Submitted by Laura McGrath on September 18, 2023

shift ACTION FOR PENSION WEALTH AND PLANET HEALTH

September 18, 2023

To: iec@toronto.ca

Subject: Comments for 2023.IE6.1 on September 20, 2023 Infrastructure and Environment Committee

These comments are submitted by Laura McGrath, Pension Engagement Manager, on behalf of *Shift: Action for Pension Wealth and Planet Health (Shift),* a sustainable finance NGO that provides tools and resources for pension beneficiaries who want to engage with their pension managers on the climate crisis. Shift is a charitable project on MakeWay's shared platform. MakeWay is a national charity that builds partnerships and solutions to help nature and communities thrive together.

Shift has analyzed the approaches that 11 of Canada's largest pension funds are taking on significant and growing climate-related financial risks, including in our flagship *Canadian Pension Report Card*, released in January 2023.

Shift's analysis of OMERS' climate action plan is available on our website at: https://www.shiftaction.ca/news/omers-climate-action-plan-sept-2023

Based on Shift's analysis, we recommend that the Committee ask OMERS the following clarifying questions regarding the fund's alignment with a 1.5°C pathway and fulfillment of fiduciary duty to plan members.

Questions:

Task Force for Climate-Related Financial Disclosures (TCFD)

Background:
TCFD reporting provides stakeholders with an understanding of how an organization is responding to climate-related financial risk. The TCFD categories are governance, strategy, risk management, and metrics and targets. Based on OMERS' TCFD reporting, the Committee should consider asking the following clarifying questions:

Questions:

1. Given the physical risks presented by climate change, such as flooding and sea level rise, how is OMERS assessing physical risks to its coastal investments such as Associated British Ports, Hudson Yards, and London City Airport?

2. Given the transition risks presented by climate change, how is OMERS assessing transition risks for its fossil fuel assets such as BridgeTex (American crude oil pipeline), Net4Gas (Czech gas distribution network), and Exolum (Spanish oil pipeline and storage operator) as demand for oil and gas decline as predicted?

3. What losses or gains would the current OMERS portfolio incur in a world that *succeeds* in achieving the goal of limiting global heating to 1.5°C?
    a. How is the portfolio being adjusted to be profitable in a world that succeeds in limiting global heating?

4. What losses or gains would the current OMERS portfolio occur in a world that *fails* in achieving the goal of limiting global heating to 1.5°C, or at least limiting global heating to 2°C?
    a. How will OMERS fulfill its mandate to plan members if countries fail to prevent dangerous levels of global heating?

<u>Respect for Indigenous Rights</u>

Background:
Resource extraction and land-use projects, funded by investors including pension funds, can negatively impact Indigenous peoples' lands and waters. The Truth and Reconciliation's Call to Action #92 states "We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources."

Questions:
1. Does OMERS have a policy requiring that companies in which it invests must respect the Free, Prior and Informed Consent of Indigenous Peoples, in line with UNDRIP?

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Phase-out of Fossil Fuels

Background:
The International Energy Agency[1] and United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities[2] say that no investment in new fossil fuel supply is required to achieve the goal of limiting global heating to 1.5°C. Recent analysis from the International Institute for Sustainable Development[3] shows that Intergovernmental Panel on Climate Change (IPCC) 1.5°C pathways are also consistent with no new oil and gas field development.

In December 2021, Council passed its TransformTO climate plan,[4] including a request that OMERS consider the City's Net Zero strategy in its investment decisions, including a plan to phase out investments in coal, oil, gas and pipelines, and consider alternatives to new fossil fuel investments.

Other Canadian pension managers have begun to prohibit such investments (examples below). To date, OMERS has not gone as far, with only an exclusion on companies with more than 25% of revenue generated from thermal coal.

Examples from other pension managers include:

- the Caisse de dépôt et placement du Québec, which manages the Quebec Pension Plan, phased out all of its investments in oil production, oil refining and coal mining by the end of 2022 and committed to make no new investments in oil pipelines;[5]
- the Investment Management Corporation of Ontario, which manages Ontario's Public Service Pension Plan, has placed "climate guardrails"

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[1] International Energy Agency. (2021, October). *Net Zero by 2050 - A Roadmap for the Global Energy Sector*. https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[2] UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022, November). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions*. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[3] International Institute for Sustainable Development. (2023, July). *Financing a 1.5˚C-Aligned Transition*. https://www.iisd.org/publications/brief/financing-1.5-aligned-transition

[4] City of Toronto. (2021, December 15). *IE26.16 - TransformTO - Critical Steps for Net Zero by 2040*. https://secure.toronto.ca/council/agenda-item.do?item=2021.IE26.16

[5] https://www.cdpq.com/sites/default/files/medias/pdf/en/climate_strategy.pdf and https://www.cdpq.com/sites/default/files/medias/pdf/en/2022_cdpq_sustainable_investing_report.pdf

on investments in "unabated fossil fuel assets", thermal coal mining and arctic drilling;[6]
  - the Healthcare of Ontario Pension Plan has committed to end new direct private investment in thermal coal and oil by 2025;[7]
  - Ontario's University Pension Plan has a more stringent coal exclusion policy than OMERS, prohibiting investments in companies that generate more than 15% of their power or derive more than 15% of their revenue from coal and companies that derive more than 15% of their revenue from mining thermal coal or own thermal coal reserves greater than 100 million tons.[8]

Questions:
1. TransformTO included a request, brought forward from this Committee, that OMERS plan to phase out fossil fuels and consider alternatives to new fossil fuel investments. OMERS' climate plan includes examples of progress on alternative new investments. What progress has OMERS made on phasing out fossil fuel investments?
2. By when will OMERS formally exclude new investment in fossil fuels, in line with 1.5°C pathways?
3. By when will OMERS phase out its existing fossil fuel assets? How will OMERS ensure that these assets do not become "stranded" as the world transitions to net-zero?
4. Why does OMERS treat coal differently than oil and gas, when the climate science is clear that all fossil fuels must be rapidly phased out to limit global heating to 1.5°C?

<u>Alignment with UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities</u>

Background:
The report *Integrity Matters*, from the UN High Level Expert Group, put forward expert recommendations to ensure the integrity of net-zero commitments and avoid greenwashing. The report states that: "non-state actors cannot claim to be

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[6] https://www.imcoinvest.com/pdf/climate-action/imco-climate-action-plan-2022.pdf

[7] https://hoopp.com/docs/default-source/investments-library/general/hoopp-climate-strategy-2022.pdf

[8] https://myupp.ca/wp-content/uploads/2022/07/investment-exclusion-list-general-parameters-only.pdf.

net zero while continuing to build or invest in new fossil fuel supply… Non-state actors cannot focus on reducing the intensity of their emissions rather than their absolute emissions or tackling only a part of their emissions rather than their full value chain (scopes 1, 2 and 3).”

Questions:

1. Has OMERS set any targets to reduce the portfolio’s absolute emissions, not just emissions intensity?
2. By when will OMERS include portfolio companies’ material scope 3 emissions data in its disclosure and targets?
   (“Scope 3 emissions” refers to emissions up and down the value chain. For fossil fuel companies, scope 3 emissions include the emissions when the fossil fuels are burned, e.g. in an internal combustion engine vehicle).