



REPORT FOR INFORMATION

Chief Executive Officer's Report

Date: January 22, 2021
To: Toronto Atmospheric Fund Board of Directors
From: Chief Executive Officer

GOVERNANCE MATTERS

Board and Committee Membership

Please join me in welcoming two new citizen members to the Board. Graysanne Bedell is a lawyer who mainly worked as corporate counsel, and has volunteered her expertise on a range of non-profit boards and organizations including SolarShare, Community Forward Fund, Street Haven, and Efficiency Capital Corporation (as TAF's designee). Wayne Miranda works with innovators at the intersection of social/environmental impact and investment, currently in his role with the J.W.McConnell Family Foundation and previously with Centre for Social Innovation, TechSoup, and various international development organizations.

In the context of mid-Term appointments, Councillor Jennifer McKelvie, who will now be Chair of the Parks & Environment Committee, has been replaced by Ward 19 Councillor Brad Bradford. He is a planner and has worked with a range of organizations familiar to TAF and aligned with TAF's mandate including CivicAction and International District Energy Association.

Please also join me in thanking Hyewon Kong for her contribution to TAF as a member of the Investment Committee over the past five years. Her world-leading ESG expertise is very much in demand, including in her new role with IMCO, but I'm assured we can call on her as needed.

Risk Register

Summarized below are the organizational risks assessed by staff to be of note as of January 2021 and the related actions that have been taken to mitigate them.

- Financial risk – there is a significant capital market downturn. TAF is in compliance with its asset mix allocations, but continued strong performance pushes the equities over the line at times, requiring redemptions. Also, marketable securities have recovered from the spring downturn, nevertheless volatility can be expected and the Investment Committee has indicated this is an opportunity to realize some gains, and ensure at least of year of operating expense is 'cash in hand'.
- Financial risk - a direct investment under-performs. Covid has not negatively impacted any direct investments since the Q3 report. All but two direct investments

are in compliance, and recovery arrangements are ongoing with full recovery expected for one and partial for the other.

- Operational risk – TAF experiences an IT disruption. TAF has identified a preferred vendor new accounting software that is better able to support management of three endowments and TAF's programs. TAF has also selected [Humi](#) as a new platform to manage TAF's human resources data. TAF receives and acts on City of Toronto cybersecurity alerts and guidance.
- Operational risk – Staff capacity and/or governance capacity are inadequate to deliver on TAF's mandate. TAF successfully piloted its new recruitment platform, [Applied](#) to hire two positions (see below) but competition for climate policy-savvy staff foiled a third. Recruitment for a Climate Policy Analyst, Impact Investing Analyst, and Building Environmental Researcher (replacing a recent departure), and professional development, are key to delivering on the ambitious plans for 2021.
- Operational risk – TAF's activities give rise to legal liability or litigation. Staff do not currently see any significant legal exposure for the organization. A Health and Safety Committee will be formed to ensure continued compliance with relevant requirements.

Agreement-Related Matters

TO/TAF Agreements

Discussions are underway to advance the Council-approved amendment -- more precisely deletion -- of Section 11 (8) & (9) of the TAF Act. TAF and City staff will be working together to update the Relationship Framework and Operating By-Law this year. Proposed amendments to the Statement of Investment Objectives & Principles (SIOP) are presented in a separate item.

ON/TAF/TO Transfer Payment Agreement (TPA)

TAF, City and Ontario colleagues are refining various details regarding the accounting for and allocation of the Ontario fund. To the best of my knowledge, 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)

Our 2021 annual plan, 2021 budget, and 5-year cashflow were submitted to FCM. The LC3 network is co-developing a Theory of Change and KPIs including potential for achieving GHG reduction and co-benefits, and designing for scale; these build on TAF's experience, will be used to guide and evaluate our work, and will allow FCM to have a common framework for compiling and reporting on the network's accomplishments.

STRATEGIC PROGRAMS & OPERATIONS

Staff News

We are excited to have two new team members. Jillaine Yee, Administrative Assistant will support the efficient day-to-day operation of the TAF office and the work of TAF's senior management team and program staff. Yvonne Rebeiro, Communications Coordinator will collaborate with all TAF teams to help embed good communications strategy in our work, making content accessible, accurate, impactful, and relevant to our target audiences.

Nicole Leite has rejoined the Impact Investing team after a year leave to undertake the INSEAD MBA. In her new role of Director, Impact Investing, Nicole will lead the origination, due diligence, structuring and approval of new investments.

TAF staff continue to work remotely and, following the guidance of the City Manager, this will continue until at least April 2021. Engagement and productivity remains strong, with the Operations team ably supporting and enhancing processes for effective collaboration, camaraderie and culture.

TowerWise/Accelerating Retrofits in the GTHA

The transition from TowerWise to Retrofit Delivery Centre (RDC) is underway with new roles, strategy and targets that shift TAF from a focus on innovative demonstration projects to accelerating the uptake of retrofits in the GTHA. This includes activities to accelerate the pace of retrofits, the depth of retrofits, integrating social outcomes into retrofit plans and advancing performance standards on existing buildings. A capacity plan and new RDC role descriptions in development, along with a cross-team collaboration plan and a branding exercise.

Requests totalling over \$5M were submitted in Q4 including to government and foundations, with funds meant to support RDC operations over the next five years. The team also spearheaded the development of \$4.3M in retrofit funding proposals for NRCan's [Green Infrastructure](#) program for deep retrofit projects with the Region of Durham and Toronto Community Housing, and is currently working on an additional \$10M fundraising proposal for FCM's [Sustainable Affordable Housing](#) program on behalf of the Region of Durham.

Approximately \$6.7M in TowerWise retrofit projects reached substantial completion in December/January including: two heat pump retrofits at TCHC's 66 Walpole townhouse complex (\$2.7M, 120 suites) and Rane Management's 2590 Argyle Road apartment complex in Mississauga (\$1.5M, 127 suites), and a radiator replacement project at TCHC's Trethewey Tedder Apartments (\$2.5M, 369 suites, a continuation of an earlier TAF retrofit at the site). Going forward, the team will monitor and evaluate the performance of the sites (energy, emissions, and indoor environmental quality) to optimize systems as needed, inform future retrofit work, and report back to the building owners on the performance of the retrofits.

We just published [a case study](#) featuring the results of the initial heat pump pilot at 66 Walpole which resulted in some important lessons, particularly around our messaging and engagement with residents, that led to and informed the full retrofit mentioned above. Finishing touches are being made to a new heat pump retrofit video -- watch for the Canadian premiere coming soon!

Electrification of transportation

In 2021, TAF will be deepening its engagement on the electric vehicle (EV) file at both the national and local levels. Ian Klesmer represents TAF on the Board of [Electric Mobility Canada](#) (EMC), a national, membership-based organization dedicated to accelerating the transition to electric mobility across Canada. He is currently advising EMC on a [new initiative](#) that aims to build a robust industry supply chain for Zero Emission Vehicles (ZEVs) and position Canada to reap the economic benefits of the rapid transition to ZEVs currently underway, and is also leading a strategic planning exercise with the new EMC Board. These outcomes of these exercises will form the basis of a fundraising effort aimed at expanding EMC's capacity to realize an EV-supportive policy framework across Canada.

In December TAF submitted a \$2M funding proposal to act as a “delivery organization” under Natural Resources Canada's Zero-Emission Vehicle Infrastructure Program. A decision is expected by the end of March and should the application be successful, TAF will support the deployment of at least 300 connected EV chargers across the GTHA by March 31, 2023. Our program would focus on small projects (up to 20 chargers each) located in public places, on-street and multi-unit residential buildings (MURBs). As outlined in the Annual Plan, even if the application is not successful, we will launch an internal program focused on identifying and addressing the key barriers to EV charger installation in difficult-to-reach segments of the GTHA market.

Climate & Co-benefits Quantification

TAF's annual regional carbon emissions inventory will be published shortly. The Carbon Data Network (CDN), including approximately 50 participants from municipalities and utilities in the GTHA, met in November to review TAF's preliminary data and the methodologies used for the inventory to ensure consistency. The 2018 inventory provides snapshot of carbon emissions by source and for the five Regions, Toronto and Hamilton, analyzes the carbon emission trends (spoiler: not good news), and highlights opportunities for driving down emissions. The overall message: the pace and scale of emission reduction needs to be stepped up urgently, in order to reach carbon-neutral targets in the GTHA. The CDN also provided input on the release and distribution of the report which will be via media, social media and direct outreach to key policy makers in the GTHA.

Climate Policy

The Canadian Clean Fuel Standard 'liquid stream' regulations were Gazetted in December with comments due by March 5. Unfortunately, the 'gaseous' and 'solid' streams of the CFS were eliminated, but this will potentially be offset by a much higher price on carbon. The Clean Fuel Standard Advocates, supported by TAF, are working to ensure that submissions representing a range of supportive perspectives are presented, and TAF will continue to advocate for the strongest possible sets of regulations. Overall, we are optimistic that the CFS will accomplish the stated 20MT reduction goal.

With its six-year plan already expired and extended for an additional year, Enbridge has been tasked by the Ontario government to develop a new Demand Side Management

(DSM) plan to start in 2022, but unfortunately without any requirement to consider the Made in Ontario Environment Plan's carbon reduction commitments. A shift in how the costs and benefits of conservation are considered in setting utility infrastructure plans, programs and rates is key to achieving local emission reduction targets and will be part of TAF's engagement strategy this year.

The unanimous adoption of the Whitby Green Development Standard (GDS) has sparked interest from a range of other municipalities and regions. Consideration is being given to new Green Development Standards and revising existing standards to improve energy efficiency and add carbon requirements.

Impact Investing

[Generate](#), TAF's online impact investing pitch event, will be held February 22-25. Thanks to the Board and Committee members who have helped promote the event. The objective is to connect investors with entrepreneurs in cleantech (specifically transportation, green building, and clean energy) to support market development and TAF deal flow. We have an impressive list of pitchers and investors, along with interested technology buyers and enablers, lined up to participate. A-list moderators will add to the event's cachet.

More positive outcomes from TAF's investment in the Investeco Sustainable Food Fund are emerging which will generate more than twice the ROI originally expected, while contributing to the low-carbon impacts of plant-based and sustainably grown, processed and distributed foods.

Grants (updates from completed Grants)

Mohawk College - Bay Area Climate Change Office Strategic Work Plan Development

\$46,000 over one year

Approved by TAF Board in November 2018

Mohawk College's Bay Area Climate Change Office (BACCO) is a multi-sectoral initiative to advance meaningful climate action in Hamilton and Burlington. This grant enabled Mohawk College and partners to develop a three-year strategic plan for the BACCO that would build upon existing community priorities, provide meaningful direction for high-impact emissions reductions and their co-benefits, and identify further funding avenues to ensure the BACCO's long-term sustainability.

Through consultation and engagement with existing partners, local experts, and a wide range of government, business, and non-profit stakeholders the BACCO identified four priority areas to focus their efforts between 2019-22:

- Supporting the adoption of progressive climate change policies in Hamilton and Burlington
- Accelerating the number of deep energy retrofits for homes and businesses
- Advancing transportation strategies to reduce greenhouse gas emissions
- Develop low carbon supply chain solutions to encourage local food security for all

As a result of this strategic planning exercise, the BACCO established implementation teams to advance work in each of the four priority areas. Mohawk College supported the implementation team focused on deep energy retrofits in submitting a grant application to TAF's August 2020 intake round. The grant request, which was approved by the TAF Board in November 2020 will enable BACCO to launch a program to provide technical and administrative support to homeowners who undertake deep energy retrofits.

Ontario Public Health Association – Implementing a Communications Strategy for Health-Focused Climate Messaging

\$103,632 over one year Approved by TAF Board in November 2018

The purpose of this grant was to implement an evidence-based communications strategy to strengthen public awareness of the link between climate change and health. Titled #MakeItBetter, the campaign focused on three themes – Lyme disease, asthma, and heat-related illness – intended to motivate a broader constituency for climate action and increase acceptance of and support for a range of climate policies in Ontario. This work built on a previous TAF grant, through which Ontario Public Health Association (OPHA) developed communications strategy with an advisory committee consisting of 11 health and environmental organizations. OPHA further leveraged TAF's grant to secure more than \$200,000 in funding from two other climate funders.

Through the campaign, the project team developed the #MakeItBetter website, produced a series of e-newsletters, wrote op-ed articles, developed targeted toolkits for healthcare and education professionals, and amassed a significant following on social media. Collectively, these communications materials were directly accessed by thousands of Ontarians and generated nearly 50 media stories which reached millions of people.

In addition to these accomplishments, the project generated valuable lessons to guide future collaborations between the public health and climate sectors. For example, while the project team maintained the support and participation of public health partners on the advisory committee, these partners required considerable lead-time and data-based evidence to provide public endorsements of the campaign. They also found that the willingness and capacity of public health partners to participate in the campaign was highly dependent on external contexts and broader public health priorities, such as the COVID-19 pandemic.

Regional Municipality of Durham – Durham Deep Retrofit Program

\$68,030 over six months Approved by TAF Board in February 2020

The Regional Municipality of Durham used this concept development grant to design a residential home retrofit program for Durham Region, and to create a multi-year implementation plan for the program based on market analysis and input from target

audiences and key stakeholders. This program supports the region's long-term objective of retrofitting all existing residential buildings in Durham by 2050.

The TAF grant enabled Durham Region to commission a report, completed by Dunsky Energy Consulting, which summarized background research, provided an opportunities assessment, and tested potential solutions to finance and deliver the program. The study recommends that Durham Region's residential retrofit program incorporate a strong marketing and awareness campaign, coordinate with existing policies and programs, and offer an energy coaching service for homeowners.

In summer 2020, a summary of the program design report was presented to local area municipal councils, industry stakeholders, the Durham Region Roundtable on Climate Change and Durham Region Finance and Administration Committee. On June 24, the program design was presented to and unanimously endorsed by Durham Region Council. The project team used the results of the TAF grant to apply for implementation funds from the Federation of Canadian Municipalities. As of January 2021, they are waiting for a funding decision.

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