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INTRODUCTION

As part of their City Series, Energy Dialogues LLC and Canadian academic partner, Mount Royal University's Institute for Environmental Sustainability, held a conversation on March 9, 2021, to discuss the energy outlook for Canada.

PARTICIPANTS

The event focused on discussions about Canadian energy transition, Indigenous inclusion, and ESG. The first panel on "The Current Status of the Energy Industry in Canada" included panelists from Petronas Canada, the Explorers and Producers Association of Canada (EPAC), Canada West Foundation, BluEarth Renewables, and Mount Royal University. Panelists for the session on "Indigenous Peoples Rights, Inclusion, Equity Ownership and Project Involvement" were from the First Nations LNG Alliance, Enbridge, the National Energy Business Centre of Excellence, and the University of Calgary.

Roundtable discussions between panels gave participants a chance to voice their thoughts on the topics of Energy Transition and ESG. Guiding questions were provided to participants during the roundtable discussions and are attached to this report. A select group of participants from government, academia, and private and public companies participated in the conversation.

KEY THEMES:

This report summarizes the key themes and recommendations from the day. The broad themes that emerged centred on Canada becoming a global energy leader, tensions in ESG, and the need for Indigenous inclusion. Pandemic implications were considered and there was a clear emphasis on the requirement that Canada unite on an energy industry strategy and associated narrative.

CANADA'S LEADERSHIP POTENTIAL

The opening panel discussion focused on the energy industry in Canada from diverse perspectives. Opportunities in LNG, natural gas, geothermal, wind and solar were discussed and the good and the bad of recent federal government legislation and ESG advancements were examined. Discussion converged on the opportunities for Canadian energy in the global and local context but also the structural barriers that must be addressed. There was agreement that Canada, and Alberta in particular, take a portfolio approach to energy development. To attract investment, Canada can leverage strong regulation but must also remain globally competitive. The need for authentic leadership throughout the energy ecosystem was identified.

Leadership and Vision

Round table participants highlighted the need for strong leadership and an executable vision for Canada's energy sector that combines environmental performance with economic benefit. The role of Canadian resources in reducing global emissions has not been adequately leveraged. Other countries are more effective at developing bold visions for their role in energy, for example, Saudi Arabia and Australia on hydrogen market dominance.

The term "Brand Canada" was used to describe unification across the country between provinces, and across energy sources within the province of Alberta. Divisiveness has contributed to Canada lagging other global jurisdictions in developing LNG and now hydrogen. Panelists bemoaned historical narratives that have privileged oil over other available energy forms in Alberta and took an either/or vs both/and stance. Entrenched positions look to what has worked in the past without appreciating the dramatic changes that are occurring today.

Recommendations were made for creating a sense of pride, globally, nationally, and locally for the mosaic of energy available in the province. A shared vision for Alberta

and Canada's energy future is required; one that is serious about addressing climate change. We need to highlight the value of Brand Canada in our regulatory, human rights, legislative, and environmental requirements and performance. Once established this vision can be an anchor to drive innovation. A clear vision will enable competition for investment dollars globally.

The Canadian Advantage

Participants clearly defined a need for development of all energy sources and a commitment to reducing carbon emissions while remaining focused on financial returns. Representatives from oil and gas companies identified value in staying committed to the core business while transitioning. This means expanding in ways that leverage existing capabilities, for example, development of geothermal or blue hydrogen. Innovation and demonstration projects in Canada are well-positioned. Hydrogen holds significant promise but there are high associated infrastructure costs. Is the strategy global or local? Who will pay? Ultimately, society may have to pay. This then leads to the discussion of energy poverty and other sustainable development goals. Thoughtfulness is required to ensure historical mistakes made in energy decision making and communication are not repeated.

Speed

The pandemic has required faster decision making. Energy companies have realized their ability to pivot. At the same time, regulatory approval processes slow down the development of infrastructure projects. While we aren't currently moving fast enough there is a balance required in not moving too fast where harmful decisions can ensue. We don't want to be left behind on global energy. Some international investors are losing interest in Canadian investable energy projects because of the time it takes to make things happen. Earlier and better engagement with communities is needed – especially with Indigenous Peoples. Partnership with Indigenous communities is encouraged. There needs to be alignment with Indigenous rights and views on the world.

Collaboration and Stakeholder Consideration

The complex challenges associated with Canada's energy industry require collaboration. Organizations exist with a focus on collaboration and companies are cooperating with competitors as well as government and key stakeholders. Consumers and investors are gaining the attention of companies and the government. Customers

seek affordable, reliable, clean, and accessible energy. There was a suggestion that the public is supportive of energy diversity, but that politics and media may be skewing the message. Investors are more interested in climate change impact and are making their investment or divestment decisions accordingly. The entire energy ecosystem needs to partner.

INDIGENOUS INCLUSION

In the second panel session, speakers reminded the audience that Indigenous Peoples in Canada are not stakeholders but rights and title holders. As such, they need to be included early in project development and throughout the process as well as beyond its end. Successful inclusion requires relationship building with communities even before the permitting process begins. Engagement should be built on trust, mutual respect, and an appreciation for the diversity of Indigenous Peoples across Canada.

Developing cultural competency is key to reconciliation and understanding the history of Indigenous Peoples and their culture. This is best achieved through Indigenous leadership in organizations and the creation of space for Indigenous Peoples to be themselves and to feel safe in the industry.

There is tremendous opportunity in procurement, employment, and partnerships. Equity ownership enables meaningful benefits to flow back to the community and should be inclusive, progressive, and innovative. Environment is a high priority for Indigenous Peoples as they are stewards of the land. Projects must be of highest environmental standards including monitoring. Precedence exists in British Columbia under the Environmental Stewardship Initiative, a collaborative model for stewardship that draws on both scientific approaches and Indigenous traditional knowledge.

In the roundtable on ESG, important links to Indigenous inclusion were tabled. The fossil fuel industry must experience a cultural renaissance to remain relevant in the face of climate change and greater ESG performance expectations by stakeholders – government, investors, consumers, and the public. Indigenous perspectives can play an important role in this cultural shift and in the authentic adoption of ESG. Indigenous practices include land stewardship, storytelling, mentorship and understanding and remembering. A more holistic view of energy systems and community is needed. ESG informed by Indigenous culture can foster better relationships and discovery of common ground. This cultural shift can lead to diversity, inclusion, and associated innovations.

ESG TENSIONS

Environment, social, governance (ESG) reporting has recently become a priority for oil and gas companies in Alberta. This shift is driven largely by the financial sector.¹

Authenticity

The morning panel highlighted the need for authenticity in ESG and sustainability disclosure. That is, reporting should reflect a corporate commitment to ESG and carbon emission reductions. ESG reporting should not just be a “check the box” activity. There may be a decoupling of doing well in ESG disclosure versus doing good and embracing sustainability. Further decoupling between front-line activity and high-level strategy might also exist. On the other hand, there may be value in firms engaging in disclosure even if only to appease investors. There is the potential for migration from measuring and tracking in order to raise capital to being authentically committed to sustainability.

Standardization vs Customization

Currently, there is a lack of standardization in ESG reporting. Mark Carney, Bloomberg, BlackRock and others are advocating for use of the TCFDs (Task Force on Climate-related Financial Disclosures), the UN SDGs (United Nations Sustainable Development Goals), and SASB (Sustainability Accounting Standards Board). Should we be concerned that disclosure is being defined by investors? Some suggest a need for regulation to ensure consistency. Regulation may help companies that are currently struggling with what to report and how and are left feeling overwhelmed. Regulation would set a bare minimum and provide some needed direction. Certainly, some level of standardization would enable better comparisons of performance.

The downside of standardization is the potential loss of customization. A single set of rules may detract from what is important given differences in companies, assets, contexts, and cultures. The S and the G may be particularly difficult to quantify in absolute terms; standardization could increase the risk of ignoring these important aspects to ESG. Customization creates flexibility and leaves room for monitoring and disclosing on items that do not fall into predetermined buckets.

CONCLUSION

The discussion at the Calgary Energy Dialogues clearly focused on the potential for Canada to lead in the energy transition. To do so, strong and authentic leadership is

¹ Dye, Jorden, Murdoch McKinnon, and Connie Van der Byl. "Green Gaps: Firm ESG Disclosure and Financial Institutions' Reporting Requirements." *Journal of Sustainability Research* 3, no. 1 (2021).

needed. An acceptance of both/and when considering energy options and innovations is needed. Canada must create and communicate a clear vision of where we are going and **how** we are getting there in producing energy that is accessible, reliable, AND as clean as possible. ESG may be a mechanism for pushing performance forward, but the disclosure exercise should be tied to a sustainability commitment and culture. Achieving these goals will be enabled through meaningful engagement with Indigenous communities. The future may be bright for Canadian energy, but thoughtfulness and collaboration are necessary.