August 12th, 2026

Business Future Pathways Canada

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Re: Sustainable Finance Taxonomy: Methodology Report Draft for Public Comment

We appreciate the opportunity to respond to Business Future Pathways on its proposed methodology for the Canadian Sustainable Finance Taxonomy ("the taxonomy") as outlined in the draft for public comment.

Electricity Canada is the national voice for electricity in Canada. Our members generate, transmit, and distribute power to homes and businesses across Canada. We represent integrated electric utilities, independent power producers, transmission and distribution companies, power marketers, and system operators. Our members deliver electricity to all Canadians, in every province and territory.

Canada's electricity sector has made significant progress in reducing greenhouse gas emissions and advancing climate adaptation. Today, more than 80% of Canada's electricity is generated from renewable and non-emitting sources, including hydro, nuclear, wind, and solar.[1] At the same time, Canada's electricity system remains highly reliable, delivering power 99.93% of the time[2].

Infrastructure investment remained robust, with approximately $24.14 billion Canadian invested in 2024[3]. These investments are helping modernize energy systems and support the transition to a more efficient and sustainable electricity sector. Collectively, these achievements highlight the industry's ongoing commitment to sustainability at a national level.

The draft report on the development of a Canadian taxonomy describes it as a voluntary tool for identifying climate-aligned investment opportunities. To help ensure the taxonomy is practical and useful for decision-making, we have identified several areas where greater clarity and refinement would enhance its effectiveness.

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[1] NRCAN. (2025, August 18). Canada's clean electricity future https://www.canada.ca/en/services/environment/weather/climatechange/climate -plan/clean-electricity.html

[2] Electricity Canada (March 2026) Electricity 101 Report. https://www.electricity.ca/publications/electricity -101/

[3] Electricity Canada Staff. (2025). Powering Progress Initiative- 2025 Scorecard. https://www.electricity.ca/files/SE-Scorecard-2025-v2-FINAL.pdf

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Future phases of taxonomy

For the electricity sector, future phases of the taxonomy should focus on climate adaptation and resilience. The framework should be grounded in the Paris Agreement and Canada's legislated net-zero targets but should recognize that adaptation and resilience investments are as important as emissions reductions for maintaining reliable electricity service.

The recommended phased approach for future topics will support consistency, practicality, and broad adoption. These phases should build on existing reporting and disclosure frameworks, particularly those relevant to Canada, while also considering social, economic, and governance objectives that support a credible and inclusive energy transition.

Taxonomy principles

Of the six taxonomy principles, regional specificity and usability are the most important for the electricity sector. The provincial differences in generation mix, market structure, and resource availability are significant. These factors contribute to differences in reliability requirements and distinct decarbonization pathways, which should be carefully considered and reflected in the taxonomy.

For example, electricity companies in competitive electricity markets face different operating realities and investment incentives than Crown corporations. Recognizing these regional differences enables electricity companies to continue investing in infrastructure that maintains reliability while aligning with their transition pathways. The draft currently acknowledges that “low-carbon technologies may not be viable in northern, rural, remote, or Indigenous communities” but does not identify examples of acceptable investments in those circumstances. Business Future Pathways should provide clearer guidance on how this principle will be applied in practice.

To enhance usability, the principle should provide flexibility in reporting criteria, acknowledging that a one-size-fits-all approach is ineffective. The taxonomy should be simple, practical, and avoid unnecessary reporting burdens. If reporting requirements become overly complex or costly, their practical value is reduced, and companies may be deterred from using this voluntary tool.

Additionally, the growing number of sustainability and climate-related regulatory frameworks is making reporting increasingly complex. The Sustainable Finance Taxonomy should align with existing domestic and international frameworks. The methodology should also balance regular criteria updates with investment certainty. Projects that meet the taxonomy requirements at the time of the final investment decision should be grandfathered to maintain eligibility and avoid disruptions, delays, or cancellations.

Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS)

Electricity Canada agrees with the partial-alignment approach for DNSH and MSS rather than requiring full alignment. This approach supports continuous improvement, encourages broader participation, and increases transparency by highlighting entity areas of alignment and non-alignment. A binary approach may discourage organizations that are making meaningful progress but have not yet achieved full alignment.

Entities should disclose where criteria are met, not met, or require further explanation, while allowing for sector-specific considerations. This flexibility is particularly important for the nuclear sector, where DNSH considerations such as radioactive waste management, decommissioning, long-term stewardship, and regulatory oversight are highly specialized and already governed through robust federal regulation.

DNSH and MSS frameworks should complement, rather than duplicate, existing legislative and regulatory requirements. The electricity sector already operates within a highly regulated environment with established environmental, consultation, and permitting requirements. Existing laws and regulations should serve as the baseline for DNSH and MSS frameworks and support broader taxonomy adoption. Where relevant, DNSH assessments should recognize cumulative environmental and social impacts identified through established regulatory processes. Additional requirements should only be introduced where there is a clear rationale aligned with federal policy objectives.

Reporting expectations should be proportionate to organizational size and risk to avoid undue compliance burdens on small and medium-sized enterprises (SMEs). DNSH and MSS frameworks should focus on information necessary for taxonomy alignment and avoid creating broader entity-level disclosure obligations.

Indigenous Rights and Participation

DNSH and MSS should recognize and uphold Indigenous rights while fostering meaningful engagement with Indigenous Peoples. They should be aligned with the principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), including Free, Prior and Informed Consent (FPIC). The framework should provide clear guidance while remaining flexible enough to accommodate regional and project-specific differences.

Existing Indigenous consultation and engagement requirements are complex and highly dependent on the specific project, activity, jurisdiction, and regional context. Protecting Indigenous rights is particularly relevant in the electricity sector, given the extent to which electricity infrastructure and projects may interact with Indigenous communities, lands, and rights holders.

This guidance should avoid creating new quasi-regulatory requirements that duplicate existing legal obligations. The MSS should support Indigenous rights and participation in a manner that is consistent with Canada's existing legal framework. Establishing MSS requirements that extend beyond existing legal frameworks could create uncertainty, increase reporting burdens, and make implementation more difficult without necessarily

improving outcomes for Indigenous communities or advancing the taxonomy's climate mitigation objectives. If additional safeguards are introduced, they should be developed through consultation with electricity companies, Indigenous communities, and other relevant stakeholders across provinces and territories, with sufficient flexibility to reflect regional and project-specific differences.

Green, Transition, and Abatement Categories

Further clarity is needed to define the green, transition, and abatement categories, particularly the distinction between transition and abatement. Given increasing scrutiny of environmental claims and greenwashing, criteria should be objective and evidence-based to define eligible activities and assess progress. For example, 'Zero to near-zero emissions' is mentioned in descriptions of both green and transition categories but no quantitative definition is provided.

The term *"green"* is not clearly defined and may be misaligned with Canada's greenwashing requirements under the *Competition Act*. Consideration needs to be given to using a more neutral and clearly defined term that captures the category's intended criteria without creating unnecessary barriers for participation.

Transition criteria should balance decarbonization, reliability, affordability, and demand growth. The category is essential for recognizing emissions-intensive activities that support a net-zero economy and provide a credible pathway to lower emissions. However, greater certainty is needed to support investment and avoid carbon lock-in. While the category applies to activities aligned with a net-zero pathway, it also allows exceptions where technically feasible solutions are unavailable. This appears inconsistent with the current definition and suggests it should be clarified or broadened.

The abatement category includes projects that could have a significant impact between now and 2050. However, the proposed guardrails may discourage investment by limiting longer-term investment horizons and economic returns. The category should be refined to ensure it remains investable.

Technical Screening Criteria

Technical screening criteria should be science-based, quantitative where possible and focused on measurable outcomes. These criteria should be robust enough to uphold the core principles of credibility and interoperability while remaining practical for voluntary adoption. To do this, criteria should align with existing standards and reporting practices. Where applicable the Taxonomy include International Sustainability Standards Board (ISSB)/ Canadian Sustainable Standards Board (CSSB), federal disclosure requirements, provincial regulatory requirements, and Sustainable or Green bond/financing frameworks. The technical screening criteria should be reviewed regularly to reflect changes in technology science and policy. This is particularly important in light of the evolving *Competition Act* requirements related to environmental claims and greenwashing. Without clear and timely guidance organizations may face increased burden on legal, disclosure and assurance.

The criteria should incorporate the principles of materiality and proportionality. Material sustainability impacts vary across the electricity sector, and organizations should be able to focus on impacts most relevant to the nature, scale, and location of an activity. Taxonomy eligibility should be based on credible evidence rather than aspirational outcomes, particularly in light of the *Competition Act* and its implications for environmental claims.

When determining which emissions to prioritize, the primary focus should be on Scope 1 emissions, with careful consideration given to whether Scope 2 and Scope 3 emissions should be included. Assessment criteria should also recognize broader system-level decarbonization impacts, including avoided emissions, rather than focusing exclusively on an organization's direct emissions profile.

In the electricity sector, for example, Scope 2 emissions may increase for transmission and distribution utilities as electrification accelerates. However, those same investments can enable significant emissions reductions across transportation, buildings, and industry, meaning a focus on Scope 2 emissions may overlook broader economy wide benefits. Greater consensus is also needed on the treatment of Scope 3 emissions, where methodologies, data quality, and attribution remain challenging. If these issues are not addressed, uptake of the Taxonomy could be reduced. For example, some companies have withdrawn from Science Based Targets initiative (SBTi) commitments due to challenges associated with Scope 3 target-setting.

Overall Alignment

The taxonomy should remain voluntary and practical. The materiality should be considered at the activity level and reporting, and assurance requirements should be proportionate to avoid unnecessary burden. Clear guidance on substantiation, and materiality will be important to support consistent and voluntary uptake. To ensure this, Business Future Pathways should consider focusing on Canada's sustainability targets rather than frequent mentions of Paris Alignment. In addition, the reference is to a 1.5-degree Celsius target which is on the more stringent side of the Paris agreement that indicate targets below 2.0 degree Celsius are acceptable. Basing the taxonomy on back-casting net-zero scenarios may not reflect the current market considerations. For the electricity sector, methodology grounded in energy demand and associated investment would provide a more realistic decision-making tool.

Additional consultation on the technical screening criteria is also recommended before finalization, particularly with respect to the categorization of sector activities related to nuclear energy and natural gas. The methodology should explicitly address the treatment of nuclear energy within the taxonomy. Nuclear generation is relied upon as a source of non-emitting electricity and plays a significant role in helping certain provinces achieve their net-zero objectives. The current lack of clarity regarding the classification of nuclear energy as a low-emission source creates uncertainty for investors and asset owners, potentially limiting investment in technologies that support decarbonization objectives. Further guidance is also needed on how natural gas generation will be classified within the framework. While natural gas generation is not currently included in the proposed may not meet the criteria for a transition activity, many natural gas facilities continue

to play a critical role in supporting grid reliability, affordability, and system flexibility, particularly in jurisdictions with different market structures, resource endowments, and electricity generation mixes. Given the electricity sector's central role in enabling emissions reductions in other sectors, the taxonomy should consider the broader system and economy-wide impacts of investments in electricity generation and infrastructure. Future sector-specific guidance should reflect electricity sector and regional perspectives to support the consistent interpretation and application of the Taxonomy across Canada.

Thank you for this opportunity to comment on the Sustainable Finance Taxonomy: Methodology Report Draft. Should you have any questions or require any additional information about this letter, please contact Diana Dominique, Electricity Canada's Senior Director, of Customer, Sustainability and Membership Services. Diana may be contacted at:

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Sincerely,

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