



Suite 2000 - 885 West Georgia St.
Vancouver, BC V6C 3E8
26th January 2022

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario
M5H 3S8

Dear Secretary,

Africa Oil appreciates the opportunity to comment on Proposed National Instrument 51-107 *Disclosure of Climate Related Matters* and its companion policy.

Africa Oil is a small-cap, oil and gas exploration and production (E&P) company, with assets in Nigeria, Kenya, South Africa, Namibia and Guyana. Though our assets are primarily located in Sub-Saharan Africa, we are registered in British Columbia and listed on the Toronto Stock Exchange, and therefore subject to Canadian securities laws.

Like many other oil and gas companies, Africa Oil has seen increasing investor and other stakeholder interest in understanding our emissions footprint and exposure to climate-related risk. In 2020, Africa Oil acquired a 50% interest in Prime Oil & Gas Coöperatief U.A., which transformed the company into a full-cycle E&P company through the addition of production assets. The acquisition also significantly increased our direct emissions footprint, which was previously minimal. Commensurate to this increased exposure, Africa Oil has updated our ESG policies, governance and management systems, and committed to increasing our ESG disclosures, including voluntarily aligning our reporting with the Task Force on Climate Related Financial Disclosures (TCFD) guidelines.

In March 2021, we released our inaugural ESG Review, which included a TCFD section. Given the early stage of our energy transition journey, limited ESG data availability and relative inexperience with the framework, we were not able to provide comprehensive responses to all recommended disclosures. We found the disclosures related to the Strategy and Metrics and Targets pillars especially challenging, particularly quantification of risks, opportunities and resilience, and calculation of greenhouse gas (GHG) related performance metrics.

This year, we are expanding our TCFD disclosures to more fully align with the guidelines, including conducting scenario analysis to quantify the resilience of our portfolio under two different low carbon pathways. As a non-operator, we rely on our project partners to provide emissions and energy data for our assets; availability and consistency of this data impacts our ability to disclose Scope 1 and 2

Africa Oil Corp.
Suite 2000
885 West Georgia Street
Vancouver, BC V6C 3E8
africaoilcorp.com



emissions metrics, let alone Scope 3. Additionally, some longer-term risks and opportunities are currently difficult to define and therefore quantitatively assess their impact on our finances and strategy.

Despite these challenges, we see value in the TCFD framework to help both internal and external stakeholders assess the resilience of the business under a low-carbon future and inform strategic investment decisions. We welcome initiatives to standardise disclosures, particularly with regards to operational and financial metrics and targets, in order to remove ambiguity for issuers and facilitate comparison of corporate performance and exposure within and across sectors. Regulatory disclosure requirements can facilitate standardisation efforts by specifying how data and assessments should be calculated or performed and presented. At the same time, requirements need to take into consideration the complexity of assessing long-term climate change-related risks and opportunities, many of which are interdependent and highly uncertain; variation in corporate resources and capabilities to perform this assessment, even amongst non-venture issuers; and the fragmented nature of the regulatory environment, including multiple frameworks and methodologies for emissions calculation.

Many of the questions presented for comment in the Notice on the Proposed National Instrument touch on these aspects. In addition to our experience complying with TCFD recommendations, described above, we provide our perspectives on some of these questions below:

- **Emissions scopes and disclosure requirements (Questions 5 and 14):** The TCFD updated its implementation guidelines in October 2021 to recommend disclosure of Scope 1 and 2 emissions regardless of materiality, and Scope 3 “if appropriate”. The differentiated treatment of Scope 3 reflects the complexity associated with calculating emissions for the 15 categories comprising Scope 3, as well as concerns over multiplicative accounting across value chains. On this basis, we would advise against requiring disclosure of Scope 3 emissions. Scope 2 emissions, on the other hand, may be the primary source of emissions for many organisations—particularly service-based organisations—and therefore would benefit from mandatory disclosure. Scope 2 emissions are also relatively easy to estimate, though they introduce concerns around duplicate counting between electricity consumers and producers. The TCFD guidelines also urge organisations to provide related, industry-specific GHG efficiency ratios. For the oil and gas industry, metrics per barrel of oil equivalent or per Megajoule of energy produced aid comparison of companies of differing sizes. Revenue-based GHG efficiency ratios can likewise be helpful in comparing performance across industries. The CSA may therefore wish to consider requiring an efficiency-based metric in addition to absolute GHG emissions. Finally, the GHG Protocol provides flexibility for organisations to determine the boundary for their emissions inventory according to two primary approaches: equity share and operational or financial control. Choice of boundary can significantly influence the emissions inventory and affect comparability across companies with differing approaches. We would therefore recommend the CSA specify the approach to be used, with a preference to match the basis of financial



disclosures as closely as possible. In most cases, this would suggest companies use the equity share method.

- **GHG emissions reporting standards (Questions 2 and 6):** Africa Oil's portfolio consists of minority interests in a number of oil and gas exploration and production licenses. Many of these we hold indirectly via equity stakes in other companies. We therefore depend on our joint venture and associate companies and the asset operators to provide data on GHG emissions. Two of our operating partners do calculate Scope 1 and 2 emissions in accordance with the GHG Protocol. The other partner references an industry-specific compilation of emissions estimation methodologies. The GHG Protocol is one of the methodologies represented in the compilation; however, without access to the detailed calculations, we could not say how the methodology used compares with the GHG Protocol. Many companies within the oil and gas industry hold non-operated stakes in assets and would similarly struggle to disclose the basis of the emissions estimates for non-operated assets and how these compare to the GHG Protocol. Requiring use of the GHG Protocol would also add burden for issuers that are required to calculate emissions under regulatory reporting frameworks based on alternative methodologies. Therefore, while requiring use of the GHG Protocol would assist with comparability across issuers, we would recommend expanding the guidance to accept any internationally recognised or regulated GHG reporting standard, without the requirement to explain how this differs from the GHG Protocol, in order to reduce compliance costs and burden on Canadian issuers.
- **Scenario analysis (Questions 3 and 4):** We conducted scenario analysis for the first time this year, for our 2021 ESG Review. Scenario analysis is hugely beneficial in understanding the resilience of the portfolio to a low carbon future in order to make informed decisions about how the strategy needs to adapt. However, data availability makes robust, quantitative scenario analysis challenging. The oil and gas sector has the benefit of directly applicable, publicly available scenarios from the IEA and other organisations to guide the analysis. Still, these cover only macro-level transition risks. Tools and data for integrating physical risks and localised transition risks, as well as granular data to assess how our assets are positioned relative to other oil and gas assets, are still lacking—even from paid providers—though data offerings are rapidly expanding and improving. Many companies—including ourselves—may find it necessary to secure external support to conduct scenario analysis, especially quantitative analysis, given the complexity of the exercise. Not all companies may have budget for this type of support. However, scenario analysis is not unique amongst the TCFD recommendations with respect to challenges of cost, complexity, and standardisation. As reporting standards evolve and experience grows, we would expect greater standardisation to emerge, along with a more comprehensive suite of data and analytical tools to aid the process. Regulation, in fact, could contribute to greater standardisation by proscribing or suggesting more detailed methodologies. In the meantime, the guidelines are currently broad enough that most companies should be able to comply at some level, even if only providing a qualitative assessment of exposure under each scenario. Therefore, we see no reason why scenario analysis should be excluded if the intention is to align with TCFD guidelines, provided issuers are granted the option to explain why they have not conducted scenario analysis or disclosed its results.



- **Implementation timeline:** Based on our own experience with TCFD compliance, one year may not be sufficient for even non-venture operators to collate and calculate the data required and perform the necessary risk and opportunity assessments—particularly if they have not previously provided disclosures under the guidelines. Some elements of the disclosures may prove challenging even for companies seasoned in using the guidelines. Few companies fully comply with the guidelines in their most comprehensive form. The TCFD built flexibility into the framework in recognition of evolving methodologies, data availability and corporate capability, and an expectation that alignment with the guidelines would be an iterative process. Any mandatory reporting standard may need to adopt an element of flexibility, as well, and allow adequate time for full adoption.
- **Location of disclosure (Question 8):** The Proposed Instrument differentiates between governance-related disclosures and the other three categories of disclosures. Specifically, the proposal suggests that Governance disclosures be included in the first instance in an issuer’s management information circular, and disclosures related to Strategy, Risk Management and Metrics and Targets in the AIF. Choosing a common location for all four categories or disclosure would ensure the data could be easily identified and facilitate comparison across companies. For the same reason, we would recommend against allowing issuers to incorporate GHG disclosure by reference to another document. While simplifying disclosure for issuers, allowing reference to another document makes it more challenging for consumers of the disclosure to get a comprehensive view of climate risk exposure.

In summary, Africa Oil supports the move toward mandatory disclosure of climate-related risks in alignment with the TCFD, provided these requirements allow sufficient time for compliance and balance the need for comparability with practical considerations around feasibility. Recognising climate-related risk assessment methodologies and disclosure standards are rapidly evolving, the Proposed Instrument should be designed with some level of future proofing to ensure it remains robust as standards mature (for instance, by requiring scenario analysis), but allow sufficient flexibility to ensure that companies can meet it based on the resources available when it comes into effect.

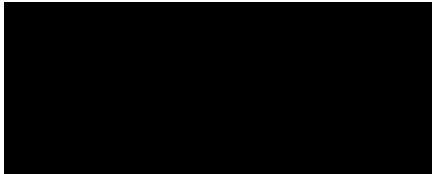
Specifically, we would recommend:

- Requiring disclosure of Scope 1 and 2 emissions, with Scope 3 optional. Specify the operational boundary to be used for emissions disclosures, with the equity share method providing the most comprehensive and comparable basis for reporting across companies with different ownership structures. Consider also requiring disclosure of GHG efficiency ratios, whether revenue-based and / or industry-specific, to allow for comparison across companies of different sectors and sizes.
- Expanding the guidance to accept any internationally recognised or regulated GHG reporting standard, without the requirement to explain how this differs from the GHG Protocol, in order to reduce compliance costs and burden on Canadian issuers that operate in multiple jurisdictions and / or hold non-operated assets where they are reliant on partners for emissions data.



- Requiring scenario analysis but allowing flexibility in how issuers meet the requirement at least in the medium term until more standardised methodologies and data sets are available, including allowing companies not to provide the disclosure and explain why they have not.
- Increasing the compliance timeline for non-venture issuers to at least two years after the Proposed Instrument comes into effect.
- Require all four pillars of disclosure (Governance, Strategy, Risk Management and Metrics and Targets) in one document, with preference for the MD&A, since not all companies may issue either a management information circular or Annual Information Form.

Regards,



Amy Bowe
Vice President of ESG
Africa Oil Corp.