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April 4, 2023

## Re: Suncor, Report on Net Zero Aligned CapEx Resolution

We would like to highlight the shareholder resolution we've filed this year at Suncor (SU) on behalf of Salal Foundation. This resolution clearly aligns with Glass Lewis' [2023 Canada Proxy Voting Guidelines](#), as it calls for Suncor to provide:

shareholders with disclosures that allow them to understand how [material environmental and social] factors are being considered and how attendant risks are being mitigated.

Specifically, our resolution (enclosed) calls on for:

1. Suncor to produce a report, at reasonable cost and omitting proprietary information, outlining how its capital expenditure plans align with its 2030 emissions reductions target and its 2050 net zero pledge.

Below we outline how our resolution addresses:

1. A financially material issue,
2. Which has not yet been sufficiently addressed by the company, and
3. Why the resolution is not overly prescriptive.

*N.B. All substantive issues highlighted in this document are either available within the resolution's supporting statement (see enclosed) or within publicly available reports (references provided).*

## The financial materiality of the issue to the company's operations

### Exposure to Transition Risk

Suncor has a stated strategy “to be Canada’s leading energy company by growing our business in low greenhouse gas (GHG) fuels, electricity and hydrogen while sustaining and optimizing our existing hydrocarbon business and transforming our GHG footprint<sup>1</sup>” and Suncor is a founding partner in the Pathways Alliance (a partnership of the six Canada’s largest oil sands producers<sup>2</sup>) which has committed to investing ~\$24.1 billion to achieve 22 million tonnes of emission reductions by 2030 from oil sands operations<sup>3</sup>.

To fulfill these commitments, Suncor will have to make appropriate capital expenditures and significant work ahead in terms of addressing its GHG emission to meet both its 2030 target and net zero by 2050. Suncor’s emissions were ~50 MT in 2022<sup>4</sup> and the company has a target to reduce its emissions by 10MT/year by 2030. After 2030, Suncor will have to make even more significant investments to make its business net zero.

Climate Action 100+, a global investor initiative representing US\$68 trillion in assets under management, found in its October 2022 Assessment that Suncor “does not meet any criteria” for capital alignment, medium term targets or decarbonization strategy.”<sup>5</sup> This proposal would enable Suncor to better address the gap that CA 100+ identified in their current reporting and as such, CA 100+ has flagged this resolution as being consistent with the goals of the CA 100+ initiative<sup>6</sup>.

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<sup>1</sup> Suncor 2022 Climate report [link](#)

<sup>2</sup> Pathways Alliance [link](#)

<sup>3</sup> Canada’s oil sands firms to invest \$24 billion on emissions projects Globe & Mail [article](#)

<sup>4</sup> Total emissions of its operated and equity assets source: pg. 28 Suncor 2022 Climate report

<sup>5</sup> CA 100+ assessment of [Suncor](#) determined that Suncor did not meet any of the criteria for “working to decarbonise its capital expenditures”, “explicitly commits to align its capital expenditure plans with its long-term GHG reduction target” or “to phase out planned expenditure in unabated carbon intensive assets or products”.

<sup>6</sup> The Climate Action 100+ initiative [flags shareholder proposals](#) and other votes aligned with the goals of the initiative for investors to take into consideration during proxy season

The global energy transition driven by rapidly progressing technological shifts to low or zero emitting energy technologies is progressing at a pace much faster than predicted<sup>7</sup>. The transition will ultimately lead to a significant decrease in demand for fossil fuels creating an existential risk for Suncor unless it is able to make the necessary investments to remain competitive and enhance shareholder value in this transition.

Capital expenditures to reduce SU's GHG emissions is a critical indicator of the company's commitment to reduce its emissions and achieve its stated strategy. Investors need to get more clarity and information on the company's low carbon capital such that they can evaluate how the company is building value and is responding to the serious transition, financial and compliance risk the company faces.

### The requested disclosures would mitigate upcoming regulatory risks

The Alberta's Technology, Innovation and Emissions Reduction (TIER) regulation for large GHG emitters does not currently represent a material financial risk to ongoing oil project operations in Alberta<sup>8</sup>.

However, the federal government's proposed O&G sectoral specific cap<sup>9</sup> on GHG emissions certainly could be material as the proposed target is a 45% reduction on 2019 baseline by 2030 (Suncor identifies the cap on O&G emissions as having potential to be material<sup>10</sup>). Design details of the emissions cap expected to be released in the spring of 2023 are still being discussed with stakeholders. However, the 2030 target could require an 80-90 MT reduction from the O&G sector's 2021 GHG emissions of ~190 MT.<sup>11</sup>

There is a greater need for reporting and transparency from Suncor on low carbon capex due to the changing regulatory environment.

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<sup>7</sup> I4PC Energy Disruption [backgrounder](#)

<sup>8</sup> Using Alberta facility data and as a base case, under the 2019 price of carbon (i.e. \$30/tonne), the Alberta TIER regulation resulted in an average cost of \$0.18/bbl source: Canadian Climate Institute [report](#)

<sup>9</sup> The federal Minister of Environment and Climate Change (ECCC) has committed to publish the draft regulation in Spring 2023 [link](#)

<sup>10</sup> p.58 Suncor 2022 Annual report

<https://sustainability-prd-cdn.suncor.com/-/media/project/suncor/files/investor-centre/annual-report-2022/2022-annual-report-en.pdf>

<sup>11</sup> Early Estimate of National Emissions. Canadian Climate Institute, 2023. Available via link <https://440megatonnes.ca/early-estimate-of-national-emissions/#estimate-table-2>

### The requested disclosures would mitigate significant reputational risks

The resolution will help address the increasing attention to claims of greenwashing by companies in the oil and gas sector. Greenwashing claims have been made against Suncor and the Pathways Alliance<sup>12</sup> while a complaint has been made against the Pathways Alliance (Suncor is a member of the association) with the Competition Bureau Canada for alleged greenwashing in its public lobbying<sup>13</sup>. In 2022 legal action was started in the U.K. against Shell's Board of Directors board for its failure to properly prepare for not managing climate risk and not preparing for a net zero future<sup>14</sup>.

Globally, climate litigation has rapidly grown over the last few years with thousands of cases currently filed across the world in local, state, national, and international courts<sup>15</sup>. It is growing area of risk for the companies and boards who are failing to act to meaningfully manage climate and transition risk.

### The disclosures being addressed have not yet been provided by the company

Suncor's current reporting on low carbon capital expenditures is inadequate. While Suncor has a low-carbon capital allocation of 10% annually to "expand low-emissions businesses" for 2022-2025<sup>16</sup>, it has failed to disclose in its annual Climate report<sup>17</sup> the rationale for this level of investment, how it aligns with its 2030 GHG target and net zero commitment, or any details on the amount spent on specific projects, or the associated emissions reductions from the investment. In Suncor's annual financial reporting there is no reference to "low-carbon capital allocation" and all capital expenditure is reported in broad category of "Capital and Exploration Expenditures"<sup>18</sup>

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<sup>12</sup>

<https://www.theglobeandmail.com/business/commentary/article-companies-need-to-stop-greenwashing-and-get-serious-with-net-zero/>

<sup>13</sup>

<https://financialpost.com/commodities/energy/oil-gas/competition-bureau-probe-alleged-greenwashing-canadian-gas-association>

<sup>14</sup>

<https://www.reuters.com/business/sustainable-business/institutional-investors-back-shell-board-lawsuit-over-climate-risk-2023-02-09/>

<sup>15</sup> <http://climatecasechart.com/>

<sup>16</sup> Pg 27 Suncor 2022 [Climate Report](#)

<sup>17</sup> *ibid*

<sup>18</sup> Pg 47-48 2021 [Suncor Annual report](#)

with no differentiation of low carbon capital allocation to inform investors of magnitude or emission reductions.

SU does not provide in any of reporting specific details on current or planned capital investment like cost, total GHG emission reductions, timelines on the specific projects that it has included in 10% low-carbon capital allocation, or details on how spending relates to its 2030 emissions reductions target and its 2050 net zero pledge.

### The resolution is not overly prescriptive

The proposal does not prescribe any specific content. In terms of burden, the proposal language points to reporting at “reasonable expense.” In our engagement with Suncor, we were clear that the issue was not the format of the reporting; only that the reporting take place.

In Suncor’s response to our resolution, it stated it intends to use its annual Climate Report “to highlight relevant progress towards our corporate emissions reduction targets and provide details of our climate strategy”. We support Suncor in using its Climate Report or any other financial reporting of its choice to disclose more information on its low carbon capital expenditures.

### Suncor’s opposition statement and rebuttal

In its proxy circular (page A1-A4) Suncor includes the opposition statement to the proposal. We have written a more extensive rebuttal to this statement<sup>19</sup>, but here are the most salient points:

- Suncor says it wants to use existing reporting instead of a new report. The format is not the issue here. Current reporting does not include details on how Suncor’s capital expenditure plans are aligned with its 2030 emissions reductions target and its 2050 net zero pledge.
- Suncor says engages experts to define useful climate disclosure and lists CA 100+ as part of this. But CA100+ says that Suncor does not meet criteria for capital

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<sup>19</sup> I4PC [Rebuttal](#) to Suncor

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alignment<sup>20</sup> and has flagged this shareholder proposal for investors as being aligned with the goals of the CA 100+ initiative.<sup>21</sup>

We understand Glass Lewis' commitment to supporting ESG resolutions where there is a clear link to shareholder value and we hope that we have demonstrated how our resolution satisfies this fundamental criterion.

As such, we hope you will advise your clients to vote in support of this straightforward GHG scope 3 reporting resolution, thereby supporting your clients' interests in reducing their fossil fuel risk exposure and increasing their financial opportunities.

Respectfully,



Duncan Kenyon, Director of Corporate Engagement  
[Enc. Suncor shareholder resolutions](#)

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<sup>20</sup> CA 100+ assessment of [Suncor](#)

<sup>21</sup> <https://www.climateaction100.org/approach/proxy-season/>



## About Investors for Paris Compliance

We work with investors to hold Canadian publicly traded companies accountable to their net zero promises.

We believe that a just transition to the net zero economy can unlock shareholder value while giving our kids a better future.

We represent investors or take financial positions in select Canadian companies ourselves. We do a deep dive analysis of their net zero plans.

We engage those companies and other investors to improve accountability, including filing shareholder resolutions where appropriate.

## Appendix: SUNCOR SHAREHOLDER RESOLUTION, NET ZERO ALIGNED CAP EX DISCLOSURE

### **Resolved:**

Shareholders request that Suncor produce a report, at reasonable cost and omitting proprietary information, outlining how its capital expenditure plans align with its 2030 emissions reductions target and its 2050 net zero pledge.

### **Supporting Statement:**

Suncor has a 2030 emissions reduction target of 10 Mt CO<sub>2</sub>e and a 2050 net zero target.

Suncor indicates it is committing 10% of its annual capital budget over the medium term to “investments that advance our low-carbon energy offerings.”<sup>22</sup> Suncor does not provide a rationale for this level of investment and how it aligns with its targets nor disclose specific planned investments and associated emissions reductions.

Similarly, Suncor does not disclose emissions expectations associated with the other 90% of its planned capital budget and whether these investments take the company further from its climate targets. Note that there is no baseline established for Suncor’s 2030 target, nor are Scope 3 emissions included in it, meaning that most Suncor’s capital expenditures may contribute towards emissions expansion.

The International Energy Agency projects a three-quarters decline in oil demand in its net zero scenario<sup>23</sup> and Canada’s Energy Regulator predicts oil production in Canada will peak shortly after 2030<sup>24</sup>. These reductions are part of the net zero transition that is an existential threat to unprepared oil companies and is particularly acute for Suncor and other oil sands producers producing a higher cost<sup>25</sup> and higher emitting<sup>26</sup> source of oil than most competitors.

Considering this threat, it is critical that investors are given more clarity on how Suncor’s capital expenditure plans align with its 2030 emissions reductions target and its 2050 net zero pledge.

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<sup>22</sup><https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/reports-on-sustainability/2022-report-on-sustainability-en.pdf>

<sup>23</sup> <https://www.iea.org/reports/world-energy-outlook-2022>

<sup>24</sup> <https://www.cer-rec.gc.ca/en/data-analysis/canada-energy-future/2021/>

<sup>25</sup>

<https://www.rogtecmagazine.com/rystad-energy-as-falling-costs-make-new-oil-cheaper-to-produce-climate-policies-may-fail-unless-they-target-demand/>

<sup>26</sup> <http://oci.carnegieendowment.org/#total-emissions>



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Suncor's climate plans rely heavily on carbon capture utilization and storage (CCUS) for meeting its climate goals. Yet the company does not disclose spending plans for CCUS, including overall cost and projections of cost-per-barrel over the medium and long term.

Climate Action 100+, a global investor initiative representing US\$68 trillion in assets under management, found in its October 2022 Assessment that Suncor "does not meet any criteria" for capital alignment, medium term targets or decarbonization strategy."<sup>27</sup>

To address investor uncertainty and to manage business risk, we urge shareholders to vote FOR this proposal.

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<sup>27</sup> <https://www.climateaction100.org/company/suncor-energy-inc/>