, TAF is also

engaging with Building Up, a non-profit organization which trains people with barriers to employment.

The next phase of TowerWise will involve designing, implementing and monitoring deep energy retrofits across four residential sites, targeting a minimum of 40% energy and GHG emission. A variety of different building types and energy retrofit measures will be explored. TAF will also work to develop financing and scale-up strategy recommendations to help inform the Ontario's residential sector.

TAF's Ekaterina Tzekova was a delegate to the CaGBC's Building Lasting Change conference in Vancouver where the Zero Carbon Building Standard was unveiled; she has been a member of the Zero Carbon Building Working Group which reviewed the standard during development.

Pumping Energy Savings

The first phase of this project is almost complete. Working with eight buildings, their property managers, three utilities and various experts, TAF has generated analytical tools and information resources, valuable market intelligence, and technical and policy recommendations for increasing adoption of heat pumps in electrically-heated multi-unit residential buildings. The second phase will start towards the fall, with support from several funders (see below), and will build on these results in order to get more on-the-ground experience to increase market confidence in the opportunity for retrofitting buildings with heat pumps and establish a scale-up strategy for electrically-heated and other multi-unit residential properties.

Building Value

TAF launched the [Building Energy Efficiency Policy Calculator](#) (BEE-Cal) in May along with a training video for how to use it. The excel-based tool allows users to estimate and compare the potential GHG reductions, employment impacts, and other benefits of various municipal policies and programs geared towards energy efficiency. An [infographic](#) to illustrate the multiple benefits of energy efficiency, including economic, health and environmental benefits has been co-developed with the Pembina Institute and has received strong circulation.

TAF is recognized as a leader in impact investing and particular on financing retrofits and is increasingly being asked for information and advice as governments and others explore this opportunity. This need was particularly evident in the context of the Pan-Canadian Climate Action Plan and many subsequent workshops and consultations. In response, TAF developed a technical guidance note on Energy Efficiency Financing Tools for the Canadian Context. This primer highlights the features, functions and pros/cons of various financing tools for various building sector sub-markets. It especially focuses on the roles various levels of government can play in mobilizing energy efficiency financing and is aimed at accelerating the development of public programs to stimulate investment in energy efficiency.

Impact Investing

A strong pipeline of potential investments is being actively evaluated with a focus on companies commercializing products and services that have potential to reduce urban GHG emissions. Our impact evaluation is now considering GTHA-wide reduction potential.

Staff are working with Proteus Performance Management, TAF's 3rd-party investment advisor, to develop a 'model portfolio' for the two endowments, which takes into consideration the objective of having separate-but-parallel holdings, risk, return and impact, and assumes the current minimum/maximum levels established in the current Statement of Investment Objectives & Principles (SIOP). In tandem, action is being taken quarterly to deploy the funds.

Communications

As the TransformTO project's co-lead, TAF played an important part in the launch of the TransformTO Report 2 through the publication of a concise, visually appealing [summary report](#) that was widely circulated. TAF's efforts also encompassed successful media relations and social media outreach for the TransformTO plan. The initiative was also prominently featured in [an op-ed](#) by TAF board member Councillor Mike Layton.

The [Building Energy Efficiency Policy Calculator \(BEE-Cal\)](#) launch included a presentation at the Clean Air Council, introduction and tutorial videos, targeted dissemination to key users, and social media.

TAF played an instrumental role in the recent Plug'n Drive [report](#) titled "Driving EV Uptake in the Greater Toronto and Hamilton Area". It distills the key findings and recommendations from a TAF-funded survey of almost 1,200 GTHA drivers on the barriers to electric vehicles in the GTHA.

TAF has expanded its social media presence to Facebook. The [nascent page](#) has already been 'liked' by more than 500 supporters.

Updates from Completed Grants and Programs

Grants

No grants have been completed in the previous quarter.

Internal projects (results for projects completed in the previous quarter):

Senior Greenhouse Gas Advisory Support: In February 2016, TAF, in co-operation with the Environment and Energy Division of the City of Toronto, hired Torrie-Smith Consulting to provide expert advice on GHG quantification and modelling, both to support TAF's internal GHG quantification needs and to provide oversight to the contractors hired to undertake GHG scenario modeling for the TransformTO initiative. The Senior GHG Analyst from Torrie-Smith led the critical third-party review of the TransformTO modelling process, creating transparency and assisting in strengthening

modelling components especially related to transportation sector data and approaches. The role was slightly revised as the project unfolded, based on evolving project needs, with greater funding being allocated to the TransformTO elements of the work, given the complexity of the modelling undertaken.

Direct Investment Diversification Strategy: The original focus of this project was to determine whether a funding gap for early-stage cleantech companies could be filled with a new TAF-operated or TAF-incubated investment fund. While such an investment fund was found to be infeasible, staff explored other approaches to invest in GHG-reducing products and services that needed support in commercialization. In consultation with TAF's Investment Committee, the following approaches for direct investment and mobilizing investment were identified and are being advanced including co-investment, potentially as a minority shareholder in new, separate legal entities (e.g., corporation, partnerships) and deal-specific, with or without co-investors, to demonstrate and de-risk innovative strategies including investing in those GHG-reducing technologies that have been proven outside of Canada to accelerate their acceptance and adoption at scale. TAF will also improve its intake process for these types of proponents. In addition, TAF can add value alongside investees by identifying and addressing policy barriers which may need to be cleared to pave the way for investment and commercialization. TAF has hired a new permanent staff member to assist in implementing these approaches.

Advancing Low Carbon Policy Solutions: The purpose of this project allocation was to provide funding for contract staff capacity to maintain and enhance TAF's policy research and advocacy. Funding supported the activities of the Policy Research and Engagement Coordinator which were not directly related to the Building Value project (which was itself funded by the McConnell Foundation). These included actively scanning for upcoming climate-related policy consultations and proposals, engaging with diverse stakeholders to maximize alignment of policy positions and coordinate messaging around key policy areas, researching and writing policy briefs and recommendations in collaboration with senior staff, supporting communications to expand awareness of key policy issues and TAF's activities in this area, and development of a Policy Advocacy Strategy to guide TAF's policy work in a new regional context.

OPERATIONS

Fundraising

TAF has received three contributions to advance our work on improving the energy efficiency of existing buildings (see TowerWise and Pumping Savings above for a description of the work). TAF has signed an agreement with Natural Resources Canada (NRCan) for \$487,700 over the next two years for Accelerating Deep Energy Retrofits Across Canada's Residential Sector. TAF is in the process of securing another major grant, which will be reported once the Contribution Agreement is signed.

TAF has also received an in-kind contribution of 779 Ecobee smart thermostats, assessed at \$166,480, for installation across four Toronto Community Housing buildings. These buildings have undergone a series of energy retrofits, financed through the TAF ESPA.

COMPLIANCE WITH TRANSFER PAYMENT AGREEMENT

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

CONTACT

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

SIGNATURE

Julia Langer
Chief Executive Officer