Canacol Energy Ltd.
2650, 585 8th Avenue South West
Calgary, Alberta, Canada, T2P 1G1

For The Attention Of:
The Secretary, Ontario Securities Commission
20 Queen Street West 22nd Floor , Box 55
Toronto, Ontario, M5H 3S8
comment@osc.gov.on.ca

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

To Whom It May Concern:

Please find below a response prepared on behalf of Canacol Energy Ltd. ("Canacol" or "The Corporation") to CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters. Canacol's responses are provided in blue italic font within the CSA's questions.

Please don't hesitate to get in touch if you would like to clarify any of our responses.

Regards,

Jamie Somerville
Director, Corporate Development
[redacted]

Experience with TCFD Recommendations:

1. For reporting issuers that have provided climate-related disclosures voluntarily in accordance with the TCFD recommendations, what has been the experience generally in providing those disclosures?

Canacol's 2020 ESG reporting was aligned with the TCFD recommendations. However, we're still working on the definition of a decarbonization strategy. Additionally, Canacol completed the CPD Climate questionnaire for the first time in 2021, receiving a B- score.

We have found it useful to develop a climate strategy in accordance with the TCFD recommendations.

Disclosure of GHG Emissions and Scenario Analysis:

2. For reporting issuers, do you currently disclose GHG emissions on a voluntary basis? If so, are the GHG emissions calculated in accordance with the GHG Protocol?

Our GHG emissions inventory is prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard from the World Resources Institute (WRI) and we have been covering 100% of Canacol's direct activity since 2019.

3. For reporting issuers, do you currently conduct climate scenario analysis (regardless of whether the analysis is disclosed)? If so, what are the benefits and challenges with preparing and/or disclosing the analysis?

No, we do not conduct climate scenario analysis. However, we expect to do so by the end of the 2022.

4. Under the Proposed Instrument, scenario analysis would not be required. Is this approach appropriate? Should the Proposed Instrument require this disclosure? Should issuers have the option to not provide this disclosure and explain why they have not done so?

We acknowledge climate scenarios should be included in the development and implementation of a climate strategy. We expect that doing so will allow us to quantify risks and help in decision making. However, in the short term we don't think it makes sense to make this a mandatory disclosure item.

Disclosure of GHG emissions and Scenario Analysis continued:

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?

Yes

- 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?

Direct emissions are the most relevant aspect and are in control of the company, but scope 2 emissions should typically be quantified and reported in accordance with GHG protocols, notwithstanding the option to explain why disclosure is not provided.

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

Scope 2 yes, scope 3 no.

- 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?

Yes. Regulations should not require timelines as strict as those for annual financial disclosures, at least not yet.

Disclosure of GHG Emissions and Scenario Analysis Continued:

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?
  Yes

  Is the GHG Protocol appropriate for all reporting issuers?
  Yes

- Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol?
  No

- 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?

There are other reporting standards but in our view the chosen Protocol is suitable and there should be no reason to require additional disclosures or allow alternative standards to be used.

7. The Proposed Instrument does not require the GHG emissions to be audited. Should there be a requirement for some form of assurance on GHG emissions reporting?

It would probably be a good idea to require audits, but the cost burden might be significant for smaller companies and thereby reduce the attraction of a public listing in Canada.

8. The Proposed Instrument permits an issuer to incorporate GHG disclosure by reference to another document. Is this appropriate? Should this be expanded to include other disclosure requirements of the Proposed Instrument

Not necessary.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument:

9. What climate-related information is most important for investors' investment and voting decisions? How is this information incorporated into these decisions? Is there additional information that investors require?

Based on our conversations with investors we believe they care about quantitative measures of direct (scope 1) GHG emissions in particular, and to a slightly lesser extent indirect (scope 2 and 3) GHG emissions, as well as GHG emissions offsets. They also care about targets to reduce emissions, both in the short and the long term.

10. What are the anticipated benefits associated with providing the disclosures contemplated by the Proposed Instrument? How would the Proposed Instrument enhance the current level of climate-related disclosures provided by reporting issuers in Canada?

We're hopeful it would put all Canadian issuers on a level playing field, and that it would reduce demands on our business to supply ESG to a myriad of different ESG data gatherers (thereby reducing our costs of ESG reporting slightly).

Costs and challenges of disclosures contemplated by the Proposed Instrument:

11. What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?

Because we are quite focused on measuring and documenting what we believe is are relatively strong ESG metrics, Canacol has already made significant investments in ESG. Canacol has hired a Director of ESG and established a decarbonization management committee to overcome challenges of defining a climate strategy such as misalignment between operational and support areas regarding climate risk and opportunities.

Canacol's ESG 2022 budget also includes an external consultant to help us expand a risk and opportunities climate strategy.

As a result, the incremental cost of providing the disclosures could be relatively small for Canacol, although we are concerned about the indicated timelines for reporting annual ESG information in the short term.

12. Do the costs and challenges vary among the four core TCFD recommendations related to governance, strategy, risk management, and metrics and targets? For example, are some of the disclosures more (or less) challenging to prepare?

Yes, especially the risk management and strategy recommendations are burdensome. They are also open to interpretation and therefore unlikely to add significant value for investors, compared to the value of reporting consistently defined and measured data for other parts of the required disclosures.

13. The costs of obtaining and presenting new disclosures may be proportionally greater for venture issuers that may have scarce resources. Would more accommodations for venture issuers be needed? If so, what accommodations would address these concerns while still balancing the reasonable information needs of investors? Alternatively, should venture issuers be exempted from some or all of the requirements of the Proposed Instrument

Companies with low or no sales revenue should possibly be excluded.

Guidance on disclosure requirements:

14. We have provided guidance in the Proposed Policy on the disclosure required by the Proposed Instrument. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Proposed Policy should refer to?

No comment.

15. Does the guidance set out in the Proposed Policy sufficiently explain the interaction of the risk disclosure requirement in the Proposed Instrument with the existing risk disclosure requirements in NI 51-102?

No. It's not clear why any additional risk disclosure is required given that NI 51-102 already requires a full disclosure of risks. There are no climate related risks that wouldn't already be covered under NI 51-102.

Prospectus Disclosure:

16. Form 41-101F1 Information *Required in a Prospectus* does not contain the climate-related disclosure requirements contemplated by the Proposed Instrument. Should an issuer be required to include the disclosure required by the Proposed Instrument in a long form prospectus? If so, at what point during the phased-in implementation of the

Proposed Instrument should these disclosure requirements apply in the context of a long form prospectus?
Probably yes, but with exemptions for companies of a certain size or stage of operations, as per answer 13 above.

Phased-in implementation:

17. The Proposed Instrument contemplates a phased-in transition of the disclosure requirements, with non-venture issuers subject to a one-year transition phase and venture issuers subject to a three-year transition phase. Assuming the Proposed Instrument comes into force December 31, 2022, and the issuer has a December 31 year-end, these disclosures would be included in annual filings due in 2024 and 2026 for non-venture issuers and venture issuers, respectively.

- Would the transition provisions in the Proposed Instrument provide reporting issuers with sufficient time to review the Proposed Instrument and prepare and file the required disclosures?

Yes, assuming that annual disclosure timeline requirements are reasonable, which as implied in our answer to question 5 above, should be significantly longer than for financial disclosures, particularly during a phase-in period for new regulations, whether due to the regulations being new, or companies being newly required to adhere to the regulations.

- Does the phased-in implementation based on non-venture or venture status address the concerns, if any, regarding the challenges and costs associated with providing the disclosures contemplated by the Proposed Instrument, particularly for venture issuers? If not, how could these concerns be addressed?

See previous answers about exempting small companies.

Future ESG considerations:

18. In its comment letter to the IFRS Foundation's consultation paper published in September 2020, the CSA stated that developing a global set of sustainability reporting standards for climate-related information is an appropriate starting point, with broader environmental factors and other sustainability topics to be considered in the future. What broader sustainability or ESG topics should be prioritized for the future?

We're not sure any should be added, but if any were to be added we would want to see the the following:

- *Human Rights*
- *Health and Safety*
- *Diversity and Inclusion*