GREENPEACE

Date: October 5, 2023

To: Alberta Securities Commission
Suite 600, 250–5 Street SW
Calgary Alberta T2P 0R4

CC: Ontario Securities Commission
Canadian Securities Association
Suncor Energy Incorporated

Re: Complaint concerning potentially incomplete climate risk disclosures by Suncor Energy Incorporated

This complaint relates to the climate risk disclosures contained in Suncor Energy Incorporated's (hereafter "the Company" or "Suncor") 2023 Climate Report, released on July 18, 2023. [1] We are concerned that the Company may have failed to provide full, true and plain disclosure of all material facts in its forward-looking disclosures.

The basis of this complaint is that Suncor is removing disclosure on the climate-related transition risks[2] facing this global energy company at a time when climate risks are more prevalent than ever. In particular,

- In 2016 a shareholder resolution passed at the Suncor Annual General Meeting calling on management to prepare an annual report on climate-related risks, including stress-testing the Company's business strategy against low-carbon scenarios.[3]
- Following the resolution, the Company disclosed in 2017[4], 2018[5], 2019[6] and 2020[7] that while no existing assets would be stranded, new oil sands operations would be challenged and unlikely to proceed in a low carbon future. In 2021[8] and 2022[9], the Company changed its disclosure to warn that some existing assets would be stranded in a low carbon future and that growth should be focused on renewable and low carbon energy sources.
- In 2023, Suncor stopped disclosing the expected impacts on the Company's business strategy and profitability in its climate scenarios by removing the "Expected impacts on Suncor" from scenario analysis.[10]

This reduced disclosure coincided with a shift in the Company's business strategy that, based on previous disclosures, would increase its exposure to transition risks. In October 2022, the Company announced that it was selling off its wind and solar assets[11] and pursuing a larger share of the Fort Hills oil sands mine.[12] The purchase of the larger share of Fort Hills was completed, at a cost of $1.468 billion on October 4, 2023.[13] In August 2023, Suncor's new CEO announced that the Company had had a disproportionate emphasis on the longer-term energy transition and would shift its focus to its oil sands operations.[14]

In our opinion:

1. The removal of the previously-disclosed “Expected Impact on Suncor” from the Company’s climate scenario analysis may result in investors not having access to materially-significant information regarding transition risks.
2. The reduced disclosure of climate-related risks comes at a time when the company is changing its business strategy in a way that increases its exposure to the transition risks (that it is no longer disclosing).

Greenpeace Canada, which has been a Suncor shareholder for many years, submits that the Company should be required to present a full and true disclosure of climate-related risks by including expected impacts on its business strategy as part of its scenario analysis.

1. The removal of the previously-disclosed “Expected Impact on Suncor” from the Company’s climate scenario analysis may result in investors not having access to materially-significant information on transition risks.

According to the Alberta Securities December 2022 Corporate Finance Disclosure Report:

> “RIs [reporting issuers] frequently include forward-looking information (FLI) in their MD&A and other documents about management’s plans for future operations, anticipated economic conditions and expected future financial results. This disclosure must comply with the FLI disclosure requirements that are outlined in Parts 4A, 4B and section 5.8 of National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102). These requirements apply to all FLI regardless of the type of document in which it is included (i.e. a prescribed CD document or voluntary disclosure) or the location within the document. The required disclosure is meant to assist investors identify FLI, understand how it was determined, appreciate the risk factors that could lead to differences between expectations and actual results, and allow readers to see how the actual results compared to outlooks.”[15]

The Company has recognized climate-related risks as material and has the expertise and experience required to disclose scenario-related transition risks. The Company states that the transition to a low-emissions economy is factored into its consideration of the value of its present and future reserves, and that scenario analysis is a part of this assessment. In the “Accounting Policies and Critical Accounting Estimates” section of its 2022 Annual Report to shareholders, the Company stated:

> “Climate change and the transition to a low-emissions economy was considered in preparing the consolidated financial statements, primarily in estimating commodity prices used in impairment and reserves analysis. These may have significant impacts on the currently reported amounts of the company’s assets and liabilities discussed below and on similar assets and liabilities that may be recognized in the future. As part of its ongoing business planning, Suncor estimates future costs associated with GHG

> emissions in its operations and in the evaluation of future projects. The company uses future climate scenarios to test and assess the resilience of its strategy."[16]

Suncor's 2022 Annual Report also acknowledged that "In addition, some stakeholders may compare companies based on climate-related performance which can be impacted by numerous factors and perceptions."[17]

In 2016, Suncor management supported a shareholder resolution calling for the company to "provide ongoing reporting on how it is assessing, and ensuring, long-term corporate resilience in a future low-carbon economy. Specifically, reporting could be stand-alone or integrated into current company reporting mechanisms and could address Suncor's technology pipeline, emission reduction targets and performance, innovation and energy diversification strategies, provide a narrative on any stress-testing done against external low carbon scenarios (e.g. IEA's 450 and 2C Scenarios), and other relevant strategies."[18]

This resolution received overwhelming (98%) support[19] and the Company has subsequently been producing an annual, stand-alone report on climate-related risks since 2017. The Company has told security regulators that it is committed to aligning these disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In a January 2022 letter to securities regulators, Suncor's Chief Financial Officer Alister Cowan wrote:

> "At Suncor we aim to continually improve our sustainability disclosure and build on our rich history of credible, transparent, and industry-leading reporting and we will continue to improve our disclosure in alignment with TCFD recommendations."[20]

One of the TCFD's major recommendations is for companies to undertake climate scenario analyses, including at least one scenario that is consistent with the Paris Agreement goal of keeping warming as far below 2 degrees Celsius as possible, with an aim to limiting warming to 1.5 degrees C. The primary purpose of scenario analysis is to assess the resiliency of the company's current business strategy within different possible futures and how they might shift their strategy to increase resiliency. In the words of the TCFD:

> "The objective [of scenario analysis] is to assist investors and other stakeholders in better understanding:
>
> - the degree of robustness of the organization's strategy and financial plans under different plausible future states of the world:
> - how the organization may be positioning itself to take advantage of opportunities and plans to mitigate or adapt to climate-related risks: and
> - how the organization is challenging itself to think strategically about longer-term climate related risks and opportunities."[21]

In the 2017-2022 period, the Company published climate scenarios that included an assessment of "Expected Impact on Suncor" within each scenario.

In each of its 2017[22], 2018[23], 2019[24] and 2020[25] *Climate Risk and Resilience* reports, the Company reported that “No existing assets are stranded” in the Autonomy scenario (the scenario associated with the fastest shift away from fossil fuels and lowest rise in global average temperatures), but that “New oil sands growth projects are challenged and unlikely to proceed.”

In its 2021[26] and 2022[27] climate risk reports, the Company revised its assessment of transition risk to disclose that some of its existing assets would be stranded in the Autonomy scenario, a significant change. The Company’s 2022 low-carbon Autonomy scenario not only warned of the risk of stranded stranded assets, but also pointed to the role investments in low carbon power (wind and solar energy) should play in mitigating these risks if the world is on this track. Specifically (emphasis added):

> “Expected impact on Suncor
> - **Some producing upstream assets may be retired before the end of their producing life.**
> - We grow our business in renewable fuels, **low-carbon power** and hydrogen.
> - We sustain and optimize our existing hydrocarbon business, reducing its carbon footprint.
> - We play an enhanced role in decarbonization through scaling and commercialization, with strong partnerships and collaboration (e.g., Pathways Alliance).”

Autonomy[9] Revolutionary change in societal and political attitudes toward energy, climate and the environment drives the transformation to a low-carbon economy

- Pressure from stakeholders continues to push companies and governments toward faster action on ESG measures.
- Greater international co-operation ensures sufficient progress on climate change.
- Free and open markets in a technology-driven economy are strongly intertwined with climate change action.
- The massive changes to the global energy system to transition to a low-carbon world come at enormous cost, where people, companies, infrastructure and whole industries are made redundant, with significant investments required to replace the old and grow the new.

Indicative signpost that points to Autonomy

- In Canada, provinces and the federal government have improved the level of climate change co-operation as public concern for climate action continues to grow and political platforms converge on climate issues.

Energy markets impact

- Oil is still required for decades to come, but its share of energy demand declines over time as economic growth becomes less oil-intensive.
- Natural gas demand remains steady, overtaking oil as the largest source of global non-renewable energy by the end of the scenario period.
- Renewable power generation becomes the largest source of energy by the end of the period to meet growing electricity demand.
- Biofuels and biomass demand nearly doubles, replacing a share of decreasing fossil fuel use.
- Production of low-carbon hydrogen grows as technologies for its use also improve.

Expected impact on Suncor

- Some producing upstream assets may be retired before the end of their producing life.
- Base business is sustained and optimized, providing stable cash flow to support shareholder returns and fund growth of expanded low-carbon energy businesses (renewable fuels, electricity and hydrogen).
- Only top-tier refineries globally remain profitable – Suncor’s downstream maintains a focus on reliable, efficient, low-carbon and low-cost operations.
- Collaboration to reduce emissions accelerates (e.g., Pathways Alliance).

Graphic is from page 21 of Suncor’s *Climate Report 2022*[28]

The “Expected Impact on Suncor” section, which appeared in all scenarios in the Company’s 2017, 2018, 2019, 2020, 2021 and 2022 reports, was removed from the Company’s 2023[29] Climate Report. The Low Carbon scenario (which replaced Autonomy in 2023 but shares many of the same pre-conditions) is reproduced below:

Low Carbon scenario **1.8°C by 2100**

- Pressure from stakeholders continues to push companies and governments toward faster action on climate measures.
- Countries, organizations and individuals have a high degree of control over their energy needs, rather than relying on others.
- Greater international co-operation and shifting consumer preferences ensure significant progress on mitigating risks of climate change.
- The massive changes to the global energy system to transition to a low-carbon world come at enormous cost, where people, companies, infrastructure and whole industries are made redundant, with significant investments required to replace the old and grow the new.
- Implies a potential emissions pathway to an average global temperature rise above pre-industrial levels of approximately 1.8°C by 2100.
- Consumers are willing to pay the additional cost burden of decarbonizing at a faster pace.
- The developed world agrees to pay for the developing world to deploy new and more advanced energy systems.

Indicative signposts that point to Low Carbon

In Canada, the federal government has released several climate-related policies and regulations (e.g., clean fuel regulations, oil sands emissions cap, net-zero electricity grid by 2035, etc.) and the provinces continue to adjust their own policies and regulations to align more closely with the more stringent federal policies (e.g., Alberta TIER).

Energy market impacts

- Fossil fuel demand declines steadily over time, while energy demand stays largely flat.
- A strong focus on developing non-fossil energy sources as energy supply becomes less carbon intensive.
- Renewable power generation becomes the largest source of energy by 2050 to meet growing demand.
- Significant growth in biofuels and low-carbon hydrogen.

Graphic is from page 28 of Suncor’s *Climate Report 2023*[30]

This is concerning, because there is strong evidence that the risk of stranded assets has grown in the 2022-2023 period. For example, the Company’s estimate of the future cost of federal carbon pricing on its upstream production has nearly tripled. In 2022, the Company estimated the 10-year average, before-tax cost of carbon was $0.64 per barrel for its upstream net production and $0.41 per barrel for its downstream saleable yield.[31] In 2023, the estimated 10-year (2023-2032), before-tax, average cost of carbon was $1.70 per barrel for upstream net production and $0.48 per barrel for downstream salable yield. As noted above, the Company’s “Accounting Policies and Critical Accounting Estimates” use the estimated future costs of carbon in assessing the future value of its reserves.

The International Energy Agency’s most recent analysis finds that fossil fuel consumption will peak prior to 2030 in all of its scenarios, in part due to the way that the Russian invasion of Ukraine has accelerated the energy transition in Europe and the Inflation Reduction Act has driven clean energy investment in the United States.[32]

This increase in the risk of stranded assets makes it even more important for corporate strategies to mitigate transition risks be fully disclosed.

2. The reduced disclosure of climate-related risks comes at a time when the company is changing its business strategy in a way that increases its exposure to the transition risks (that it is no longer disclosing).

The removal of “Expected impacts on Suncor” from scenario analysis comes alongside a shift in business strategy marked by the sale of all wind and solar assets and an expansion of oil sands operations.

On 5 October 2022, the Company announced that it was selling all of its wind and solar assets to Canadian Utilities Limited for $730 million.[33] On 26 October 2022, the Company announced an intention to purchase an additional 21.3% working interest in the Fort Hills oil sands mine from Teck Resources Limited,[34] This sale was completed, at a cost of $1.468 billion on October 4, 2023.[35]

In August 2023 (subsequent to the publication of the 2023 climate risk report) the newly-hired Chief Executive Officer of the Company received extensive media coverage for his comments downplaying transition risks. The Canadian Press reported:

> CEO Rich Kruger, who took the reins at the Calgary-based energy giant this spring, told analysts on a conference call that the company's board of directors agrees with him that a "revised direction and tone" at the company is necessary.
> He said he believes Suncor must not neglect "the business drivers of today" in favour of future-focused, clean and low-carbon energy pursuits.
> "We have a bit of a disproportionate emphasis on the longer-term energy transition," Kruger said, adding that while lower emissions energy is important, it is not what is going to make money for shareholders today.
> "Today, we win by creating value through our large integrated asset base underpinned by oilsands."[36]

There is, in fact, information disclosed by the Company that a reasonable person might see as a commitment to acting in line with the low-carbon scenario. On its website, the Company publicly proclaims a commitment to the Paris climate agreement and net zero by 2050 via its membership in the Pathways Alliance:

> “As proud Canadian companies, members of the Pathways Alliance share the aspiration of Canadians to find realistic and workable solutions to the challenge of climate change. We want to help our country meet its Paris Agreement commitments, including its net-zero by 2050 aspirations.”[37]

In its 2023 Climate Report, the Company reiterates its support for the goals of the Paris Agreement: "Our advocacy recognizes support for the goals of the Paris Agreement and includes a blend of regulations and incentives for emission reductions and removals."[38]

The text of the Paris Agreement clearly states that the goal of the Agreement is to limit warming to well below 2 degrees Celsius:

> "This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by: (a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."[39]

A reasonable person might think that the Company's "support for the goals of the Paris Agreement" implies a commitment to aligning its strategy with the only scenario that achieves that goal (the Low Carbon scenario, which results in 1.8°C of warming). Yet the actual strategy is consistent with the higher (2.4°C and 2.9°C) scenarios.

The Company's pre-2023 scenario analysis indicated that in a low-carbon world, it should seek to limit its exposure to high-carbon assets by optimizing existing oil sands operations while growing the business in renewable energy. This is described in the 2022 Autonomy scenario: "Some producing upstream assets may be retired before the end of their producing life. Base business is sustained and optimized, providing stable cash flow to support shareholder returns and fund growth of expanded low-carbon energy businesses (renewable fuels, electricity and hydrogen)."

The removal of "Expected Impact on Suncor" disclosures in the 2023 Climate report means that shareholders aren't being told that the company's investment strategy is incompatible with its low-carbon scenario.

Conclusion

Suncor clearly has the data and expertise to undertake scenario analysis that includes publishing the business plan changes required to mitigate transition risk in a possible lower-carbon scenario, because the Company did so in the years 2017-2022. By no longer disclosing this information, we are concerned that the Company may have failed to provide full, true and plain disclosure of all material facts.

We request that the Alberta Securities Commission:

1. Investigate whether Suncor has failed to provide adequate disclosure of climate-related transition risks associated with the recent shift in its business strategy to divest its renewable energy assets while expanding oil sands operations.
2. Require Suncor to reinstate the "Expected impacts on Suncor" section (or comparable disclosures) in the scenario analysis section of its climate risk disclosure documents.

Sincerely

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NOTES

[1] https://www.suncor.com/-/media/Project/Suncor/Files/News-releases/2023/2023-07-18-news-release-suncor-energy-releases-2023-ros-and-cr-en.pdf?modified=20230718224601

[2] Canada's Office of the Superintendent of Financial Institutions has defined climate-related transition risk as "financial risks related to the process of adjustment towards a low-greenhouse gas (GHG) economy. These risks can emerge from current or future government policies, legislation, and regulation to limit GHG emissions, as well as technological advancements, and changes in market and customer sentiment towards a low-GHG economy." URL: https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b15-dft.aspx

[3] https://thetyee.ca/News/2016/04/29/Suncor%20shareholder%20climate%20motion%202016%20Jamie%20Bonham%20with%20NEI%20Investments.pdf
[4] https://sustainability.suncor.com/-/media/project/ros/shared/documents/climate-reports/2017-climate-report-en.pdf?la=en&modified=20190718185047&hash=EBFD3D27BDD6195736928D711F1229FE500B5B69
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