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Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets

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Agenda

- Introduce the Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets (“The Standard”)
- Describe how DCC will incorporate these requirements into our contracts
- Introduce the Net-Zero Challenge

Key Elements of the Standard

- Treasury Board of Canada Secretariat standard that came into effect April 1, 2023, issued pursuant to Policy on Green Procurement.
- Ensure that the process for procurements over \$25 million, including taxes, induces suppliers (*Contractors/Consultants*) to measure and disclose their greenhouse gas emissions and adopt a science-based target to reduce greenhouse gas emissions in line with the Paris Agreement as part of participating in the Net-Zero Challenge or in an equivalent initiative or standard.

<https://www.tbs-sct.canada.ca/pol/doc-eng.aspx?id=32743>

So what is Net-Zero?

- The Canadian Net-Zero Emissions Accountability Act, which became law in June 2021, enshrines in legislation Canada's commitment to achieve net-zero emissions by 2050.
- To reach Paris Agreement targets it must reduce emissions by 40-45% from 2005 levels by 2030. With effective plans to transition to net-zero emissions (90% reductions) by 2050.

DCC Approach (on contract >\$25M)

- Will identify 4 DCC accepted initiatives for contractor participation:
 - Net-Zero Challenge,
 - United Nations Race to Zero,
 - Science Based Targets Initiative, and
 - Carbon Disclosure Project
- Proponents will be required to attest that they are either already participating in or will participate in one of these initiatives upon contract award.
- DCC will not verify or evaluate participation during the procurement

DCC Approach Continued

- The Contract will include clauses that define:
 - The date (# weeks), after contract award, in which the proponent must demonstrate participation in an initiative.
 - The requirement to maintain participation in an initiative for the duration of the contract
 - Requirement to provide ongoing demonstration of participation
 - The right for DCC to independently verify participation
 - Requirement to notify DCC if the contractor withdraws their participation
 - Contractual repercussions for not meeting these requirements

Industry Considerations

- This standard is anticipated to impact multiple DCC contract types (for contract value >\$25M) including but not limited to:
 - Modified Design Build
 - Tenders
 - Facilities Maintenance Contracts
- These requirements do not extend to sub-contracts
- Industry should review these initiatives in advance of upcoming procurements to understand detailed requirements
- DCC expects to begin incorporating these requirements shortly (in the coming weeks)

Net-Zero Challenge

Committed to a clean future

Environment and Climate Change Canada

Presentation at Defence Construction Canada (DCC) industry session

July 4, 2024



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

Canada

WHAT IS THE NET-ZERO CHALLENGE?

The Net-Zero Challenge encourages businesses to develop and implement credible and effective plans to transition their facilities and operations to **net-zero emissions by 2050.**



Net-Zero Challenge Participants

203

of which 144 are SMEs

Last updated: 27 June 2024

Some participants include:

- ✓ 3M Canada
- ✓ Accenture
- ✓ AECOM
- ✓ Aecon Group
- ✓ Airports:
 - ✓ Edmonton, Montreal, Ottawa, Toronto, and Vancouver
- ✓ Arcelormittal Dofasco
- ✓ AtkinsRéalis
- ✓ Aviva Canada
- ✓ BASF Canada
- ✓ BGIS Canada
- ✓ BHP Canada
- ✓ Braya Renewable Fuels
- ✓ Canada Lands Company
- ✓ Canada Post
- ✓ Canadian Textile Industry Association members
- ✓ Carleton University
- ✓ CBC / Radio Canada
- ✓ Cement Association of Canada
- ✓ CGI
- ✓ CN
- ✓ Cogeco
- ✓ Colliers Project Leaders Inc.
- ✓ Deloitte
- ✓ EBC Inc.
- ✓ EllisDon
- ✓ EY Canada
- ✓ GM of Canada
- ✓ Global Container Terminals
- ✓ Hewlett Packard Enterprise
- ✓ KPMG
- ✓ Loblaws
- ✓ Microsoft Canada
- ✓ Moderna
- ✓ PCL Canada
- ✓ Pomerleau
- ✓ Science North
- ✓ Shell Canada
- ✓ Siemens Canada
- ✓ Woodfibre LNG
- ✓ WSP

Full list of participants available on the NZC website.

WHAT IS THE BUSINESS VALUE OF JOINING?

Besides emissions reductions, there are other positive outcomes for adopting net-zero commitments:



Reduce business costs through improved energy efficiency



Increase investor and public confidence



Respond to changing consumer demands and **attract new customers**

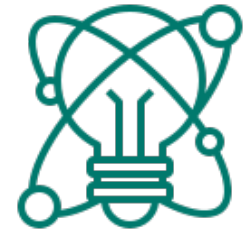


Improve competitiveness in a decarbonizing global economy

Support **employee recruitment**, engagement, and retention



Stimulate innovation and change



Increase resilience to climate risks



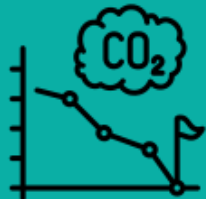
Safeguard resources for **future generations**



WHAT ARE WE TRYING TO ACHIEVE?

GHG Reductions

Reduce greenhouse gas (GHG) emissions from industrial and other sectors.



Net-Zero Planning

Normalize **net-zero planning** so that it becomes a default business practice.



Building Momentum

Build **momentum** through guidance and collaboration.



WHO CAN JOIN?



Stream 1

Large Industrial Emitters

Oil and gas, fossil-fueled electricity, petrochemicals, iron and steel, aluminum, and cement.

Relevant Scope 3 emissions are **encouraged**.

Stream 2

Financial Institutions

Banks, asset managers, asset owners, pension funds, and insurance companies.

Scope 3 category 15 (investments) is **required**.

Stream 3

All Other Businesses

Manufacturing, construction, retail, tech, engineering, consulting, law, etc.

Relevant scope 3 categories are **required** (at least one).

Stream 3*

SMEs

Any business with 499 staff or fewer, regardless of the sector.

Relevant scope 3 categories are **encouraged**.

KEY ELEMENTS OF A NET-ZERO PLAN

PUBLIC COMMITMENT

Public commitment to net-zero by 2050 on the company's website or LinkedIn page.

ESTABLISHED BASELINE

Establish a GHG emissions inventory baseline.

Scope 1 and 2: absolute terms.
Scope 3: absolute or emissions intensity.

SCENARIO ANALYSIS

Develop scenarios, identify pathways, and identify mitigation strategies (for all applicable emissions scopes).

SET TARGETS

Set a net-zero by 2050 target and interim target(s), including all applicable emissions scopes.

CORPORATE GOVERNANCE / FINANCIAL DISCLOSURES

Describe corporate governance strategy and provide information on climate-related financial disclosures (TCFD).

OFFSET CREDITS

Identify the offset credits that are being or will be used to reduce hard-to-abate emissions.

PROGRAM STEPS



Step 1

To join

Sign a Commitment Letter

Participants pledge to:

- Commit to net-zero by 2050 or earlier.
- Set two interim targets.
- Develop net-zero plans.
- Submit NZC questionnaires.

ECCC provides a **Participant Letter** signed by the Assistant Deputy Minister (ADM).

Step 2

Within 12 months of joining

Submit a Preliminary Questionnaire

- GHG inventory baseline for scopes 1, 2, and if applicable 3.
- A public net-zero target.
- Task Force on Climate-Related Financial Disclosures (TCFD) information.



PROGRAM STEPS



Step 3

Within 24 months of joining

Submit a Comprehensive Questionnaire

- Determine the first interim target(s).
- Scenario analysis.
- Mitigation measures for all emissions scopes.
- Corporate governance.

Step 4

Every year after Step 3

Submit an Annual Questionnaire

- Report on any changes, annually.

Step 5

Every 5 years after Step 3

Submit a Five-Year Questionnaire

- Conduct a thorough review and report on changes since the Comprehensive Questionnaire.



REPORTING

- Participants are encouraged to use existing information and plans – whether Canadian or global – as evidence to meet the minimum program requirements.
- Preferably, information is publicly available on the company website.



ACCOUNTABILITY

- Public transparency increases company accountability e.g., public disclosure of emissions, targets and progress.
- Accountability should be built into corporate governance and climate-related financial disclosures.
- Net-zero plan information disclosed to ECCC through questionnaires can be made available to the public upon request.



ENCOURAGING AMBITION

- The Net-Zero Challenge aims to strike a balance between encouraging participation and promoting net-zero planning that is rigorous and credible.

Tier	Requirements
Bronze	✓ Basic requirements
Silver	✓ One (1) additional Scope 3 category
Gold	✓ 40%+ reduction target for Scope 1 and 2 (not 3) ✓ Absolute reduction targets for Scope 1 and 2 (not 3) ✓ Disclosure on offset credits OR those not using offset credits
Platinum	✓ Two (2) additional Scope 3 categories ✓ Disaggregated Scope 1, 2, and 3 interim targets ✓ 50%+ of offset credits from Canadian offset systems OR those not using offset credits ✓ A stand-alone net-zero plan for Canadian operations and facilities
Diamond	✓ 40%+ reduction target for Scope 1, 2, <u>and 3</u> ✓ Absolute reduction targets for Scope 3 ✓ 100% offset credits from Canadian offset systems OR not using offset credits



WHAT ARE THE PROGRAM BENEFITS OF JOINING THE NZC?

MADE IN CANADA

National program for net-zero planning adapted for the Canadian context

CREDIBLE

A trusted framework and access to a rigorous technical guide

PUBLIC RECOGNITION

Recognition on the ECCC website and social media platforms, and public visibility at events

SIMPLE REPORTING AND NO COST

Reuses existing company reports, and aligns with international initiatives

FEDERAL PROCUREMENT AND FUNDING

Participation in the Challenge is incented for GoC contracts over \$25M & SIF NZA funding

COMMUNITY OF PRACTICE

Access to the NZC team for questions and meetings, to GoC and third-party guidance documents, and to fellow participants

For more information

Visit:

<http://www.canada.ca/netzerochallenge>

<https://www.canada.ca/deficarboneutre>

Contact:



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Questions?