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January 17, 2022

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

Via email: comment@osc.gov.on.ca

Attention: Secretary, Ontario Securities Commission

Dear Secretary,

Re: Canadian Securities Administrator's (CSA) proposed climate-related disclosure requirements (Notice and Request for Comment, October 18, 2021)

Capital Power provides the following submission in response to the Canadian Securities Administrator's notice and request for comment on proposed climate-related disclosure requirements that were released on October 18, 2021.

Company Overview

Capital Power (TSX: CPX) is a growth-oriented North American wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own and operate high-quality, utility-scale generation facilities that include renewables and thermal. We have also made significant investments in carbon capture and utilization to reduce carbon impacts and are committed to be off coal in 2023. Capital Power owns approximately 6,600 MW of power generation capacity at 26 facilities across North America. Projects in advanced development include approximately 276 MW of owned renewable generation capacity in North Carolina and Alberta and 560 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2 in Alberta.

Capital Power is committed to doing our part in the transition to a low-carbon future and we have set interim emissions reduction goals for 2030 and have long-term ambitions of being net carbon neutral across our portfolio by 2050. We have set ambitious targets to reduce environmental impacts and laid out a pathway to 2050 that includes, among other initiatives, research and investment in carbon capture storage and utilization (CCUS), hydrogen, direct air capture, and battery storage.

Capital Power responses to CSA consultation questions

Capital Power supports the overall direction being pursued by the CSA in establishing consistent and mandatory reporting requirements in respect of climate change that are aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Capital provides the following responses to the CSA's specific questions.

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?***

   Capital Power's reporting has always aimed to engage stakeholders and help them understand the material financial and non-financial aspects of our business. This includes how issues related to emissions and climate change are managed and assessed, along with other business risks.

   We have regularly disclosed and reported on our environmental and climate-related risks through our past Management's Discussion and Analysis (MD&A), Annual Information Forms (AIF), corporate sustainability reports and integrated annual report.

   Capital Power's current disclosures are aligned to TCFD, and we will release our fourth climate change disclosure report in February 2022.

   Our approach to reporting has evolved over the years, making incremental improvements each year to increase transparency and ensure we are accountable to our stakeholders. This stepwise approach has allowed us to provide decision-useful information, while supporting the resiliency of our strategy by allowing us to mitigate risk and capture opportunities associated with climate change.

   Aligning our disclosures to the recommendations of the TCFD has generally been positive. The framework includes an appropriate scope of disclosures, while being structured in a way that provides issuers the flexibility to tailor their reporting to include information that is most relevant to stakeholders. Using the TCFD framework as the basis for proposed disclosure requirements is appropriate.

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?***

   Capital Power discloses our scope 1, 2 and 3 emissions in our integrated annual report, with assurance provided for our scope 1 emissions. We do so in accordance with the methodologies of the GHG Protocol. Specifics of our methodology for calculating our scope 3 emissions are provided in our Global Reporting Initiative (GRI) index, which is released annually as part of our integrated annual report.

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?***

   Capital Power has advanced modelling and analytical capabilities and uses scenario analysis as part of our ongoing corporate planning, risk management, strategy and forecasting initiatives. We recognize the value that scenario assessments provide in helping us consider the potential implications of alternative future outcomes relating to a range of factors, including, but not limited to, commodity prices, technology, markets and the environment.

There are significant benefits that are realized through scenario analysis that inform our corporate strategy, risk management and planning. There are also challenges, particularly with disclosure of confidential information relating to our business. Aligning our analysis and disclosure with public third-party forecasts, such as the International Energy Agency World Energy Outlook, can also present challenges as the information is generally at a macro level that then requires translation into local impacts in specific jurisdictions where we operate. Similarly, there can be significant variation in assumptions between third party scenarios, which can limit comparability of scenarios. Communication of the results of this analysis at an appropriate level of detail that is useful to stakeholders can be difficult.

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?***

There are challenges in prescribing requirements for scenario analysis. However, there are benefits that are realized by stakeholders in understanding the resiliency of a company's strategy under a variety of climate-related scenarios. Consideration should be given to developing guidance and standardized methodologies that would facilitate a consistent and comparable approach within industries. This should include the requirement for issuers to consider three alternative scenarios, including at least one that simulates outcomes consistent with the measures that would limit global warming to well below 2 degrees Celsius. Consistency in the scenarios that are used by issuers should be required. It may be appropriate to prescribe these requirements after having the opportunity to examine the potential for providing guidance to issuers that would support consistent and comparable scenario planning exercises.

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?***

  No. See the following response for additional rationale.

- ***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?***

  Capital Power submits that where scope 1 emissions are material, they should be reported. It may be appropriate to consider giving issuers the option to explain why they have not reported their emissions in exceptional cases where they have been prevented from collecting the necessary data.

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

Where scope 2 and 3 emissions are material, it is to the benefit of stakeholders to have this information available to inform decision-making. However, Capital Power recognizes that methodologies and availability of data, particularly in respect of scope 3 emissions, are less mature. Consideration should be given to mandating disclosure where the emissions are material, however, it may be appropriate to delay implementation of the requirement.

- ***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?***

Capital Power discloses and assures Scope 1 emissions for its regulated facilities in Alberta, Ontario, and British Columbia, based on the various regulations for each province. This data is compiled and assured in time to report our emissions in our integrated annual report. The timing of current filings has not prevented us from disclosing the information relating to emissions.

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?***

   The foremost concern should be establishing comparable data. The degree to which an alternative framework produces data that is directly comparable to peers should not preclude them from using different reporting standards.

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?**

   While Capital Power does assure our Scope 1 emissions, we do support the direction of the CSA to not require audits of emissions information.

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?**

   The proposed instrument has no consideration of integrated annual reports, which provide concurrent disclosures relating to an organization's overall value creation, including financial and environmental performance. Where climate-related disclosures are incorporated by reference, it should be the expectation that including this information in an integrated annual report would satisfy the requirements for disclosure.

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?***

      Capital Power submits that the transition provisions in the proposed instrument provide issuers with sufficient time to prepare and file the required disclosures.

Closing Comments

Capital Power appreciates the opportunity to provide comment on the proposed requirements for mandatory climate-related disclosure requirements. Capital Power supports the direction of the CSA and securities regulators in pursuing a practical approach that will ensure decision-useful information is available consistently across industries in Canada. Should you have any additional questions relating to our submission please contact the undersigned [redacted]

Sincerely,

Colin Robb
Director, Corporate Strategy
Capital Power

cc. Kate Chisholm, SVP, Planning, External Relations & Chief Sustainability Officer
Sian Barraclough, VP, Strategy & Sustainability