REPORT FOR INFORMATION

Chief Executive Officer's Report

Date: January 29, 2024
To: Board of Directors of the Toronto Atmospheric Fund
From: Chief Executive Officer

GOVERNANCE MATTERS

Board Evaluation

A Board evaluation process will be undertaken in 2024; this is a governance best practice with the objective of continuous improvement of how TAF's Board functions and performs its duties. The approach will be anchored by a short survey of Board members to solicit feedback and suggestions on the Board agenda, quality and sufficiency of the materials and deliberations, and a range of matters. Results and recommendations will be brough to the Board at the fall meeting.

Risk Register

The following highlights the most notable risks for this period and our responses based on senior management's quarterly analysis. There is no material non-compliance in respect of The Atmospheric Fund's (TAF) legislative, regulatory or contractual obligations of which I am aware.

- Reputational: TAF's work to develop tailored financing for vehicle for hire drivers to purchase EVs raised some concerns and a media article, and TAF is responding to a related FOI request. Recognizing that TAF will work with the wide range of stakeholders who need to be involved in climate solutions, staff will be more attuned to the implications of such engagements and how they might be perceived, and more deliberate framing conditions and communications.
- Financial: A delay in meeting closing conditions and therefore in advancing TAF funds resulted in under-performance compared to the expectations when the investment was approved, however this is expected to rectify over time. Expertise and support from TAF and co-investors has and will continue to help the company meet expectations.
- Financial: Significant improvements in reporting and follow up have, so far, rectified previously-reported challenges in receiving timely payments for work undertaken on two major projects, and continued attention will be given to this important element of cashflow management as a third, even larger contribution agreement is signed.

Strategic Planning

Development of new strategic directions to guide the programming is underway which will guide the investment, programmatic and organizational action required to achieve our 2030 climate and other objectives. Internal workshops and external consultations with over 50 stakeholders identified a series of themes for further exploration. The Senior Management Team has focused on several topics related to TAF's niche and approach including integrating equity and climate objectives, assuming and managing risk, delivering programs, and managing and mobilizing capital in support of priority climate solutions. These and other themes will be the focus of a consultation with Board members and other key stakeholders to be held February 28. Feedback will be integrated and updated strategic directions will be brought to the April meeting for the Board's consideration and approval.

TO/TAF Governance

A TAF Procurement Policy is on the agenda for Board approval (item TA 5.4). A Debt Policy will be brought to the April 26 meeting for Board consideration and approval, and then to Council. Both stem from updates to the TAF/City Relationship Framework approved by the TAF Board and City Council in July 2022.

ON/TAF/TO Transfer Payment Agreement (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)

Discussions with the Federation of Canadian Municipalities (FCM) have resulted in agreement to update the Contribution Agreements of the LC3 centres. The most significant issue relates to fund leveraging requirements; however this is only relevant for the other LC3 and does not affect TAF as we were considered to have met these requirements from the outset via the Toronto and Ontario endowments. Other changes to the TAF/Toronto/FCM tripartite agreement are likely to be minor, not have adverse effect on TAF or the City, and provide benefit. For example, TAF's reporting requirements are likely to be streamlined in a way that fulfills the Government of Canada's expectations while improving administrative efficiency. TAF has kept the City apprised of the negotiations and will bring any proposed changes to both City and the TAF Board for final review and approval.

STAFF AND OPERATIONAL MATTERS

Three Coordinators joined the TAF team in November 2023. Beth Austerberry supports project management for the Retrofit Accelerator team which will be key as we scale the number of buildings being supported. Sandra Dosen will support content production, lead generation, and digital engagement on the Campaigns and Communications team. And Laura McCloskey supports the Climate Policy team on matters related to retrofits and electricity systems, and engagement with the Province of Ontario and its agencies.

In December we bid farewell to two fantastic interns after their six-month tenures. The Impact Investing team benefitted from Caelin Palmer's contributions including making progress with several outstanding investment files, guiding one to maturity; helping update our framework for measuring the impact and co-benefits of our Direct Investments; and improving the functionality of Salesforce for managing our investment pipeline. Mirha Syed contributed to the Campaigns and Communications team by doing stakeholder outreach and project coordination for the Dan Leckie Forum, and streamlining campaign processes including integration of our CRM, CMS, and email platforms.

We will be expanding our internship program in 2024 with the aim of adding capacity for short term project-based work and providing opportunities and experience for people pursuing careers in sustainability. Funding opportunities are being explored to support interns for the Impact Investing, Campaigns and Communications, and Research and Innovation teams this summer.

STRATEGIC PROGRAMS

Accelerating Retrofits (including TAF's Retrofit Accelerator)

The first Retrofit Accelerator collaboration with Efficiency Capital is underway, with both organizations working together to support two "missing middle" projects: the conversion and decarbonization of two large single-family homes in Hamilton to multi-family buildings with 10 homes. While smaller than typical Retrofit Accelerator projects, this type of retrofit is critical to meeting housing needs and our involvement will ensure the new homes are low-carbon and fossil-fuel free, and serve a case studies for these types of conversions.

The Validation Phase of our first full Integrated Project Delivery (IPD) retrofit at Toronto Community Housing's Sparroway Complex has been completed, and once the final validation report is approved, work will begin on detailed design and procurement before construction kicks off in the spring. TCHC are seeing the value of IPD approach which, compared to traditional approaches can help compress timelines and costs and lead to better retrofit outcomes, and are actively considering it for another deep retrofit.

In addition to specific deep retrofit projects, Retrofit Accelerator is supporting portfolio-level initiatives with the two largest social housing providers in the GTHA. Development of a Net Zero Strategy for Toronto Community Housing will be completed later in the year, and a low-carbon development strategy for CityHousing Hamilton was kicked off in December. The focus is on reducing emissions and increasing the availability of quality affordable housing through these two initiatives.

Electrification of Transportation

TAF's [EV Station Fund] continues to support the rollout of electric vehicle (EV) charging infrastructure across the Greater Toronto and Hamilton Area (GTHA) by providing rebates for up to 50% of project installation costs. Both the initial $2M funding tranche and second $3M tranche received from Natural Resources Canada have been fully allocated and will result in the installation of over 900 chargers by fall 2024.

Analysis sponsored by TAF, the other Low Carbon Cities Canada centres, Green Municipal Fund and Dunsky Energy + Climate Advisors explored the optimal approach(es) to futureproofing multi-family buildings for EV charging from a technical, financial and legal perspective. Actions that governments, utilities and financial institutions can take to support comprehensive EV-ready retrofits in apartments and condos have been identified and TAF's EV team will engage with our colleagues and the stakeholders and decision-makers to advance these in 2024.

Electricity Systems

TAF secured seed funding from a foundation to support the design of a proposed distributed solar and storage program. A Request for Proposals for program design services was issued in December, and a consultant will be selected in February to support this work. TAF also submitted an expression of interest to a federal funding program to support program implementation – if the EOI is accepted a full proposal will be submitted in the spring for 3+ years of program funding beginning in 2025.

For several years TAF has been advocating for large-scale, ongoing procurements of renewable energy to meet Ontario's energy needs and in December the Province announced its intent to procure 5000 MW of renewables over the next five years, beginning with 2000 MW in its next RFP. TAF applauds this important step and provided detailed recommendations on the procurement approach in response to an IESO consultation including engagement with municipalities to ensure that the requirements and timelines for municipal endorsement of proposals were clear, reasonable and achievable.

Climate Policy

The federal government passed a zero emissions vehicle mandate – now called the Electric Vehicle Availability Standard – in December. TAF has advocated for and advised on the details of this regulation over several years. TAF also conducted original research showing that the regulation will result in over $90 billion in health benefits for Canadians over the next 25 years, including up to 11,000 avoided premature deaths. TAF was invited by the Minister's office (ECCC) to attend the media announcement of the regulation, and collaborated with a number of health organizations on our own media release highlighting the dramatic health benefits. Based on mutual interests, this group will work together to ensure both climate and health benefits are included in regulation of Medium and Heavy-Duty Vehicles (MHDV) being proposed.

TAF engaged with a range of stakeholders in the context of the proposed expansion of the Halton Hills gas plant, providing information and perspectives regarding the financial, social and environmental impacts and opportunities of various options. Halton Hills Council did not support the expansion; two other GTHA expansion proposals - Brampton and Toronto - have also been rejected by the municipalities.

Recommendations for funding of key policy initiatives relating to energy conservation, demand management, and EV adoption were developed and presented during Ontario's pre-Budget consultations to the Standing Committee on Finance and Economic Affairs.

Research & Innovation

The team published the 2022 GHA Carbon Emissions Inventory with an expanded list of emission insights and trends for each region, updated graphics, a new policy tracker, and 56 (downloadable) data tables giving users greater granularity of emission impacts for each sector and region. Key findings were presented via an online webinar (75 participants from municipalities, utilities, industry and academia), briefings to NGOs, and several local media channels. This edition of the inventory hit a record for online engagement with the summary and recommendations pages receiving over 1400 visits during the launch period.

TAF attended the 103rd Transportation Research Board Annual Meeting in Washington DC, including sessions on the health co-benefits of EVs, behaviour approaches to reducing transportation emissions, decarbonizing aviation and airports, and the future of autonomous EVs.

TAF's 2023 Annual Report (see Item TA 5.2) was completed, drawing on input from the entire team. The methodology and reporting processes for our performance indicators and the approach to quantifying the equity/co-benefits of grants quantification has been updated. Commentary on the proposed updates to the 2025 National Model Code and National Energy Code of Canada for Buildings were developed and submitted. And briefing notes on RNG and hydrogen, from the perspective of urban climate solutions, have been developed to support internal decision-making.

Communications & Campaigns

TAF provided an urban climate perspective on Halton Hills' rejection of a new gas plant expansion, issued a statement in support of the new federal EV Availability Standard, and various TAF experts were featured in the media including a CBC feature on EV charging, a Globe and Mail interview on municipal engagement on energy projects, and a Pointer interview about renewable energy development in Ontario. The annual carbon emissions inventory received media coverage on CBC Metro Morning, the Toronto Star, Global News, the Hamilton Spectator, and various others.

Impact Investing

The Fixed Income Subcommittee of the Investment Committee (IC) completed their assessment of prospective providers, wrapping up with in-person interviews in December and presenting a recommendation to the IC in January. Agenda Item TA.5.11 provides detail about the review process and a recommendation for hiring two additional Investment Management Firms.

TAF's investment in Assembly was advanced; this GTHA-based company develops highly energy-efficient, medium density residential buildings using prefabricated (akin to 'Lego-style') mass timber construction.

Our investment pipeline includes 44 prospects; team is actively engaged with five and 13 more are being closely watched. We have fully transitioned to Salesforce for managing the investment pipeline and will continue implementing new functionality and approaches to facilitate intake, management and reporting. To support origination, market analysis and other due diligence we've subscribed to the Comparables.ai and Net Zero Insights platforms.

Low Carbon Cities Canada (LC3)
Now that each LC3 centre is fully operational and firmly established in its local community, there is bandwidth to consider how we can work together to maximize the collective power the LC3 network. To this end, a strategic planning exercise will be undertaken in 2024 to further develop our vision and strategy for fostering innovation within the group, aligning our pan-Canadian programming and knowledge mobilization efforts, and refining the LC3 value proposition for prospective allies and supporters.

As co-chair of the LC3 GHG Community of Practice, Maryam Shekarrizfard lead a learning session on the carbon quantification of a high-impact grant case study.

Grants, including summary of completed Grants
The first grants intake of 2024 is currently underway, with proposals due February 16. Grant recommendations will be presented to the Board at the April meeting.

Pembina Institute - Creating a Canadian Medium- and Heavy-Duty Vehicle Electrification Strategy.
$150,000 over 18 months, approved November 2021
The objective of this project was to develop a national strategy for achieving 100 percent zero emissions medium- and heavy-duty vehicle sales (MHDV) by 2040. Building on the commitments outlined in the federal government's 2030 Emissions Reductions Plan, Pembina consulted representatives from the federal government, industry, and public health organizations to identify the priority actions and policy changes required for a successful transition to zero emission MHDVs. The resulting strategy contains policy recommendations to enable Canada to accelerate the shift to clean MHDV transportation through manufacturing and purchasing support for MHDVs, and increasing the charging and refuelling infrastructure at a rate that aligns with federal pledges on emission reductions. The strategy has been shared with both government and non-government stakeholders to ensure alignment on this file. Should the targets recommended in the strategy be met in full and on time, MHDV emissions would decline by as much as 80 per cent by 2050 relative to 2020 levels. With the federal Electric Vehicle Availability Standard for passenger vehicles announced in December, the government is now developing MHDV regulations to require that all MHDV sales be zero emission by 2040. Pembina will continue to advance the recommendations developed through this grant by engaging public health groups, fleet operators, and the federal government.

Ontario Public Health Association (OPHA)- Addressing Heat-Health, Indoor Risk Factors & Building Retrofit Solutions
$212,274 over 24 months, approved July 2023 (Fully rescinded in November 2023)
The project's objective was to support research and engagement activities in support of policies that reduce both energy use and the impact on human health caused by extreme indoor heat in existing buildings. As the grantee transitioned to a volunteer-driven organization, which affected the project team's capacity to deliver the project, the grant has been rescinded.

Town of Whitby - Whitby Green Standard Demonstration Project
$250,000 over 36 months, approved April 2021 (Fully rescinded in November 2023)
The project's objective was to measure the costs and benefits of integrating the three voluntary tiers of the Whitby Green Standard at the design, construction, and occupancy stages, and to share the methodology and results with municipal and industry stakeholders across the GTHA. Since the project site identified currently lacks electricity and water infrastructure, construction of the pilot homes is unlikely to be completed for another five years. By then the progressively stringent Whitby Green Standard is expected be at tier 3, meaning the pilot would conclude too late to provide the desired demonstration impact. The grant was therefore rescinded upon the grantee's request.

CONTACT

Julia Langer, Chief Executive Officer, jlanger@taf.ca

SIGNATURE

Julia Langer
Chief Executive Officer