

February 14, 2022

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

To the attention of:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs
Place de la Cité, tour Cominar 2640, boulevard
Laurier, bureau 400
Québec, Québec G1V 5C1
Fax: 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

Comments on Proposed National Instrument 51-107 - Disclosure of Climate-related Matters (“Proposed NI 51-107”)

Paramount Resources Ltd. (“Paramount”) is an independent, TSX-listed energy company with a proud 40+ year history of responsible energy development in Western Canada. We are pleased to submit this comment letter in response to the CSA’s Notice of Consultation (the “Notice of Consultation”) regarding Proposed NI 51-107.

Paramount recognizes the growing importance of climate-related disclosures to its stakeholders and to Canada’s capital markets. Our commitment to providing this information to the public is reflected in the publication of our annual ESG report, where we voluntarily report our Scope 1 and Scope 2 GHG emissions and discuss climate-related risks, opportunities and initiatives. As a general comment, Paramount believes that Proposed NI 51-107 has the potential to positively impact climate-related disclosure practices in Canada by promoting clear, consistent and comparable disclosure among reporting issuers.

Although Paramount is generally supportive of the objectives of Proposed NI 51-107, we would like to take this opportunity to provide the following specific comments with respect to certain of the matters raised in the Notice of Consultation. In providing our comments below, we have recreated the relevant questions from the Notice of Consultation for ease of reference.

5. *The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.*

- *The Proposed Instrument contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?*

We believe this approach is appropriate. Although many senior issuers, including Paramount, have the resources and data to permit the compilation and disclosure of Scope 1 and Scope 2 GHG emissions and already do so on a voluntary basis, this may not be the case for smaller issuers or issuers in an earlier stage of development. Such issuers should be permitted the flexibility of the proposed “disclose or explain” approach except in circumstances where they have voluntarily provided such disclosures in other publicly available documents or are required to disclose such emissions under other federal or provincial legislation.

- *As an alternative, the CSA is consulting on requiring issuers to disclose Scope 1 GHG emissions. Is this approach appropriate? Should disclosure of Scope 1 GHG emissions only be required where such information is material?*

As stated above, we believe that the reporting of emissions should not be required except in circumstances where the issuer has voluntarily provided such disclosures in other publicly available documents or is required to provide such disclosures under other federal or provincial legislation. In the event that the CSA determines to require the disclosure of Scope 1 GHG emissions, this should be limited to circumstances where such information is material.

- *Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?*

As stated above, we believe that the reporting of emissions should not be required except in circumstances where the issuer has voluntarily provided such disclosures in other publicly available documents or is required to provide such disclosures under other federal or provincial legislation.

We believe that the imposition of mandatory disclosure of Scope 3 GHG emissions at this time would be particularly challenging as the compilation of such emissions is: (i) dependent on the timely and accurate provision of information from third parties, such as service providers, who are beyond the control of the issuer and may not be able or willing to furnish such information, and (ii) subject to broad variations in the underlying assumptions and estimation methodology utilized by each issuer, which could undermine the beneficial impact of Proposed NI 51-107 in promoting comparability of climate-related disclosures.

- *For those issuers who are already required to report GHG emissions under existing federal or provincial legislation, would the requirement in the Proposed Instrument to include GHG emissions in the issuer's AIF or annual MD&A (if an issuer elects to disclose these emissions) present a timing challenge given the respective filing deadlines? If so, what is the best way to address this timing challenge?*

We are required to report annual Scope 1 emissions from stationary sources of combustion under the *Technology Innovation and Emissions Reduction Implementation Act* (Alberta) and the *Technology Innovation and Emission Reduction Regulation* by no later than June 30 of the following year. In addition, we are required under the *Specified Gas Reporting Regulation* (Alberta) to report the annual GHG emissions from facilities emitting more than 10,000 tCO_{2e} per year by no later than June 1 of the following year. In contrast, Paramount's annual information form is generally filed in the first week of March in each year. Accordingly, the inclusion of GHG emissions reporting in Paramount's annual information form would pose a timing challenge that would require us to either delay the filing of our annual financial disclosures, which would not benefit our stakeholders, or accelerate our reporting under the applicable provincial legislation to an extent that is not currently practicable. As a solution, we would suggest that issuers be permitted to disclose their GHG emissions in a stand-alone SEDAR filing with a later deadline. Such a filing, once made, would be deemed to be incorporated by reference in the issuer's annual information form.

6. *The Proposed Instrument contemplates that issuers that provide GHG disclosures would be required to use a GHG emissions reporting standard in measuring their GHG emissions, being the GHG Protocol or a reporting standard comparable with the GHG Protocol (as described in the Proposed Policy). Further, where an issuer uses a reporting standard that is not the GHG Protocol, it would be required to disclose how the reporting standard used is comparable with the GHG Protocol.*
- *As issuers have the option of providing GHG disclosures, should a specific reporting standard, such as the GHG Protocol, be mandated when such disclosures are provided?*
 - *Is the GHG Protocol appropriate for all reporting issuers? Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol?*
 - *Are there other reporting standards that address the disclosure needs of users or the different circumstances of issuers across multiple industries and should they be specifically identified as suitable methodologies?*

Paramount believes that the setting of acceptable reporting standards will promote clear, consistent and comparable climate-related disclosure by issuers provided that such standards are not inconsistent with: (i) the methodology that the issuer is required to utilize in preparing GHG emissions reporting under other federal or provincial legislation or (ii) the methodology that is commonly employed in the issuer's industry. In the first instance, the issuer would be potentially compelled to employ a multiplicity of methodologies in calculating their emissions. In the second instance, the issuer would be potentially compelled to employ a methodology not recognized in the industry in which it operates or familiar to investors in such industry, not consistent with past voluntary disclosures or not consistent with the methodology employed by competitors in jurisdictions outside of Canada. To address the first instance, we would suggest that the proposed instrument allow that any methodology that an issuer is required to utilize in preparing GHG emissions reporting under other federal or provincial legislation is a permitted methodology. To address the second instance, we would suggest that, in conjunction with providing issuers the flexibility to use alternative reporting standards that are comparable with the GHG Protocol,

the CSA consult with issuers to identify specific methodologies commonly employed in Canada's major industries and provide detailed guidance as to which of these methodologies it considers to be comparable to the GHG Protocol or otherwise appropriate. Given the integration of Canada's capital markets and trade networks with those of the United States, we would also suggest the CSA's consideration of acceptable reporting standards reference the SEC's current consideration of climate-related disclosures.

We thank you for allowing us the opportunity to comment on these matters.

Yours truly,

Paramount Resources Ltd.