Social Finance Strategies for a Canadian Low-Carbon Economy

Prepared by
pfc Social Impact Advisors

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pfc

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Preface

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This program of study, “Social Finance Strategies for a Canadian Low-Carbon Economy,” is part of a teaching series developed by pfc Social Impact Advisors (pfc) to be used at the Oxford Social Finance Programme, Saïd Business School, University of Oxford. The case content will also be featured in books published by Stanford University Press and Palgrave Macmillan. The books and the series examine the strategies global leaders are using to tackle the world’s most complex problems.

The Social Finance Programme has created a series of case studies to highlight the efforts of leaders worldwide to offer a compass to other leaders as they take on the biggest challenges of our time. They focus on those problems borne most heavily by poor children and families

globally, and where domestic actions in wealthy nations are critical to the solution. The goal of the case study series is not to prescribe answers, but to stimulate discussion. Each case analysis poses questions for students and the broader fields of social investing and philanthropy to help answer the question, "What would you do, given the circumstances?"

This program of study examines an interconnected web of complex issues facing Canada as it seeks to address the widening gap between rich and poor, improve economic conditions and well-being for all its citizens—especially amongst Indigenous communities—and manage the economic and social impacts of climate change. These are similar to the issues that keep world leaders awake at night, according to the World Economic Forum's Global Risks 2017 report. Those global issues include failing climate change strategies; poverty; weapons of mass destruction; mass involuntary migration; water crises; energy volatility; fiscal crises; and social instability.[1]

These issues populate the Wicked Problems framework, first described by social scientists in the 1970s, which offers leaders better tools to tackle these seemingly intractable issues.[2] Over three decades, much has been learned about what it takes to successfully address the world's most difficult problems. Against the Wicked Problem framework, we have gathered these lessons together under the rubric of Deliberate Leadership, an amalgam of the most effective adaptive leadership strategies used in the business and social sectors to empower leaders to deal with complexity effectively and thoughtfully.

Deliberate Leaders, as explored in this case, are leaders who act with intention and recognize that they must accept not only the risk of the challenges ahead, but also the consequences of their actions.

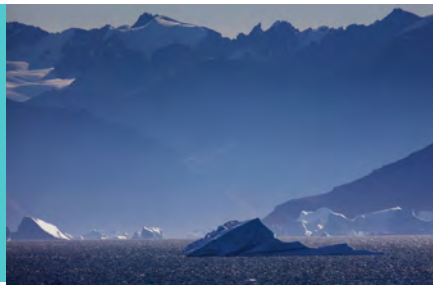
The Layout of the Case

This program of study offers a unique opportunity for students to observe and participate in the ways a nation and key players can creatively and passionately address the greatest challenge of our time—climate change. Its chapters go behind the scenes to understand how three partners in social investing and philanthropy act as catalytic change agents and leverage their resources to blend capital, policy, and ideas to promote innovation.

The Canadian experience demonstrates how diverse partners have come together to tackle the Wicked Problem of climate change by exhibiting, amongst other things, the traits of Deliberate Leadership. This experience is captured in the following chapters:

Chapter 1 provides an overview of the Canadian national, provincial, and local context around climate change, and elaborates on the collective impact of partners in government, philanthropy, academia, and private sectors in building a social finance movement. The province of Alberta's unique role in carbon-related issues and initiatives is singled out for analysis.

Chapter 2 examines the impact and role of climate change on Indigenous communities. Many of these communities are located in the North and are directly exposed to impacts of climate change. Indigenous people contribute extensively to understanding the natural environment and furthering environmental conservation. By adding the voices of Indigenous peoples to the climate change discussion, we further progress to solutions.



Chapter 3 provides a closer look at the three-phase Deliberate Leadership Process and examines how the three organizations have attempted to align organizational culture and programs to produce change. Key observations include how each organization addressed various risks and seized opportunities, in the mold of Deliberate Leadership, while employing their respective theories of change and approaches.

Chapter 4 provides examples from all three foundations, showing how they have practiced Deliberate Leadership. Particular attention is focused on instances where the actions taken by the three foundations demonstrate the 7C's of Deliberate Leadership.

Chapter 5 highlights learnings derived from the funders' various approaches (and how their solutions relate to Deliberate Leadership); reflecting, learning, and adapting—what worked and why?

Chapter 6 offers conclusions about how stakeholders learn, change, and adapt. How can the system be built to last through various changes in leadership and political climate? Change happens when all are at the table, and success never occurs without difficulty.

Finally, in the **Epilogue,** key contributors examine what's happened in year since the original case study was created. How will Canadian federal government leadership react in the face of growing political populism and polarization attempting to weaken existing climate mitigation strategies? It is important to know that it is unlikely Canada will meet its Paris commitment of reducing emissions by 30 percent below 2005 levels by 2030, unless it dramatically expands its efforts. In the words of Prime Minister Trudeau, Canada is working hard to "not let this opportunity pass" for the nation to be a world-class leader in climate change.[3]

What big issues are emerging and what political changes are upon us? How has building relationships with diverse stakeholders (and adding different perspectives) allowed us to retool collaborations as we face these challenges? It also raises questions about what's next for Ivey, McConnell, the Suncor Energy Foundation, and Suncor Energy, Inc. to maintain progress in potentially challenging times, while accelerating progress to meet goals outlined in the Paris Agreement.

This program of study examines the perspectives of key Canadian leaders from the business, academic, government, and nonprofit sectors, focusing on the work of the Ivey Foundation (Ivey), the McConnell Foundation (McConnell), Suncor Energy Foundation, and Suncor Energy. The methodology included a review of background materials provided by the foundations and acquired through desk research, and 32 interviews (see Appendix 1). We appreciate the support of James Glave, James Tansey, Ken Ogilvie, Suzanne Lamoreaux, Sanjana Govil, Ellen Lourie, John Slocum, Ali Webb, and John Sherman. pfc is grateful to the Ivey Foundation, the McConnell Foundation, and Suncor Energy Foundation for their support as well as the Columbia Institute and the Clean Economy Fund.

Introduction

Introduction: Wicked Problems, Deliberate Leadership, and Climate Change

Wicked Problems

> *"…no paradigm is 'true'…including the one that sweetly shapes your own worldview…[it] is a tremendously limited understanding of an immense and amazing universe that is far beyond human comprehension"*
>
> *—Donella H. Meadows*[4]

It was Berkeley professors Horst W.J. Rittel and Melvin Webber who first put forward the concept of Wicked Problems in the 1970s to describe "wickedly" complex social problems. Though the concept originated in the context of urban planning, it is now used widely by leaders of business and development. Wicked Problems are messy, systemic, and large. Unlike problems in the natural sciences, they are ill defined and do not have obvious or objective

solutions. As Webber and Rittel put it, “Social problems are never solved. At best, they are only re-solved—over and over again,” and the decision on which solution to choose is necessarily subjective and often political or moral.[5] Steve Rayner, the James Martin Professor of Science and Civilization at Oxford, has said this about Wicked Problems: “We are not dealing with problems where we’re just uncertain; we’re dealing with problems where people know what the answer is. Different people know what the answer is. The trouble is the answers they have are just irreconcilable with each other.”[6]

Scholars categorize problems as Critical, Tame, and Wicked. Critical problems require urgent attention and command-and-control leadership (the house is on fire). Tame problems (the road must be built) are best tackled by technical experts who have experience solving them many times over. Wicked Problems, on the other hand, have never been solved before and require adaptive leadership (e.g., climate change).

Rittel and Webber put forward ten characteristics to identify Wicked Problems:[7]

1. They have no definitive formulation.
2. They have no stopping rule, or are never completely solved.
3. Their solutions are not true-or-false, but good-or-bad.
4. The repercussions of a Wicked Problem’s solution can never be fully appraised.
5. Every attempted solution counts significantly, leaving traces that cannot be undone.
6. They do not have an exhaustive set of potential solutions, and it is not possible to prove that every solution has been identified and considered.
7. Each one is essentially unique.
8. Each one can be considered a symptom of another problem.
9. One’s choice of explanation for a Wicked Problem determines the nature of the problem’s resolution.
10. Those who attempt to solve Wicked Problems are held liable for the consequences of the actions they generate.

Climate Change: The Quintessential Wicked Problem

It is not difficult to see why climate change is the quintessential Wicked Problem. It is unprecedented, its repercussions are unfathomable, and it concerns all of us. There are so many different perspectives on the problem, its causes, and possible solutions. In fact, Chris Reidy describe climate change as a “super wicked” problem—“one in which time is running out; those who cause the problem also seek a solution; the central authority needed to address them is weak or non-existent; and irrational discounting occurs that pushes responses into the future.”[8] Any attempted solution will fall short and will require further improvement and iteration. As a consequence, the diversity of voices brought to the table will determine how problems are defined and how their solutions are shaped. This is why Wicked Problems require adaptive or Deliberate Leadership that creates cultures of listening and learning.

Deliberate Leadership

Deliberate Leadership is a response to the challenges of Wicked Problems, based on proven business and social sector theory and practice. The framework blends recognized adaptive leadership strategies that create lasting positive impact within the communities most affected by systemic challenges, and within the organizations trying to tackle them.

Deliberate Leaders like the CEOs of Ivey Foundation, the McConnell Foundation, and the Suncor Energy Foundation display the following seven core characteristics (the 7C's) to maximize learning and demonstrate flexibility:

- **Courage**—They embrace risk and live with ambiguity. Deliberate Leaders recognize that simple solutions are insufficient to address complex challenges. They also realize that risk is inherent to Wicked Problems: solutions must be tried, tested, and allowed to evolve.
- **Collaboration**—They seek out and listen to divergent viewpoints. Deliberate Leaders recognize that collaboration may be slow and uncomfortable, but is essential to understanding options, gaining new knowledge, and building powerful solutions.
- **Community**—They build solutions together from the ground up. Deliberate Leaders recognize that answers to tough issues may already reside in Positive Deviants.[9] They seek uncommon answers to difficult situations and put people at the center of decision making.
- **Candor**—They speak and hear the truth about what is working and what isn't. Deliberate Leaders embrace failure and success equally—internally and among partners—to manage risk and allow for recalibration and innovation.
- **Creativity**—They can imagine a new future and move beyond the constraints of the past. Deliberate Leaders look for "big ideas" and evolving practices through scenarios that envision a different future.
- **Capital**—They examine how financial and non-financial resources are invested and impact is analyzed.
- **Compassion**—They understand how deploying empathy and partnership, rather than ego, can positively impact the power dynamics within and surrounding an organization.

The 7C's recognize that solving Wicked Problems requires leadership to create, nurture, and continually reinforce an organizational culture dedicated to open and honest learning and adaptation, communication, and diverse stakeholder involvement. They also require social investors to let go of their perceived need to have the right or only answers and to control the process unilaterally.[10] Feedback and the inclusion of multiple, diverse voices allows leadership to operationalize the 7C's.

Canada at the Epicenter of Climate Change

"We have a chance to build in Canada and around the world economies that are clean, that are growing, that are forward-looking. We will not let that opportunity pass us by."

—Justin Trudeau, United Nations General Assembly, September 2017

Canada is the second largest country in the world, after Russia. It is also the world's fourth largest oil producer and exporter, and has been identified as among the ten largest greenhouse gas emitters. Forty percent of its land mass is in the Arctic, and 60 percent is in the Canadian North, which consists of three territorial regions (Yukon, Northwest Territories, and Nunavut), and Nunavik in northern Quebec, and the Inuit settlement region of Nunatsiavut within Labrador. These areas share Arctic characteristics: glaciers, permafrost, and even some tundra.

The North is home to more than 100,000 Indigenous people, making up over half of the northern population, who for centuries have sustained life and culture tied to ice and snow. Since 1984, sea ice has shrunk significantly. The Arctic sea ice is now declining at a rate of 13.3 percent per decade, making the survival of northern Indigenous people—and their traditional way of life—fragile[11]. High and growing levels of food insecurity; disrupted migration patterns of land mammals; melting ice, declining caribou populations can all be linked to climate change.[12] The impacts of climate change affect livelihoods and food sources for Indigenous communities and ultimately threaten their physical and mental well-being. Worldwide, these populations feel the first effects of climate change and may be the most vulnerable to the impact.

Figure 1. Map of Canada

According to a 2014 report from the Intergovernmental Panel on Climate Change (IPCC), one of the key climate-related risks to humans is the impact of climate change on Arctic communities. Northern communities have been experiencing the effects of global warming for more than a decade.[13] In the wake of this changing climate, Arctic First Nations and the Inuit people's way of life has changed profoundly. As the region warms, glaciers, sea ice, and permafrost are melting rapidly, making sea ice conditions unpredictable and dangerous for hunting and traveling in the winter.[14] The negative consequences include the deterioration of both the mental and physical health of these northern communities.

The 2007-2008 Inuit Health Survey showed that 29 percent of Inuit have attempted suicide and 48 percent have had suicidal thoughts.[15] In some areas, rates for suicide in Inuit youth are up to 40 times the national average.[16] This problem is not unique to Canada: Indigenous populations in Australia, New Zealand, Greenland, and the United States also have elevated rates of suicide.[17]

Less than ten years ago, more than 70 percent of northern Indigenous communities hunted and fished for subsistence purposes.[18] Lack of access to traditional food sources, coupled with loss of winter ice roads that once connected families, have resulted in increased diabetes and record-breaking suicide rates tied to isolation and loneliness.[19] In 2016, Northern Canada experienced one of the warmest winters on record, which resulted in 60 percent of its roads remaining closed throughout most of the winter months.[20] According to NASA, 2016 was also the warmest year ever recorded globally.[21] The Neskantaga, in the northern reaches of the Canadian province of Ontario, was one of the communities cut off that year. Three years earlier, a state of emergency was issued for the community because of an alarming number of suicides. The community also has high rates of drug and alcohol abuse, yet lacks adequate mental health services.[22]

According to Ontario Regional Chief Isadore Day, "The social impact is most acutely felt by First Nations people in the remote North. Adapting to climate change for them is a life or death issue. … Many health problems that Northern communities already deal with—like mold in houses, the absence of safe and clean drinking water, and respiratory problems, will be worsened by the effects of climate change."[23]

Canada, along with Africa, India, Australia, and all Arctic countries, is already feeling the effects of climate change, and may be the proverbial canary in the coal mine. While the effects of climate change will differ globally, what Canada does about climate change will inform the world.

Heightened Need, New Leadership Demands

Canada's leadership position was in place even before the US withdrew from the Paris Climate Agreement, and Canada remains on the frontline for leadership in climate change in North America and globally. How must its role expand as it accepts this new leadership mantle, and how must philanthropists and social investors support this new role? How can their resources trigger new blended capital models and leverage public and private sector resources to control and mitigate the devastating impacts of climate change? How is Canada partnering with other countries to accelerate the alternative energy industry in solar, wind, and other low-carbon

energy technologies? How will new products be created in the financial markets that support green energy alternatives for mainstream financial customers? How can social finance tools be adopted quickly to support a low-carbon economy that will shape the future of Canadian jobs?

This case study examines many of these questions and the ways a collaborative of funders—the Ivey Foundation, the McConnell Foundation, and Suncor Energy Foundation—is building unique partnerships to boldly create a low-carbon economy for Canada. Climate change for these foundations is a call to action, necessitating interconnected strategies that include: institutional capacity building in social and sustainable finance, fund development, policy advocacy, and demonstration projects aimed particularly at enlisting the capacities of Indigenous peoples by listening to and cooperating with Indigenous leadership.

This case study examines the suite of tools each foundation has used to address climate change, and it illustrates the ways all three funders individually and collectively exhibit characteristics of Deliberate Leadership—a leadership approach developed to tackle the world's most Wicked Problems. It also takes into account the role that Suncor Energy has played in the Alberta Climate Change Plan.

Why These Three Funders?

Each foundation's work and learning is different. Ivey and McConnell Foundations are private foundations endowed by a benefactor. They differ in size, focus, strategy, and internal culture, and have both "wins and losses." However, those wins and losses do not impact the ongoing viability of either McConnell or Ivey. The Suncor Energy Foundation has a different funding pattern. It is a private, nonprofit, charitable foundation, established by Suncor Energy Inc. and completely funded by the company.

With fourth quarter 2017 earnings of more than CAD$1.3 billion, Suncor Energy is the largest oil and gas producer in Canada, and it is the single largest investor in Canada's oil sands, the third largest reserve of petroleum in the world. Reducing greenhouse gas emissions is an imperative for the company and the Suncor Energy Foundation has been playing a leading role in supporting and collaborating with organizations focused on a transition to a lower-carbon economy.

A brief background on these three funders' leaders and their institutions further illustrates their unique and complementary approaches.

Three Deliberate Leaders

This study includes a focus on the actions and leadership of three CEO stakeholders—Bruce Lourie of the Ivey Foundation, Stephen Huddart of the McConnell Foundation, and Steve Williams of Suncor Energy. Each presents an accomplished record of public and private service. All have staked out clear commitments on the climate change and social finance, from their own unique vantage points.

"Policies and practices to address climate change and the future of energy must acknowledge all Canadians; philanthropic strategies that focus exclusively on stopping pipelines and shutting down economic activities are highly divisive and counterproductive to building an inclusive and sustainable culture of change."

—Bruce Lourie, President, Ivey Foundation

Lourie's 20-year career was built on creating collaborative solutions to challenges facing nonprofits, government, and the private sector. He has expertise in toxic substances, green energy, forest conservation, and environmental philanthropy, and may be best known for his work in connecting environmental issues to human health through his research on mercury pollution and for initiating the campaign to shut down coal-fired power plants in Ontario. Lourie is also known for his ability to identify gaps in the environmental sector and for creating vibrant and effective organizations to fill those gaps.

"As a philanthropic foundation operating nationally in Canada we have been field-building for some time around social innovation, social finance or impact investing… in the belief that philanthropy on its own cannot accomplish systematic change at the scale that is needed."

—Stephen Huddart, President and CEO, The McConnell Foundation[24]

Huddart's career spans several fields and includes leadership positions in the private, public, and nonprofit sectors. Prior to joining the McConnell Foundation, he worked as Executive Director of Troubadour Music Inc. and the nonprofit Troubadour Institute. He co-founded and operated a community-based business in Vancouver, where the local chamber of commerce named him Business Person of the Year in recognition of his active support for a wide range of community groups.

"Whether the subject is the economy, environment or energy development, the world needs solution seekers. There are many forces that make it easy to pursue the polarizing path, the path where we throw stones and criticize. We need to step firmly into the space that is focused on the long term and working together."

–Steve Williams, President and CEO, Suncor Energy[25]

Williams has more than 40 years of international energy industry experience, holds a Bachelor of Science degree (Hons.) in chemical engineering from Exeter University, and is a fellow of the Institution of Chemical Engineers. He is a graduate of the business economics program at Oxford University as well as the advanced management program at Harvard Business School. He has long been an advocate for sustainable development in the energy industry and a leader in conversations that connect the environment and economy. Williams has also been a champion for Indigenous business development and direct participation in the energy industry.

The Ivey Foundation: A Bold Transition

All foundations must consider the extent to which they wish to be an active versus passive funder.[26] Both models are valid but the choice depends on many factors, including the values and comfort levels of directors and the arena in which they choose to operate.

For most of its first 67 years, the Toronto, Canada–based Ivey Foundation (Ivey or the Foundation) chose passive. It had an open invitation proposal process and awarded grants on a wide range of issues including environmental and conservation issues.

For the past three years, Ivey has pursued a very different, active philanthropic model. It now believes that a foundation with CAD$95 million in assets can be a more effective agent for change by climbing into the driver's seat and actively directing programming.

The shift, however, did not happen overnight. It was preceded by a decade of learning, listening, and engaging with environmental non-governmental organizations (NGOs) and other foundations. The shift culminated in 2010 with the landmark Canadian Boreal Forest Agreement (CBFA), Canada's largest and most complex conservation achievement to date.[27] Covering a vast region of northern Canada (an area larger than all of Europe), Canada's boreal forest (North America's version of Northern Europe and Russia's taiga) is home to more than 500 Indigenous communities, the world's largest terrestrial carbon sink, one of the largest intact ecosystems, and the resource base for much of Canada's forest industry. The CBFA supports both the communities and the resource itself as it ensures "a stronger, more competitive forestry industry and a better protected, more sustainably managed boreal forest."[28] Its signing proved a watershed moment in the evolution of the nation's resource economy.

After a decade of focused support for forest conservation, the Ivey Foundation stepped back to examine the systemic challenges, failures, and successes the CBFA effort brought to light. An independent review of its forest-sustainability efforts identified several strengths and starting points. The Foundation then embarked on two years of extensive consultation, convening, and listening, as a continuation of other conversations, and began to see fewer "environmental issues" and more challenges endemic to Canada's natural resource dependent economy. Chief among these was climate change. Driven by a curious and demanding staff and board, the impetus for change was complete.

The McConnell Foundation and Social Finance

Established in Montreal, Quebec, in 1937, The McConnell Foundation (McConnell or the Foundation) is Canada's second oldest family foundation. Its stated vision is of "a Canada in which the economy and social systems advance the well-being of all people, and in which the natural environment is stewarded for future generations." To this end, the Foundation has declared a commitment to "reconciliation between Indigenous and non-Indigenous peoples, and seeks to unleash the resources and creativity of individuals and organizations from all sectors to solve social challenges."[29]

With an endowment of about CAD$650 million, of which about CAD$60 million is committed to program-related investments (PRIs) and mission-related investments (MRIs), the McConnell Foundation is one of the largest Canadian foundations working to promote social finance.[30] According to the Foundation's President and CEO, Stephen Huddart, the social finance perspective on climate change is about "scaffolding up new systems, investing in alternatives, and taking advantage of the capacities that are inherent in the financial system to take things to a very large scale." He believes that finance can create bridges, or at least spark conversations, about clean energy alternatives among civil society, the public sector, and—increasingly—the private sector. Social finance can be harnessed "to propose, to test, to learn iteratively and

quickly what's working and what's investible, and to apply all of the tools of the financial system to scaling up a new operating system for the planet."[31]

While the Foundation has an 80-year history of deploying grants to achieve its vision, it was between 2003 and 2008 that it began to mobilize other forms of social finance. The Foundation's then-President/CEO, Tim Brodhead, along with Ted Jackson, Al Etmanski, and Tim Draimin, spearheaded a framework for catalyzing a social finance marketplace in Canada.

This culminated in the establishment, in 2007, of the Social Innovation Generation (SiG), a partnership with the Waterloo Institute for Social Innovation and Resilience, the MaRS Discovery District, and the PLAN Institute. The goal of SiG was to be a catalyst for systems change by contributing to the broader economic, cultural, and policy context in Canada to allow social innovation to flourish. Therefore, SiG intentionally engaged partners across all sectors.[32]

A fundamental tenet of the Foundation's social finance philosophy was to achieve transformative, systems change. According to Stephen Huddart, "In Canada and around the world, this work is evolving rapidly and becoming increasingly networked. We have arrived at a threshold moment, when the work must be taken to another level of impact, durability, and scale. To bring this about, we have much to do within civil society, but more than this, we need to collaborate with government and the private sector in the greater public interest."[33] Senator Ratna Omidvar notes that this systems-change approach is what sets the McConnell Foundation apart from other foundations: "Because they've progressed from doing good to changing systems, their horizons have exploded. They're thinking of a very big social marketplace that would bring millions of dollars of investments and leave a legacy of native housing, low-carbon economy products that people are using, moving people from the margins into the circle in different ways."

Suncor Energy, Suncor Energy Foundation, and Collaboration

Suncor Energy has been one of several companies leading Canada's oil sands development. Arlene Strom, Suncor's vice president, sustainability and communications says the company has acknowledged climate change as a serious global issue for more than 20 years, when its first climate strategy was put in place. "We are part of a resource-intensive economy, and we provide energy primarily from oil. So, we want to be part of the solution," says Strom.

The Suncor Energy Foundation is a private, nonprofit, charitable foundation established by Suncor in 1998. Suncor Energy Foundation's funding priorities include Energy Future, Indigenous People, and Community Resilience. Over the past 15 years, Suncor Energy and the Suncor Energy Foundation have contributed more than CAD$249 million to charitable organizations in communities across Canada and internationally.[34] Suncor Energy Foundation is focused on complex social issues where it can have a positive impact and most of this work is done working collaboratively with others.

"There is so much power in collaboration," says Strom. "We look for long-term partnerships where we can innovate and work on solutions together." These partnerships include initiatives with the Ivey and McConnell foundations.

Suncor Energy and the Suncor Energy Foundation are committed to strengthening relationships with Aboriginal peoples and ensuring they benefit from resource development in Canada. "We

need to be better partners and collaborators, start conversations about development earlier, listen to and learn from traditional knowledge and wisdom, and respect the unique legal and constitutional rights of Aboriginal Peoples," says Strom. "We don't know exactly what the path forward looks like, but it starts with doing things differently. We want to deepen our understanding of the history, customs, and beliefs of Aboriginal Peoples and spread that awareness, not only within our own organization but among all Canadians."

According to Strom, Suncor Energy's approach is founded in a recognition of Indigenous rights that are embedded in treaties, the Canadian Constitution, the United Nations Declaration on the Rights of Indigenous Peoples, and the recommendations of the Truth and Reconciliation Commission: "Together, they outline how we should be engaging and walking side-by-side with Aboriginal Peoples. And there's a frank acknowledgment on our part that we haven't always been a good partner in the past. We are listening to communities and elders and realizing how much there is to learn. We want to do better going forward."

The work involves uncomfortable conversations and strong leadership; Suncor Energy and Suncor Energy Foundation, along with its diverse partners are working to bridge the divide.

Different Strategies; Different Approaches

Ultimately, the approaches of the Ivey Foundation, the McConnell Foundation, the Suncor Energy Foundation, and Suncor Energy present different perspectives to addressing climate-related issues in Canada. Each of them has invested heavily in helping to take on the Wicked Problem of climate change by working towards a low-carbon economy for Canada. The diversity of these funders has led to contrasting applications of the Deliberate Leadership Process and various examples of the seven core characteristics (the 7C's) of Deliberate Leadership. In different ways, all three have embraced risks and opportunities, while producing different solutions to challenges.

The Canadian Context for Climate and Social Finance

Chapter 1: The Canadian Context for Climate and Social Finance

"We cannot solve all the problems that face us in a rapidly evolving world through simply redistributing taxes through funding. That is not sustainable. The money runs out at some point. The demands become different and they become more varied. Governments are stretched everywhere."

"People want to get things perfect. In the search for perfection, good ideas get abandoned. I'm worried about that. I'm worried about the search for perfection."

—Senator Ratna Omidvar, Senate of Canada

The contours of the Wicked Problem of climate policy in Canada are clear: a vast country that remains heavily dependent on natural resources for economic growth and exports must negotiate absolute reduction targets with relatively autonomous provinces and territories, while all levels of government have obligations to respect the rights and title of the Indigenous people.

The Canadian Context for Climate and Social Finance

There has been government action in Canada on climate change for more than 20 years, but the country is undergoing a considerable transition where government, business, and civil society are exploring and mobilizing new forms of policy intervention, financial instruments, and sources of capital to expand the portfolio of available solutions. As a result of the Paris Agreement, there has been a renewed commitment by the federal government to tackling climate change and supporting a transition to a low-carbon economy. There has also been a renewed interest in the role of social finance in supporting the expansion of the low-carbon economy, improving opportunities for Indigenous engagement, and enabling the broader transition of the economy to climate-friendly solutions.

This case study begins with a profile of the Canadian economy, which has a particularly high level of resource dependence compared to European countries in the Organisation for Economic Co-operation and Development (OECD). The historical consequences of Canada's settlement pattern were driven by the pursuit and development of agriculture and natural resources across a challenging and often inhospitable terrain. This has created structures that require a different approach to leadership than in more centralized nations such as the United Kingdom or France. Two key consequences of this colonization pattern have strongly influenced Canada's capacity to respond to the climate challenge.

First, Canada is a federal nation, and its constitution grants a great deal of autonomy to the provinces and territories, particularly over jurisdictional decisions related to the energy sector, natural resources, and the environment.[35] Few examples reveal this constitutional right more clearly than the provincial control of energy resources; for example, hydroelectricity in Quebec, nuclear power in Ontario, and the oil sands in Alberta.[36]

Second, during the colonization of Canada, issues of Indigenous rights and title were neglected and abused. Recent court cases have created much stronger obligations for government and the private sector to recognize the traditional rights of Canada's Indigenous peoples. The courts created a clear duty to consult with those peoples over a wide range of policy decisions. Many of these court cases have been fought over access to natural resources and have established a precedent where Indigenous people have the status of another level of government in negotiations provincial and federal governments.[37]

Disputes over sovereignty and territory have an immediate impact on the conditions for Canadian climate policy-making. The federal government is responsible for negotiating international agreements like the Paris Agreement but cannot commit the provinces to binding targets, unlike many other OECD countries with centralized government authority.[38] This has resulted in an unusually fragmented mosaic of climate policies across the country, developed by provincial leaders in response to their own constituencies and ranging from an economy-wide revenue-neutral carbon tax in British Columbia (BC) to an intensity-based carbon pricing system in Alberta that originally focused on large final emitters.[39] Quebec and Ontario made unilateral decisions to join the Western Climate Initiative (WCI), a cap-and-trade system developed with California that establishes targets and an international trading system that lacks the direct legislative support of either the American or Canadian federal governments.[40] Ontario's new Conservative government has since cancelled the cap-and-trade program and cut government support for climate change initiatives.

The sheer scale of Canada's landmass creates inherent challenges in establishing central and universal policies for the country. For instance, while the government sought to unite the country by building railways, the energy grid across the country is highly diverse and fragmented and remains provincially controlled.[41] The size of the country and the differences in regional resource endowments result in very different energy supply mixes across the country, from Alberta, which historically had a high dependence on coal-fired power generation, to BC, Quebec, and Manitoba, which each source approximately 90 percent of their power from hydroelectricity.[42]

The upside of this history is that collaboration may come more naturally to Canadians; as Tim Draimin of Social Innovation Generation puts it:

> Although we don't talk about it, I make an assumption that collaboration is hopefully easier in Canada than maybe (in) some other countries … In the US, the motto is 'life, liberty, and the pursuit of happiness,' whereas we have 'peace, order and good government.' The historic narrative about how our country grew wasn't based on a revolution or civil war, it was based on the public, private, and civic sectors coming together around creating very specific nation-building activities.

To understand the role of climate finance in driving climate solutions requires an understanding of both the regulatory environment that pushes the public and private sector to act, and the sources and forms of capital that attract investors. A number of regulations described in this case create pressure on government institutions to act; recognizing that the federal government spending is around 21 percent of GDP, and total government spending is significantly higher.[43] For instance, both the federal carbon tax and the carbon neutral government initiatives in British Columbia send a very strong signal to public sector organizations that reductions in emissions will reduce their costs.[44]

Canadian provinces have taken very diverse approaches to climate policy and will also address recent commitments by the federal government to harmonize carbon pricing nationally at CAD$50 per metric ton, while allowing the provinces to choose specific measures.[45] This approach was a "made-in-Canada" solution and creates challenges for companies that operate across provincial boundaries, but it also allows for flexibility between jurisdictions with very different emissions profiles. Efforts by provincial governments and the federal government have stimulated innovation by the private sector to expand the number of companies with a low-carbon footprint. Programs such as Sustainable Development and Technology Canada have played an important role in growing the clean-technology sector.

While the United States, United Kingdom, and a number of other jurisdictions have embraced social finance mechanisms, Canada is still in the process of developing a national strategy. However, a number of examples of social finance instruments are being applied to climate policy across the country, ranging from the Coastal First Nations Great Bear Initiative, which funded sustainable economic development opportunities with revenues from forest carbon credits generated from conservation commitments, to community-led investments in Quebec by solidarity cooperatives.

Resource Dependence in the Canadian Economy

Canada's transition to an industrial economy occurred much later than European OECD countries. The vastness of the country and the relative remoteness of the west coast meant that development of the western provinces—where most of the oil and gas resources reside—occurred much later than much of the rest of North America. Metro Vancouver, now home to 2.6 million people, had just 1,000 residents in 1891, growing to just 14,000 in 1901. Its economy relied heavily on forestry and fisheries for much of the 20th century. While central Canada developed manufacturing capabilities over the same period, the overall profile of the Canadian export sector has remained heavily resource dependent. The importance of forest products has declined over the last 40 years, and oil and gas extraction dominate the export profile, at least for now.

Canada is the fifth largest producer of oil and the fourth largest exporter globally.[46] While all exports are traded in the same Canadian dollar, most oil production occurs in the western provinces. This has generated concerns about the impact of the "petrodollar," which can be a disadvantage to manufacturing companies. The relationship between the US$ exchange rate and oil prices has been consistently strong. Over a ten-year period ending in 2015, there was a 0.78 correlation between oil prices and the exchange rate. When the US exchange rate is high, this hurts the manufacturing sector by making Canadian goods relatively more expensive.[47] It remains to be seen how growth in low-cost shale oil and gas sectors in the US will affect this correlation, but it has brought into question the significance of export-focused infrastructure such as oil pipelines. As Bill Young, Founder and President, Social Capital Partners said, the impact of this resource dependence is significant:

> Canada is a divided nation in its environmental positioning…there are vested interests in multiple countries, but when you probably have as many natural resources as Canada has, there's this tension between stewardship and economic development that is a fine line for anyone, any leader to walk. We'll see how Trudeau navigates that.

The Federal Position

Canada's federal climate and environmental policy history has ranged from issues such as ambient pollution and acid rain to providing international leadership on the Montreal Protocol, which regulates ozone-depleting substances.[48] Today, Canada's federal and provincial policies are organized under the Pan-Canadian Framework for Clean Growth and Climate Change.[49]

Three key pillars inform the current government's perspective on climate change policy:

1. **Carbon Pricing.** Encompassing the broad policies surrounding better pricing of carbon goods that integrate both private and social utility, this pillar considers a wide variety of approaches to reduce greenhouse gas (GHG) emissions. This includes carbon taxes, cap-and-trade systems, and hybrid schemes that integrate multiple approaches. A part of this includes the binding minimum on a carbon price of CAD$10/ton.
2. **Complementary Climate Actions.** Although carbon pricing does have a significant policy impact on GHG emissions, it does not fully address other regulatory issues that also have

an impact on emissions. These policy actions are directed towards energy use, the built environment, industry, transportation, agriculture/forestry, as well as government and international leadership.

3. **Clean Technology, Innovation, and Jobs.** An integral part of any forward-looking climate change policy framework, this pillar considers how the government can strengthen innovation to provide an environmentally and economically responsible source of growth.

Underpinning these pillars is a commitment to regular and transparent reporting, and a respect for Indigenous community rights. Exploring the framework helps to inform the breadth of policy developments, both federal and provincial.

Federal Carbon Pricing Benchmark

As provinces have jurisdiction over the specific form and function of carbon pricing schemes, the Federal Government developed a benchmark through the Working Group on Carbon Pricing Mechanisms, which monitors compliance with the Pan-Canadian regime. This benchmark includes several measures: timely introduction, common scope, stringent requirements to contribute to national targets, and requirements that revenues remain within the jurisdiction.

Coal-Fired Electricity Regulations

New regulations introduced in November 2016 set stricter performance standards for new coal-fired electricity generators, as well as for those approaching the end of their useful life. The rules set a permanent cap on performance standards (these generators may emit a maximum of 420 tons of CO_{2e} per gigawatt hour), incentivizing electricity producers to shift to fossil fuels with carbon capture and storage, renewable energy, and high-efficiency natural gas.

Low-Carbon Economy Fund

Announced in June 2017, the Low Carbon Economy Fund directs CAD$2 billion into projects that will generate clean growth and reduce GHG emissions towards meeting the commitments under the Paris Accord.[50] The fund is subdivided into two component parts:

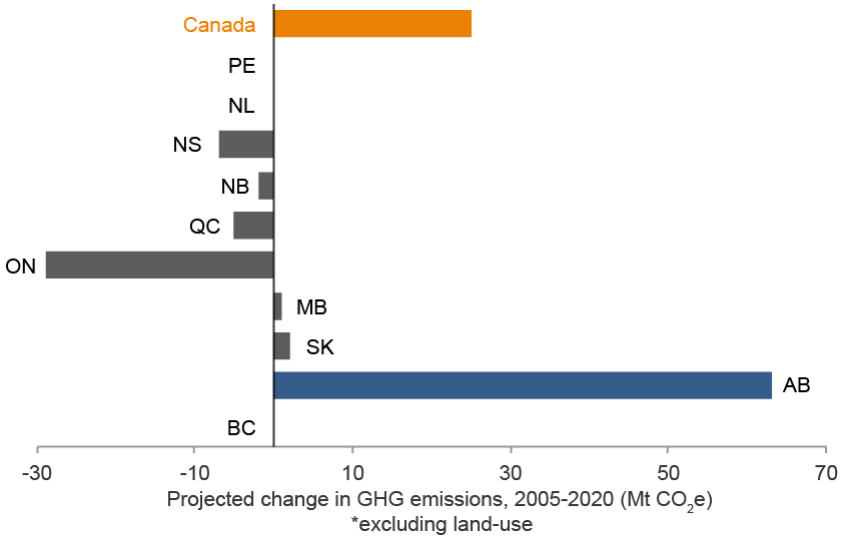
1. **Low-Carbon Economy Leadership Fund.** The Leadership Fund provides CAD$1.4 billion to provinces and territories towards projects that address climate change while economically sustaining communities. CAD$30 million is available as base funding to each province and territory, in addition to funding based on population size.
2. **Low-Carbon Economy Challenge.** The Government will direct the other CAD$600 million into ambitious projects that encourage innovation, not just within the provincial and territorial levels, but also within municipalities, Indigenous organizations, businesses, and for-profit and not-for-profit organizations.[51]

Provincial Leadership

The projected change in emissions by province in Canada, over a 15-year period to 2020 is shown in Figure 2. These projections were made in 2013, prior to a series of events that

significantly changed emissions outlooks in some provinces. For instance, in Alberta, the global decline in oil prices and the Alberta *Climate Leadership Plan* both occurred after 2013, resulting in a reduction in Alberta' projected emissions.

Figure 2. Projected Change in Emissions by Province[52]



British Columbia

Among the Canadian provinces, British Columbia (BC), under the leadership of then-Premier Gordon Campbell, was the first to transform climate policy, beginning in 2008 with the introduction of an economy-wide revenue-neutral carbon tax. Government initially priced carbon at CAD$10 per ton and increased it in CAD$5/ton increments for the subsequent four years. The tax's revenue-neutral feature ensured that government would offset any increase in tax revenue by equal reductions to corporate and personal income taxes. [53]

BC's carbon tax is the highest and most comprehensive across Canadian jurisdictions. It is set at CAD$35/ton and covers 75 percent of the province's economy. Essentially, all the revenues earned from the tax are channeled back into the province through tax reductions.[54] The tax itself was initially low and gradually stepped up to ease the impact on households and businesses. It covers 70 percent of total GHG emissions in BC, and despite an increase in population, BC still has seen a 5.5 percent reduction in emissions.[55]

Within the same period, the BC government introduced the concept of a carbon-neutral government and directed the provincial crown corporation utility to source all new generation from clean and renewable sources. The government also created legislation that would provide the foundation for a cap-and-trade system linked to California and a number of other provinces and states and ensured that any new electricity supply would focus on low-carbon options such as hydro, wind, and biomass. The province also created the Innovative Clean Energy fund, which allocated CAD$25 million annually to investments in new and emerging clean technology solutions.[56] This program was driven by Premier Campbell who saw it as a priority at the time,

but who also recognized that voters in the political center in BC were looking for climate leadership.

Ontario

Ontario, Canada's most populous province, has achieved more carbon reductions, invested more in energy efficiency, and built more non-hydro renewable power than any other province, making it Canada's climate leader. (This changed in June 2018 when the populist conservative Premier, Doug Ford was elected and swiftly dismantled Ontario's climate policies.) As the first jurisdiction in the world to phase-out coal-fired electricity generation, Ontario helped set the stage for international leadership on the elimination of coal.

In 2003, coal contributed 25 percent of Ontario's power supply; by 2014 it was no longer part of the equation, and Ontario had become the first jurisdiction in North America to fully eliminate coal as a source of electricity—the single largest climate action undertaken in North America. The effort was led by the Ontario Clean Air Alliance, a broad-based coalition focused on public-health and environmental impacts.

The Ontario coal phase-out had the same climate impact as taking seven million cars off the roads. It also coincided with and complemented a number of other policy objectives, including "the need to restructure the electricity sector following the failed period of deregulation and privatization from 1998-2002," the shift towards energy conservation and renewables, reducing the amount of mercury entering the environment, and health concerns related to air pollution reform.[57] There was also little need to leverage industry support; there was no coal mining industry in Ontario lobbying against this action, and the coal plants were publicly owned.

Launched in January 2017, Ontario's cap-and-trade system provides a systematic, structured mechanism to tap into carbon markets in order to decrease carbon emissions over a period of 30 years. These benchmarks exceed federal benchmarks and put the province in good stead to reduce GHG emissions.[58] Initially, the government will allow large emitters to pollute for free until 2020, with the rationale being to prevent "carbon leakage," i.e., the concern that large emitters will move to jurisdictions without carbon pricing.

After this period, there will be a (declining) cap on emissions from 142 megatons in 2017, to 15 percent, 37 percent, and 80 percent below 1990 levels, by 2020, 2030, and 2050, respectively. Prices are set at a floor of CAD$17.50/ton to CAD$18/ton, though demand can push this higher. There are additional early reduction credits for work already undertaken to reduce emissions.[59] The proceeds from cap-and-trade auctions are funneled into a Greenhouse Gas Reduction Account to fund initiatives that reduce or support the reduction of GHGs.[60] All of this is being dismantled by the new Ontario government creating tremendous disarray and the likelihood of multiple billion dollar lawsuits. This highlights the fragile nature of Canada's climate change policy infrastructure and for the Ivey Foundation reinforces the need to establish broad non-partisan support for climate policies, a challenge in the largely left-leaning world of climate philanthropy and social finance.

Quebec

Initially, Quebec introduced a low-carbon tax in 2006 with revenues going into a Green Fund that sponsored green infrastructure and education.[61] Quebec's cap-and-trade system works similarly to that of Ontario, with prices projected at roughly CAD$19.40/ton by 2020.[62]

Quebec's cap-and-trade system has been part of the Western Climate Initiative (see shadow box) since 2014, and will be linked soon to Ontario's. However, Quebec's forecasted carbon price is lower than the minimum the federal government projects beyond 2020. This could cause issues with the links between California and Quebec carbon markets, as the minimum cap of CAD$50/ton would be imposed on Quebec even if the clearing price were lower than that. The potential for the arbitrage that follows could create political and economic repercussions for both markets.[63]

Quebec has successfully mobilized capital into the social economy. The province's approach is distinctive, not only within the Canadian context, but for the OECD as a whole. This approach was driven by labor solidarity funds and legislation in the nineties that enabled the creation of solidarity cooperatives. In the solidarity co-op structure, ownership is shared between customers and workers. Combined with tax incentives of 30 percent provided to investors as a rebate on their income and designed to encourage reinvestment into Quebec, this legislative framework has resulted in 7,000 enterprises employing over 200,000 people with a turnover of CAD$33 billion.

The Western Climate Initiative (WCI)

The WCI was originally established by five western US states (Arizona, California, New Mexico, Oregon, and Washington), and in 2008 they were joined by Ontario, Manitoba, Quebec, and British Columbia. Ultimately, only California, Quebec, and Ontario established the legislation that would allow them to operate a cap-and-trade system, with Ontario withdrawing in mid-2018. The WCI is unusual in that it involves international agreements between a state and two provinces to effectively price and regulate greenhouse gas emissions through a common trading system. Allowances are auctioned to regulated entities through a market, and the system includes a floor on price that increases each year. The floor ensures that the market signal cannot collapse as it did in the European Union emissions trading system during the recession.

The Maritime Provinces

New Brunswick introduced legislation to allow local entities to source electricity through renewable energy. This allows universities, NGOs, co-operatives, and Indigenous communities to be able to contribute to New Brunswick's renewable energy goals.[64] A 300-MW wind farm, and biomass and biogas-capturing landfills also support New Brunswick's energy transition. Additionally, the province is shutting down coal and heavy oil power plants, which translates into 75 percent non-emitting energy sources by 2020.[65]

Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Yukon, and the Northwest Territories have a "made-in-province" solution to carbon pricing.[66]

Alberta: An Unlikely Canadian Leader in Low-Carbon Innovation

Within the past three years, the Canadian province of Alberta has made significant strides towards a low-carbon energy future. Despite an economic slump and deep reliance upon fossil-fuel revenues, the Western province has assumed a leadership position in Canada's ongoing low-carbon economic and energy transition.

The province is Canada's oil and gas powerhouse. It sits atop the third-largest proven petroleum reserve in the world—only Venezuela and Saudi Arabia have larger reserves. In 2012, Canada's oil and gas sectors contributed CAD$91 billion to the nation's Gross Domestic Product (GDP) and provided more than 478,000 jobs.[67] Alberta accounts for 80 percent of Canada's oil production and 70 percent of marketable gas production. In 2014, the oil sands contributed about 9.3 percent of Canada's total carbon emissions.[68]

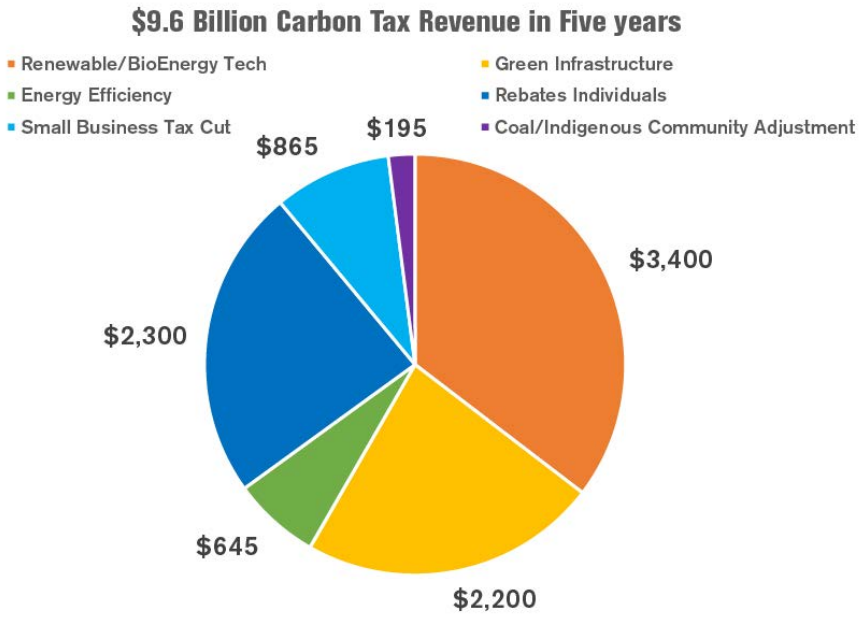
With per-capita emissions of 66.7 ton CO_{2e}, Alberta is a globally significant case in how to pursue a low-carbon transition. In November 2015, the Government of Alberta introduced the Climate Leadership Plan (CLP) to reduce carbon emissions while diversifying their economy, creating jobs, and protecting health and environment.[69]

The province established a carbon pricing and offset system that focused primarily on large final emitters, responsible for over 50,000 metric tons of CO_{2e}. The government designed the program to reduce the intensity of emissions from large industrial sources by 12 percent by pricing carbon at CAD$15 per ton.[70] Companies that could reduce their emissions below a target price of CAD$15 per ton would be credited, but they had two other compliance options. Companies could purchase carbon credits, sourced within Alberta, under a regulatory system that originally only required a limited level of verification.[71] That system resulted in millions of metric tons of carbon credit production by farmers in Alberta, who shifted to no-till agriculture to reduce emissions from soil.

Over time, the government raised the bar on those verifications to "reasonable assurance" levels, which significantly reduced the pool of available credits.[72] Companies that could not make the reductions and could not source offsets paid a CAD$15 fee into a fund that was established to invest in lower carbon technologies. While Emissions Reductions Alberta (ERA, originally CCEME) secured over CAD$180 million in funds through this mechanism, they struggled initially to find suitable investments within Alberta.[73]

Alberta has also recently introduced a levy on all fuels emitting GHGs when combusted, of CAD$20/ton in 2017 to be raised to CAD$30/ton in 2018. As with British Columbia, the proceeds from the levy will be invested back into the province, making it (on paper, at least) revenue-neutral. The province also offers rebates based on income and family size to offset the costs of the carbon levy. With a projected CAD$5.4 billion to be raised from the levy, the Albertan government has developed a plan for how to use those revenues (see Figure 3). As the Albertan government levy matches the Pan-Canadian framework carbon pricing plan, there are no additional federal carbon taxes applied to the province.[74]

Figure 3. Planned Revenue Distribution from Alberta Carbon Levy (CAD$ Millions)[75]



The Federal Government's Role in Alberta

As one of Canada's key economic drivers, Alberta has long dominated not only Canada's oil, gas, and coal production, but also the nation's approach to energy politics.

Under Canada's constitution, provinces have authority over most aspects of resource management, including energy policy, electricity production, and environmental regulation. The federal government received a sharp reminder of this in 1980, when Prime Minister Pierre Trudeau—the current leader's late father—introduced a plan called the National Energy Program (NEP), which sought to redistribute a portion of Alberta's energy wealth across the country. The blowback from Alberta proved so intense that the doomed program still casts a shadow across efforts to develop and sustain Pan-Canadian climate policy to this day.

Successive federal governments were seen by interviewees for this case study, and many Canadians, as mostly absent in terms of climate leadership throughout the 1990s and 2000s. In 2011, Canada's Conservative Prime Minister Stephen Harper pulled the country out of the Kyoto Accord and discontinued funding for a National Round Table on the Economy and the Environment.[76] The Liberal government of Justin Trudeau established the first comprehensive national approach to climate change called the Pan-Canadian Framework on Clean Growth and Climate Change. Initial enthusiasm has dampened with slow implementation, made more difficult with US trade concerns including NAFTA and Trump's retrograde climate policies, together with a faltering pipeline agenda.

In 2018 the federal government announced $20 million in funding over four years to establish a new organization that will provide independent, expert advice to the country on how best to achieve climate change goals in a comprehensive, evidence-based and cost-effective manner. The Ivey Foundation has been working closely with academics and the federal government

exploring different models for such an entity.

Provinces Step In

Meanwhile, in the absence of previous federal leadership, some of Canada's provincial governments began to step up, as discussed in the previous sections about the provinces. For its part, the Harper government reformed federal environmental regulations, chose to target coal plant emissions and, similar to other resource-intensive jurisdictions, paved the way for significant oil industry expansion in a high oil price environment. So, as the oil and gas companies in Calgary mapped out plans to expand their oil sands projects, environmental organizations began setting up their war rooms. In the ensuing years, political changes, along with input from various stakeholders including energy companies and environmental organizations, would help produce seismic shifts in federal and provincial approaches to low-carbon initiatives, ultimately culminating in Alberta's Climate Leadership Plan (CLP).

Social Finance in Canada

While the social finance sector is still emerging in Canada, there are some strong signals of its presence from across the provinces, as well as from the federal government, particularly with the 2016 establishment of the Social Finance and Social Innovation Strategy Co-Creation Steering Group. Since the social sector plays a central role in generating social innovation and supporting social finance, it is helpful to understand the social sector in Canada. To avoid creating false expectations about the potential for social finance in Canada, it is important to understand the potential demand for investment and the risk appetite of social ventures.

Total revenues in the charitable and nonprofit sector represent around CAD$104.4 billion, of which CAD$49.8 billion comes from the sale of goods and services and CAD$20.8 billion comes from grants and transfers from the federal and provincial governments.[77] The projections are based on 2008 figures, because Statistics Canada stopped collecting this data at that time. In terms of sectors in the nonprofit and charitable sector, the largest category is Development and Housing, which is important from a climate finance perspective, since it implies there may be opportunities to invest in building energy efficiency projects.[78] In terms of the scale of social ventures, two recent surveys provide insights into typical revenues.

The BC Social Venture Survey, which was funded by the Federal Labour Market Partnerships program, identified 1,891 social venture organizations in BC including for-profits, nonprofits, cooperatives, and Community Contribution Companies (CCC) that undertake business activities allowing them to generate revenues from the sale of products or services.[79] Based on responses from 354 ventures, the survey concluded that 57 percent were nonprofits and charities, 23 percent were businesses, 17 percent were cooperatives, and 1 percent were CCCs. The largest categories were entertainment and recreation (22 percent), health and social services (15 percent), professional, grantmaking, and civic groups (14 percent), and retail/wholesale trade (11 percent). While 55 percent or more of social ventures stated they were capital constrained, only 21 percent have loans from financial institutions, and 20 percent are funded by founding shareholders.[80] Similar responses were seen in an Ontario survey of social enterprises.[81]

The findings are consistent with experience from the United Kingdom, which suggests that the majority of social ventures are relatively small and have limited appetite for risk financing or debt. While both surveys suggested that for-profit social ventures were three times more likely to use debt financing, both surveys also indicated that two-thirds of the total sector relies on grants to support their revenues.

Supply from Social Finance

There have been a number of attempts to quantify the supply of impact investing capital in Canada, and the figures vary greatly depending on the breadth of the definition. Drawing on research by the Responsible Investment Association (RIA) and MaRS, the total assets under management with a broadly defined Socially Responsible Investing (SRI) and Impact Investing focus could be as high as CAD$9.2 billion, including CAD$3.5 billion held by credit unions.

To speak meaningfully about the size of the impact investing sector in Canada means focusing on the subset of funds that have a clear, intentional impact focus and that, ideally, track and measure those impacts over time. A number of studies have sought to estimate that figure, and the broadest estimate is that the total sector in Canada will invest CAD$370 million in 2017 and will have CAD$3.2 billion in assets under management.[82] The state of the nation report on impact investing, produced in 2014, described the priority areas for impact investing in terms of the capital volumes: 33 percent focused on clean technology and renewable energy, 22 percent on nonprofits and social enterprises, 17 percent on emerging markets, and 11 percent on housing and community facilities. These figures are likely to be distorted by the fact that clean technology and renewable energy projects are more capital intensive.[83]

Recognizing that number represents a very small proportion of the total capital in Canada,[84] the Canadian Task Force on Social Finance made the following recommendations, which were intended to increase the total pool of funds available for impact investing:

1. Foundations should invest at least 10 percent of their capital in impact investments by 2020.
2. Government should partner with investors to establish a national impact investment fund.
3. Government should support the development of new financial products including social impact bonds, community bonds, and green bonds.
4. Pension funds should mobilize in support of impact investing.
5. The frameworks governing nonprofits and charities should be modernized to allow them more ability to invest in a way that is aligned with their missions.
6. Tax incentives that reward investors for placing capital in social finance and impact investing vehicles should be explored.
7. Small-and-medium-enterprise (SME) business development programs should be made more accessible to social enterprises.[85]

A more recent study looked at 59 Canadian funds that meet impact investing criteria and selected those that generated social, economic, and environmental returns for investors. Each of the funds was profiled by the team, and the data indicates that Quebec is home to the largest number (35 percent of the total). Quebec has a strong tradition of supporting solidarity

cooperatives and provincial development funds. The largest number of funds supported individuals with barriers to accessing capital; in the context of this study, only three of the funds identified focus on environmental objectives.

The study also replicated a finding from other studies: government plays a critical role in setting up and, in some cases, sustaining the funds. Of the 59 funds receiving one-time capital injection, 29 were funded by provincial governments, and 36 received recurring capital injections from government. In addition, 21 funds benefited from fiscal measures such as tax credits.

The survey recognizes that there is richness in the diversity of funds and approaches in Canada that reflects the political and geographic diversity of the country:

> "If we're going to create some sort of a social finance instrument or a fund of funds, we must take into account the diversity of this country; the differences between the provinces and regions. Needs vary considerably and those who are best able to identify and express the needs are those who live in those regions."
>
> —Marguerite Mendell, Professor of Economics, Concordia University

Questions for the Field

- What are the most prominent measures taken by Canada to date to address climate change? What political factors help to explain the uneven success of these measures?
- How does the relationship between the federal government and the provinces change the climate change conversation in Canada? How do intergovernmental relationships change the climate solutions in your country?
- What can philanthropy do to bridge the terminological divides—the differences in language and jargon—that can impede mutual understanding between business and government when it comes to social finance?

Indigenous Communities and Climate Change

Chapter 2: Indigenous Communities and Climate Change

As noted in the Introduction to this case, issues of climate change and the concerns of Indigenous communities are inextricably intertwined in Canada. Not only are Indigenous communities amongst the most vulnerable and exposed to the impacts of climate change, but they also actively contribute, both culture ally and financially, to furthering environmental conservation in the country. For instance, Aboriginal Financial Institutions are autonomous, Indigenous-controlled, community-based financial institutions that have collectively made 42,000 loans totaling over CAD$2.3 billion to businesses owned by First Nations, Métis, and Inuit people.[86]

Melanie Goodchild, Senior Indigenous Research Fellow at The Waterloo Institute for Social Innovation and Resilience, is enthusiastic about social finance's potential to create bridges between Indigenous communities and the rest of the world, in order to tackle the effects of climate change that Indigenous communities are witnessing locally. "Culturally and spiritually we're connected to our [local] homelands, but now we're affected by global realities. Colonization and empire building, all of that affected us, but now we're actually seeing it in our landscapes… And we're finding that more of the world wants to hear our worldview."

Goodchild, who is an Anishinaabe from the Moose Clan (a member of the Biigtigong Nishnawbeg in northwestern Ontario), says that environmental stewardship is an integral part of Indigenous ideologies: "In our creation stories, we were the last people put on Earth. All of the other relatives—the plants, water, sun, and the animal beings, were put on Earth before us… So, we were taught from childhood to respect the Earth because we were [its] younger brothers and sisters." This is different from much of the mainstream philosophies around conservation, which Goodchild says are "fairly anthropocentric," where human beings are responsible for the planet because they are seen to be in control of it. She believes that social finance has the potential "to support innovation that brings together [these] different worldviews."

Movement Towards a Social Finance Innovation

A conversation about a future way to finance climate change innovation among Indigenous people took place in September 2017. A group of 45 senators, government officials, academics, Indigenous representatives, civil society and financial sector leaders met in the Senate's Aboriginal Peoples Committee Room to talk about how to establish a "social finance wholesaler." Senator Ratna Omidvar and McConnell Foundation CEO Stephen Huddart hosted the meeting.

Additionally, the government announced the first round of grant making in April 2017 of the Indigenous Community-Based Climate Monitoring Program. The CAD$31.4 million fund, to be allocated over five years, is designed to support Indigenous communities in the development and implementation of community-based climate monitoring projects. In making the announcement of the second round of funding, Carolyn Bennett, Minister of Crown-Indigenous Relations and Northern Affairs, said:

> Indigenous people have been clear. Today's rapid acceleration of climate change is having a worrying and negative impact on their daily lives, their communities, and Canada's many ecosystems. By providing support for community-based monitoring of the impacts of climate change in Indigenous communities, this program addresses these challenges. Through collaboration among Indigenous organizations, territorial governments, and other partners, this program will draw on Indigenous knowledge and modern science to inform adaptation decisions and ensure that those impacted by climate change are also on the frontline of mitigation.[87]

Adding the Voices of Indigenous People on Climate Change

Groups like Indigenous Climate Action (ICA) are speaking out forcefully on climate change. ICA is an Indigenous-led organization. Their goal is to "uplift Indigenous worldviews and experiences within climate discussions."[88] Groups like ICA believe strongly that they are working towards "true climate justice which guarantees real solutions and ensures that Indigenous rights will be upheld for generations to come."[89] Other groups are using opportunities to collaborate and learn from one another. A conference in Ontario, Our Land 2018, offered Ontario Indigenous climate change workshops and included hands-on, practical, First Nation-specific sessions designed to build capacity amongst participants to respond to the impacts of climate change.

The Canadian social finance movement has provided some support for Indigenous peoples from credit unions and local banks, as well as impact investment funds like CAPE Fund (CAD$50 million) and First Nations Venture Capital of Quebec (CAD$7 million). According to Chris Henderson, President of Lumos Energy, a clean energy advisor to Indigenous communities, "We're seeing a movement now. The renewable energy market has been very active with Indigenous communities in Canada. And those have been community-owned projects of yield, that have been fundamentally done commercially, but they're social impact investment ventures, they're owned by the communities."

For instance, the First Nations Finance Authority is a nonprofit, Indigenous government-owned and controlled institution that has provided loans worth at least CAD$90 million to Indigenous governments. Similarly, the National Aboriginal Trust Officers Association is a charitable organization that provides Indigenous peoples in Canada with the resources to create, manage, and operate trusts. For the McConnell Foundation, reconciliation through partnerships with Indigenous and non-Indigenous organizations is one of five main issue areas. One of the organizations that the McConnell Foundation supports through this portfolio is Aki Energy.

Aki Energy

Aki Energy (Aki) is a social enterprise working in Manitoba Indigenous communities to develop and implement sustainable energy and food solutions. Through its solutions-based approach, Aki Energy aims to "plug the holes" of Indigenous economies by ensuring the benefits of energy and food consumption stay within the community. The McConnell Foundation has been a longstanding strategic ally of Aki. Aside from providing grant funds to the organization, the foundation has also introduced Aki to other funders such as Community Foundations of Canada, and approached key movers in government alongside Aki.

Aki Energy was founded by a group of Indigenous and non-Indigenous people—Kalen Taylor, Shaun Loney, an Ashoka Fellow, and Darcy Wood, former chief of Garden Hill First Nation—and was inspired by social enterprise models in the United Kingdom that were using utility financing to support renewable energy projects. The foundational philosophy of Aki is that of resilience and self-support; Indigenous communities recognize that even though the cause of many issues within their communities are outside their control (including history, political systems, and power structures), the ability to spot and act on opportunities to benefit these communities sits with them.

With this philosophy in mind, the organization works in two key areas—energy and food—that are critical to the long-term survival of these communities.

In the energy arena, Aki Energy primarily focuses on transitioning households away from grid-based electric systems and towards geothermal power. Through this investment, Aki Energy seeks to make communities self-sufficient for power, while providing opportunities for local employment during the deployment process.

The founding team was able to take a financial instrument called Pay-As-You-Save financing, which was originally developed by Manitoba Hydro for urban areas, and apply it to Indigenous communities. Specifically, Pay-As-You-Save (PAYS) allows Aki Energy to effectively sell geothermal and solar energy systems, with Manitoba Hydro paying for the upfront costs, and this cost being recouped through monthly payments over 20 years. The added costs are guaranteed to be lower than the savings offered by renewables. The legislation that enabled this, the Energy Savings Act, proved to be a game-changer for the organization.[90]

Aki Energy chose geothermal because the systems are highly reliable, even in the North, where access for maintenance is expensive and challenging during the winter. The systems also start to generate savings immediately. The challenge that utility financing solves is that many of the target households have problems accessing credit because they don't have assets and they may be unemployed or have limited incomes. The founders of Aki also learned that many community members move frequently between houses, so they have no long-term incentive to improve their homes. Because the utility financing is paid back out of reductions in the energy bills of the house, no additional security is needed. To quote Kalen Taylor, one of the founders, the program is "attached to the meter." This means that if a tenant moves out, the house's new tenant continues to finance the installation through their (reduced) energy bills.

The program offers 20-year financing for the full cost of geothermal installation at 3.95 percent interest, with an additional CAD$4,000 subsidy per house. As part of their public mandate, Manitoba Hydro also provided grants of CAD$4,000 per installation, which reflects 50 percent of the value of the energy savings on the open market. The benefits have been significant to date, with typical annual savings of CAD$1,100 per house.

Other governmental support systems included CAD$150,000 granted to Aki Energy to expand geothermal, biomass, and solar energy projects while also offering community members the training to install these energy systems to create employment opportunities. The geothermal systems were suitable to the skills of the local communities and they were able to start quickly in communities with higher capacity. As they moved to smaller communities, Aki had to take a more active role in capacity building and project management.

To date, Aki has invested over CAD$6 million through this mechanism across four communities. The primary barrier has been policy-related, rather than financial. The government of Canada has bureaucratic oversight of all reserve lands. Under their rules, social assistance should not be used to finance capital projects, and so they have concerns about the expansion of the Aki Energy program. While the program has been successful under an exemption that grants the ability to run pilot projects, further growth will be constrained until this regulatory issue is resolved.

This case shows how social finance and social innovation needs to be addressed at the system level. Aki Energy founded strong partnerships with communities and the energy utility and were able to mobilize significant amounts of capital through an innovative financial instrument. But in this instance, government regulation presents an obstacle to growth. Without regulatory innovation, no amount of capital will allow the program to scale across all communities.

As Henderson argues:

> Social capital or capital by itself is irrelevant without the right policy frameworks, and the right capacity building frameworks. This is the triangle of change. One point of that triangle is capital that is disposed to investing in clean energy ventures that combat climate change, which also generate economic development (and) social development for local communities. However, the missing link is actually much more important: the policy environment and the capacity environment.

In addition to its sustainable energy initiatives, Aki has also looked at local food production. Through displacement of whole populations due to flooding for dams, extirpation of wildlife species, and simply greater contact with the modern world, traditional hunting and agriculture have been displaced by a system whereby the government subsidizes the importation of food that is sold in the Northern Stores—in effect a private monopoly. High freight costs make much healthy food simply unaffordable. As a result, many Indigenous people over consume potato chips and carbonated drinks. When combined with a sedentary lifestyle, this is producing epidemic levels of diabetes, which in addition to diminishing quality of life, is very expensive to treat. More than 16 percent of all Northern Manitoba residents are afflicted with diabetes, more than double the provincial average.[91] Hence the government is subsidizing the overconsumption of poor quality food on the one hand, and diabetes treatment on the other.

Aki is proposing to disrupt this pattern with investments in fisheries and farms at scale. One way that this could be accomplished is via an outcomes fund that repays investors over time with savings on the cost of treatments for diabetes. By creating opportunities for local hunters and harvesters to sell their produce, Aki Energy also provides much needed cheap, healthy produce and meat for communities accustomed to expensive food shipped from the South. With health issues of key concern within Indigenous communities, access to locally grown food can serve as the first step towards a “prevention, not cure” strategy for solving these issues.

Consistent with the sustainable energy approach, supporting local food systems also gives the opportunity to support traditional lifestyles and the hunters and harvesters that make it possible. With strong demand for local food—since food imported from the South is significantly more expensive—simply providing the avenue for exchange (i.e., a marketplace) can make all the difference.

In order to grow, Aki is looking for other sources of investment to support its work with a particular focus on philanthropic organizations that may be able to provide support through program and MRIs. This will require social infrastructure to enable philanthropic organizations to build trust and familiarity with Indigenous investments. As Goodchild points out, this may involve some difficult conversations:

> My exposure to the philanthropic sector has been that there is capital and they want to support Indigenous communities, they want to support climate change adaptation, but they're not entirely sure how to do it. The other thing is, people don't want to really talk about the uncomfortable decolonization process, which is divestment and who has capital.

Impact Investing and Reconciliation

In its final report published in 2015, Canada's National Centre for Truth and Reconciliation (NCTR) defined reconciliation as the ongoing process of establishing and maintaining a respectful relationship between Indigenous and non-Indigenous people.

Reconciliation between Indigenous and non-Indigenous peoples in Canada is a multi-faceted process that restores lands, economic self-sufficiency, and political jurisdiction to Indigenous people, and develops respectful and just relationships between Indigenous communities and Canada. Reconciliation with Canada's Indigenous people was an underlying theme of Canada's year-long 150th anniversary celebrations in 2017.

In a July 2017 article, the Ottawa Citizen noted reconciliation's potential to be transformative for Canada, to bring to fruition such notions as healing, hope, and togetherness, to rebuild relationships, to acknowledge harms, to offer restitution, and to move forward to a more inclusive future for this country.

Reconciliation is a process, not an event. It means something different to every individual, and perhaps the most important metric connected to reconciliation is measuring whether relationships between non-Indigenous and Indigenous communities have improved. How are Indigenous and non-Indigenous people working together in their communities on issues like climate?

Reconciliation is central to the involvement of Indigenous communities with investments in climate conservation. Funders like the McConnell Foundation have been exploring investments based on reconciliation for several years. In a recent Canada climate case study interview, Pamela Ouart-McNabb, Senior Program Officer, McConnell Foundation, noted the progress of a reconciliation initiative within the Foundation:

> The way that we think about our work is framed in this concept of reconciliation economy. Often, what they're talking about is putting Indigenous people into Canada's economy and various strategies to do that…how can we put Indigenous values into economic systems that are more mainstream?… Wealth goes beyond bank accounts and GDP and what makes people feel like they're wealthy in their personal lives.

According to Ouart-McNabb, many Canadians think about resources as something finite to be monetized, for example, natural resources like oil, while Indigenous communities tend to think more broadly. "Indigenous clan systems appear to have a good grounding into what is required for a healthy community and a healthy nation. As a result, many are looking to do some more work to understand this perspective—being regenerative and thinking of the simple concepts of leaving a place better than when you found it…not just making sure that it's the same as when you got there, but what you can do to make it better."

From concepts like these, a climate investment strategy appears to be emerging. How does the reconciliation investment strategy become more than a one-off? This is the question that organizations like McConnell grapple with on a daily basis. “I think that for us, it's about taking strategic and intentional steps towards goals identified by Indigenous communities. It’s also about integrating reconciliation into all of our work, and in doing so, communicating to our networks about what we are doing and inviting them to join the work,” says Ouart-McNabb.

Government commitment to reconciliation and climate change

Purpose Capital and the University of British Columbia Sauder School of Business evaluated the state of Indigenous impact investing in the Canadian marketplace. [92] They noted that, while impact investing is a relatively new term, the practice of intentionally investing for financial returns and positive social and environmental impact in Indigenous communities is not new. Examples of Canadian social investment in Indigenous communities reach back to the mid-twentieth century to more recent community economic development initiatives supported by various levels of government, such as Aboriginal Finance Institutions.[93] While many of these initiatives have involved public sector contributions, more recently, examples of privately funded social impact investments in Indigenous communities have been taking place. These developments create the opportunity for more economic development to occur in a framework aligned with Indigenous values of collective responsibility and environmental stewardship.

The impact investment sector, in its early stages, is still a small niche within traditional financial markets. The report expects that, as the Canadian social finance marketplace evolves and through the Government of Canada’s commitment to addressing the longstanding social, environmental and economic challenges faced by Canadian Indigenous peoples—as well as its commitment to innovation—more financial products in support of Indigenous-specific opportunities will become available. Leadership within Indigenous communities and the private sector, supported by the Canadian government, will be required to achieve success.

Canada has an opportunity to step into the recent vacuum left by the US regarding the Paris accord and climate change. But what, exactly, is Canada's role, and what are the levers that can be used to ensure that Paris Agreement targets are met? Innovations with Indigenous people and reconciliation may provide an opportunity to actually achieve a low-carbon economy and promote a healthy planet in ways that have not been imagined before.

Developing greater economic activity in multiple sectors and in a framework aligned with Indigenous values requires leadership, but observers see significant developmental opportunities for the public, private, and nonprofit sectors. As the Sauder/Purpose Capital report notes, “Governments must use a combination of mechanisms that are targeted at different market actors to develop the social finance marketplace… Across the country, community and private sector leaders have created early examples of a new model of Indigenous development centered on local enterprise, and there is now the opportunity to leverage these precedents as a new partnership with Indigenous communities begins to unfold.”

Finding Investment Partners for Social Change

It is challenging work to find the Indigenous organizations and social enterprises that are ready for investment. On the pipeline issue, for example, there are Indigenous communities on each side of the issue. McConnell believes that only communities can make those decisions for themselves, and outside stakeholders don't really have the right to tell them how they should run their communities. And, as a result of history, extensive colonial baggage needs to be unpacked on the community side and often on the institutional side.

In the 2017 SHARE monograph on Business and Reconciliation, authors Delaney Greig and Andrijana Djokic articulated "the business case for reconciliation," noting the broader importance of reconciliation to the economy and to business portfolios: The Indigenous economy was projected to contribute CAD$31 billion to Canadian GDP in 2016, the Indigenous population is younger and growing faster than Canada's population as a whole, and the National Aboriginal Economic Development Board estimates that if Indigenous Canadians were given the same education, training, and employment opportunities as other Canadians, their contributions could increase Canada's GDP by CAD$27.7 billion annually.[94]

Indigenous businesses and economic development corporations are active in all sectors of the economy. Exciting opportunities are possible in a wide range of industries, if relationships can be established with other companies and investors. As Greig and Djokic note, "Investing in Indigenous peoples is an investment in Canada's future prosperity."[95]

Ktunaxa Nation Council Chair Kathryn Teneese has had substantial experience with mining and other industries in her traditional territory. Speaking at the British Columbia Pension Forum, she recently explained to pension trustees that investors and companies need to shift their mindset away from seeing Indigenous peoples simply as a risk to be managed, but rather as a new and growing talent pool and customer base, long-term reliable business partners, and local employees, suppliers, and contractors. Working with Indigenous peoples can lead to the development of new and innovative services and products, as well as provide greater operational stability.[96]

Canadian institutions appear ready for some sort of reconciliation. According to Ouart-McNabb, there are Indigenous social enterprises and organizations that are attractive to investors in the current system, but there are not a great many of them. So, as part of the transitional process, investors need to support all the preconditions in communities that will be necessary to build organizations and businesses. "Having well-placed Indigenous intermediaries is critical to this part of the transition, so that institutions can support Indigenous communities to be prepared in a way that will be helpful for them to get what they need," says Ouart-McNabb. "This approach may take time, however, which is why it is so important to create navigators and translators for new kinds of social investments, both philanthropic and impact investing."

One of the goals of McConnell's social finance program is to help build those bridges and to use Canada as an illustration of how different stakeholders with different perspectives —like McConnell Foundation, Ivey Foundation and Suncor Energy and Suncor Energy Foundation—can collaborate to promote a leadership role for Canada.

Questions for the Field

- When building an Indigenous social finance movement, how does a funder ensure that diverse Indigenous voices are leading the discussions?
- How might the account of efforts to facilitate Canada's transition to a low-carbon economy be different if it were written from the standpoint of Indigenous communities?

The Deliberate Leadership Process, Theories of Change, Risks, and Seized Opportunities

Chapter 3: The Deliberate Leadership Process Theories of Change, Risks, and Seized Opportunities

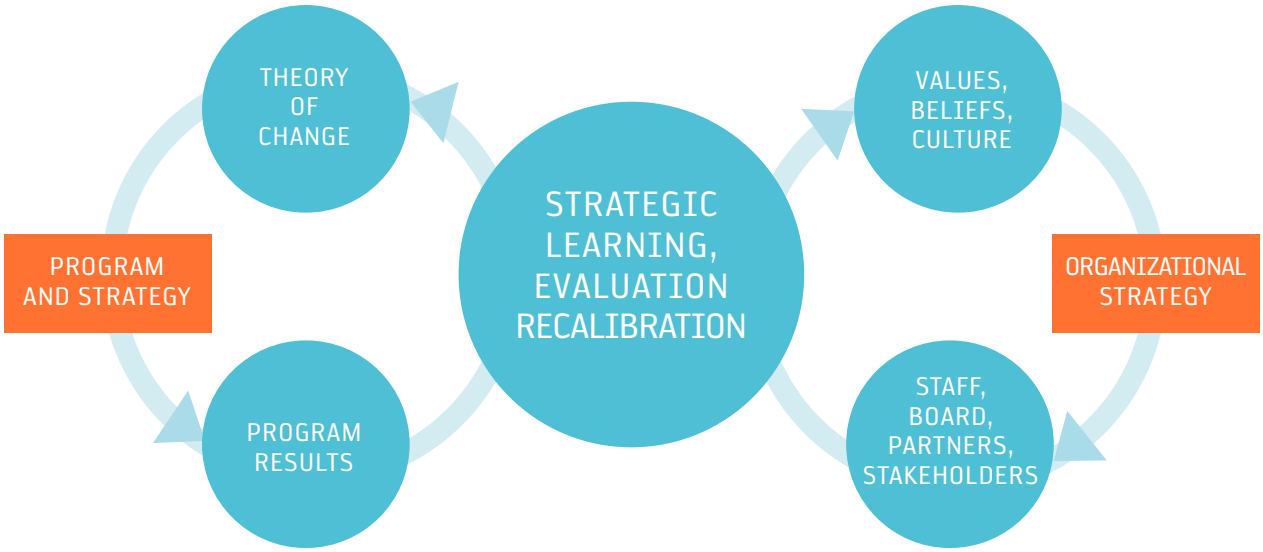
How did three diverse foundations come to influence the expansion of social finance and to promote creative solutions to climate related issues across the panorama of the Canadian economic, cultural, and political landscape? The following chapter of this case study shines a light on these nuanced approaches to Canadian Social Finance and to Canada's climate change Wicked Problem, by analyzing the work and strategies of the Ivey Foundation, the McConnell Foundation, and Suncor Energy Foundation.

Program Strategy and Organizational Culture

Bill Aulet, expanding on an observation often attributed to management guru Peter Drucker, has stated that "culture eats strategy for breakfast, technology for lunch, products for dinner, and soon thereafter everything else, too."[97] As illustrated in Figure 4, organizational culture, which is rooted in organizational values and beliefs, drives organizational strategy. Organizational strategy, in turn, affects the formulation of programmatic theories of change and the result of those programs on the ground. If the organization is a learning organization, feedback loops will ensure that program results reach leadership, and inform leadership's next steps. In this way, programmatic strategy and results have an effect on subsequent organizational strategy. Deliberate Leaders attend to developing both organization and program, recognizing that even the smartest program strategy requires a supportive and effective organization to implement it.

Success when there are no known answers, as is necessarily the case with Wicked Problems, requires a learning organization, a culture of collaboration, and openness to discussing risk and failure. Deliberate Leaders create, nurture, and ensure that an organization's values, culture, and beliefs support and align with all three interconnected phases when addressing systemic, complex issues.

Figure 4. Syncing of Organizational Culture and Program Strategies



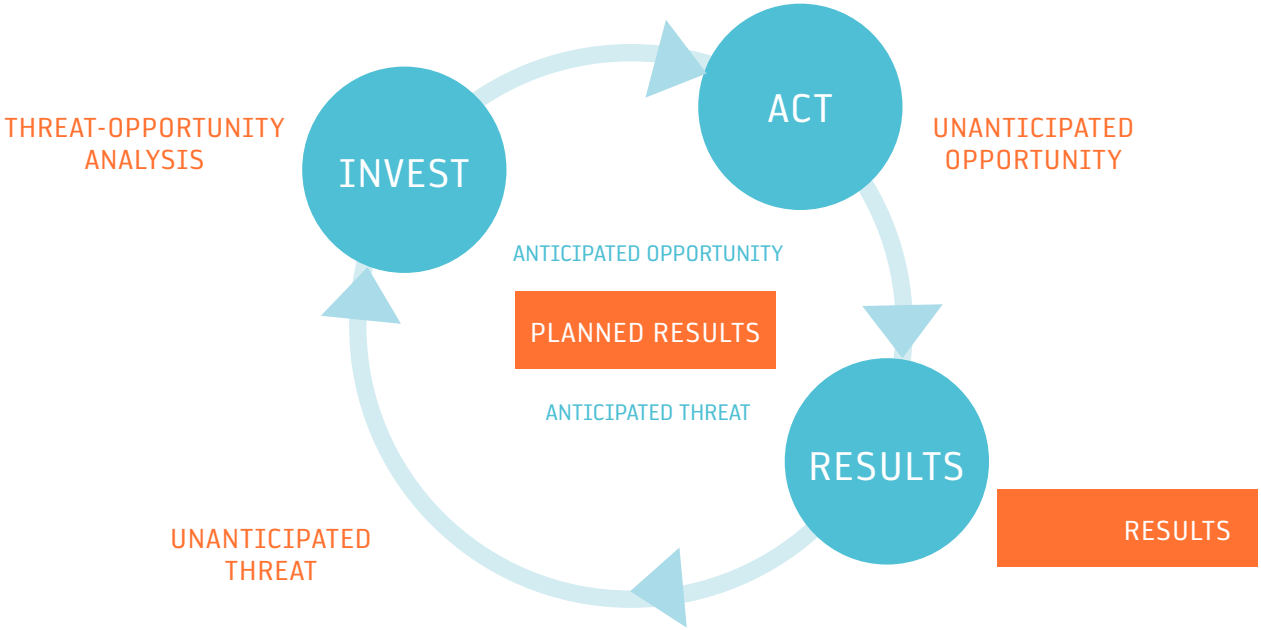
Each of the three funders in this case study pay significant attention to ensuring integration and coordination between their organizational strategy/design and their programming. The Suncor Energy Foundation aligns its priorities and strategy closely with Suncor Energy's. Suncor Energy Foundation brings its learnings and social innovation experience into the company and has helped drive a culture of innovation particularly in the areas of Aboriginal engagement and energy futures collaboration. Over time, the Suncor Energy Foundation has been able to incorporate more risk and bigger systems approaches into its programming.

The Ivey and the McConnell foundations tangibly demonstrate their cultural values by investing their capital in efforts aligned with their programmatic goals. Beyond putting their money where their mouth is, the CEOs and senior staff of both foundations play prominent, active roles in their programming. Senior staff are not only managers, they are also doers in the work. Such distinct and specific engagement means that those in charge of organizational culture represent and express that culture directly in the work; it also ensures shorter, direct feedback loops between program participants and those with the leadership power to change organizational strategies.

Addressing Risks and Seizing Opportunities

- Forward-facing businesses, governments, and nonprofits understand that innovation entails embracing risk and the possibility of failure. Embracing risk and talking about failure openly and honestly—lessons that government and philanthropy can learn from business—are essential when addressing Wicked Problems. This philosophy is key to Deliberate Leadership.
- By definition, Wicked Problems are high risk and pose many unknowns; efforts to address them are more likely to fail than succeed. In that context, having the courage to try, and the courage to publicly fail *is* success. Figure 5 illustrates how, as part of the process of Phase I: Partner and Plan, leaders assess the risks they can foresee as shown inside the cycle of planning. They also know that they will not be able to anticipate every scenario, that there will be unforeseen risks and also unforeseen opportunities, depicted outside the cycle of planning.

Figure 5. Risks, Threats, and New Opportunities



The Risk of Doing Nothing

In Canada, this risk-threat-opportunity process has been fully evident in recent years. A strong consensus emerged among Canadians that the risk of "doing nothing" overrode the risks (real or perceived) of action. It overtly manifested in many sectors—ratification of the Paris treaty, federal and provincial policies on carbon pricing and commitments to green infrastructure investments, the public's embrace of climate pricing, and mitigation policies by the major production sectors of oil and gas and automobile manufacturing. As addressed elsewhere, the financial sector remains ambivalent, continuing to seek short-term, sure bets over long-term risk management.

The Ivey Foundation, the McConnell Foundation, and the Suncor Energy Foundation explicitly or implicitly undertook their own risk-threat-opportunity analyses. From their various vantage points, each saw the status quo as unacceptable.

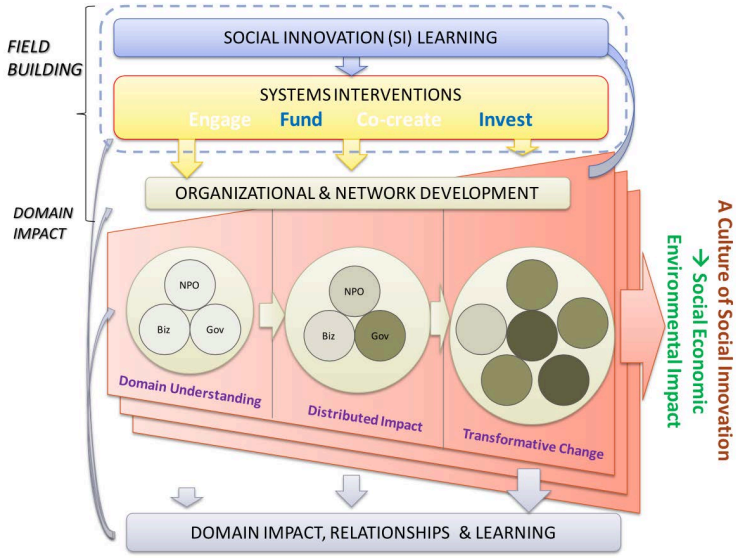
Harnessing the power of markets and social goodwill to advance Canada's social well-being while moving the world's 11th largest economy to a low-carbon, sustainable one requires a strong heart, dogged patience, powerful conviction, and most importantly, an understanding of complex systems. Ivey, the McConnell Foundation, and Suncor Energy Foundation's efforts embody these qualities. They audaciously and assertively chose to help forge this new economy by working together, building partnerships with likely and unlikely constituencies, changing the way they do business, and putting their full suite of capital assets (money, staff, and reputation) behind their efforts.

Collectively and individually, their efforts reflect many of the characteristics of the Deliberate Leadership process. This chapter explores those qualities by examining the ways the three foundations work, both internally and externally—exploring their Theories of Change and syncing of organizational cultures and strategies. As you will read in Chapter 5, its theory of change has many parallels with the Deliberate Leader learning process.

The McConnell Foundation Theory of Change

Figure 6 illustrates the McConnell Foundation theory of change. The Foundation seeks to develop a culture of social innovation that results in social, economic, and environmental impact.

Figure 6. The McConnell Foundation Theory of Change



The McConnell Foundation begins by understanding the domains that will help them achieve this impact, through an approach the Foundation describes as "systems sensing." This requires that the Foundation use a systems-thinking approach to develop high leverage points for its four funding strategies—engage, fund, co-create, and invest. The first phase of the theory of change requires that the McConnell Foundation identify key stakeholder organizations within a domain, learn from them, and support their capacities to understand, enhance, and apply social innovation. As more organizations adopt and deepen social innovation over time, the Foundation believes that more distributed impact will be created, and as social innovation gets embedded in a critical mass of organizations and the larger network, transformative change becomes possible.[98]

Social Finance Perspectives: From Impact Investing to Solutions Finance

The McConnell Foundation deploys both grants and investments, in the form of Programme Related Investments (PRIs) and Mission Related Investments (MRIs). Both PRIs and MRIs are impact investments that further the Foundation's mission, but MRIs expect market-rate or above-market-rate financial returns, while PRIs have a tolerance for below-market-rate returns.[99] Grants are made directly by the Foundation to nonprofit organizations in the sector, while investments are made through intermediaries, in for-profit and nonprofits organizations.

McConnell defines impact investment as "an investment strategy aimed at *intentionally* creating positive societal impact beyond generating financial return, sometimes deployed within a larger solutions finance strategy."[100] The Foundation made its first impact investment in 2007, through a CAD$10 million bridge loan put towards the construction of Quest University. When this loan was repaid in full, with five percent interest in 2009, it marked an important milestone for the Foundation and encouraged its board to set a target of five percent of assets under management for the McConnell Foundation's impact investment portfolio. This target was

achieved in 2015, and increased to 10 percent, and then to a "100% Responsible" target at the end of 2016.

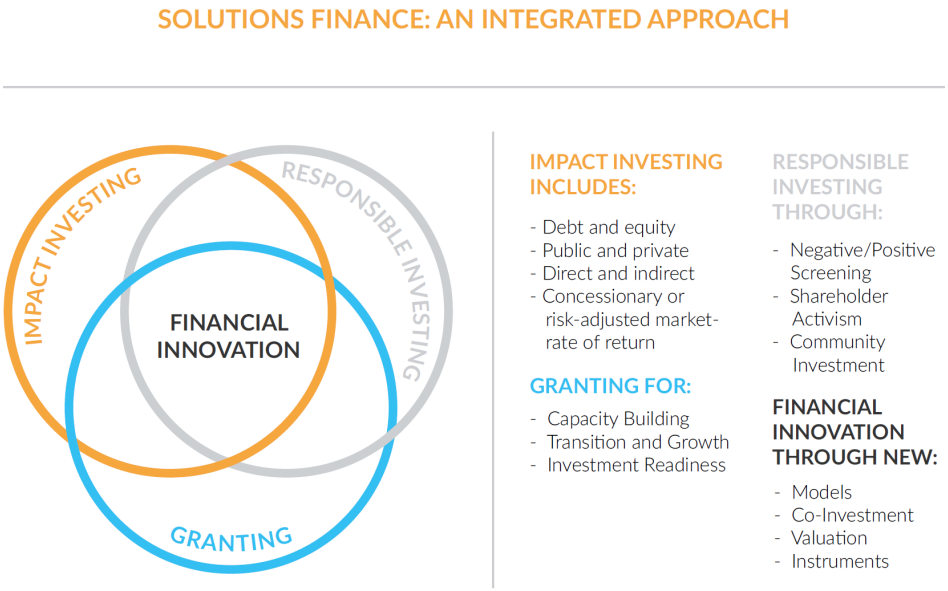
As of October 2017, the Foundation has allocated about CAD$60 million to its impact investment portfolio (with negative screens on the remainder of its investments), spread across 11 different domains, which include environment, water, sustainable food, energy, and Indigenous communities.[101] The investment portfolio has a diverse financial and impact risk-return profile, ranging from repayment of principal to an expected internal rate of return (IRR) of 25 percent.

The goals of the impact investment portfolio are three-fold:

- Increase social and environmental impact, in line with Foundation priorities.
- Increase capital available to the charitable sector.
- Support financial innovation.[102]

Impact investing is one of three approaches in the McConnell Foundation's "Solutions Finance" strategy, which also includes responsible investing and granting with financial innovation as a common element to each strategy (See Figure 7). Solutions Finance is "an integrated approach to deploying financial capital and adapting financial models to catalyze, sustain and scale systems transformation."[103] This approach stems from an understanding that different types of ideas and organizations require different types of financial support at different stages: "In many cases, systems innovation models mature from needing philanthropic dollars to developing solid business models that would allow them to partner with large mainstream investors."[104] However, foundations often stop short of providing the latter form of support. By investing in financial innovation, the McConnell Foundation hopes to fill this gap and achieve cross-sector collaboration at scale.

Figure 7. Solutions Finance: An Integrated Approach



Ivey: Emergence of the Economy and Environment Program

In 2013, the Ivey Foundation committed to addressing sustainability challenges at a deeper level, by helping Canada rethink the longstanding environment-economy dynamic. It designed a new funding initiative, with a ten-year timeframe, to advance clear, focused, and measurable goals. The following year, the Foundation launched its Economy and Environment Program.

Ivey's work on integrating economy and environment marked a significant evolution in approach. As Ivey Foundation President Bruce Lourie reflects,

> Previously we awarded grants to conservation organizations whose past efforts were largely successful in achieving traditional conservation gains. As we began to see the challenges ahead not as "environmental issues" but embedded in Canada's natural-resource dependent economy, we recognized the need to reframe the challenge as one of integrating economy and environment. Hence the more inclusive goal of "transition to a low-carbon economy" versus the traditional approach of "sopping climate change."
>
> Our experience working closely with governments, industry, and Indigenous communities in the boreal forest informed our decision to shift to a strategy that placed the economy writ large at the forefront. This new approach was deemed essential, particularly given the failure of the Canadian government to adopt policy and regulatory systems to address climate change and other environmentally related externalities. We knew that success depended on support from across the political spectrum and from the private sector.

Ivey embraced a focused, deliberate set of strategies that extends beyond grantmaking. The Foundation emphasizes outreach and communications, and it has improved the ways it invests its own capital resources. Staff and leadership now communicate directly with program partners, academics, and decision-makers to establish and sustain a compelling vision for greening Canada's economy. As Lourie notes:

> We knew that we were underutilizing our own intellectual capital (staff, board, and advisors). In addition to grants, and in support of the grantees, we chose to explicitly utilize our own expertise and relationships to convene and collaborate with other funders and with decision makers in all sectors. This was a fundamental change in the way we did business.

The Economy and Environment Program theory of change (see Figure 8) captures this new approach. It posits the need for a strong infrastructure of public policies, combined with capable public agencies to implement, along with educated investors—all of which require, and begin with, an informed and engaged public.

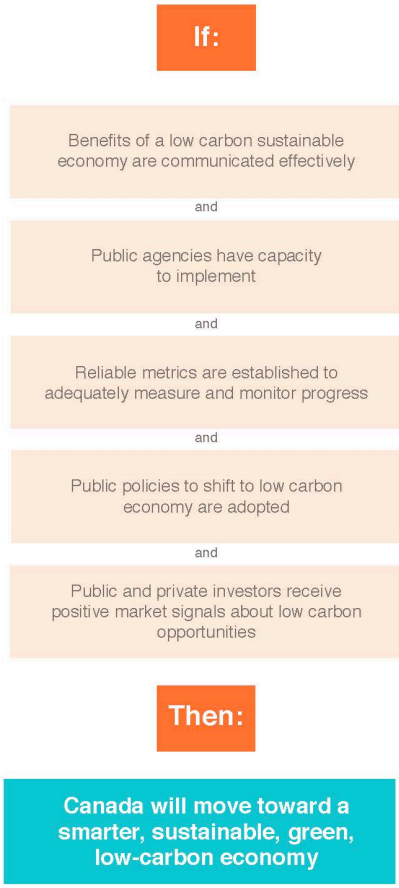
Engaging Ivey's Strategies

To test and implement the Economy and Environment Program's theory of change, Ivey stays laser-focused on a deliberate set of strategies—targeted and negotiated grants, convening and collaborating with other funders, and corresponding with a broad array of stakeholders.

The Economy and Environment Program implements these strategies through three core programmatic objectives—public policies on the pricing of carbon; public and private sector

investment standards and policies; and indicators and metrics for a successful low-carbon economy including environmental and social well-being measures.

Figure 8. Ivey Foundation Economy and Environment Program's Theory of Change



Building Consensus and Informing Leadership

Ivey's Economy and Environment Program advances pragmatic policies via a variety of approaches. It works across the political spectrum to bolster evidence for carbon-pricing efficacy, and forges partnerships to support the adoption of appropriate carbon pricing and investment policies. It seeks out and supports different communities of influence and leverage and collaborates with them and others to advance the low-carbon economy.

Creative Partnering through the Clean Economy Fund

In 2016, Ivey helped spearhead another community effort, the Clean Economy Fund, a strategic collaboration of philanthropic organizations working on the economy-environment nexus. The fund pools resources from more than a dozen Canadian foundations to enhance the scale and effectiveness of its members' grantmaking. It undertakes research, identifies gaps and opportunities, and leverages philanthropic support around new, high-risk initiatives.

The Clean Economy Fund has already spawned several important new initiatives, including work with Social Currents—outlined below—and the revitalization of a national voice to support energy efficiency in Canada. Its members have identified sustainable finance as the next priority.

Shifting the Canadian Energy and Climate Narrative

In support of the Economy and Environment Program's three core objectives, Ivey committed to two cross-cutting objectives—engage and support "champions and [networks] as messengers" and promote pragmatic solutions and stories of success. Ivey recognized that, along with other Canadian funders, it must actively support, initiate, and inform conversations with Canadians on the characteristics of a clean economy—with a special emphasis on those who may feel left out of such conversations or who are concerned about how low-carbon policies will affect their livelihood and families. Since the launch of the Economy and Environment Program, Ivey has worked to better understand how to connect with Canadians via materials that are positive, meaningful, and relevant.

To these ends, the Foundation has played a key role in supporting the Social Currents initiative at Simon Fraser University's Beedie School of Business in Vancouver. The initiative's main goal was to better coordinate the messaging of Canadian environmental organizations and to more effectively target their content to strategic constituencies.

Social Currents mapped the fast-changing Canadian media landscape and explored how best to advance the communications goals of its partners. It established content partnerships with new media brands and platforms, such as Flipboard and Quartz, and collaborated with allied organizations of special relevance to its partners' target constituencies. It began to gather and analyze audience data to refine its content delivery methods and strategies. Ultimately, Social Currents demonstrated the potential impact and continuity of "solutions journalism."

Through this and thematically similar projects, Ivey aims to advance a new narrative about Canada's economic future and to counter counterproductive and obsolete arguments about environmental protection and growth.

Strengthening Policy Research and Capacity Building

Canadian governments have committed to tangible climate objectives. They now face tough choices: which climate policies are most cost-effective, where best to deploy infrastructure investment, and how to invest carbon-pricing revenue.

To assist them, governments need accurate data and sophisticated modeling and advisory capacity. Unfortunately, Canada lacks a robust and transparent body able to take this on. Moreover, the nation lacks a centralized energy-data agency, like the US Energy Information Administration.

A small group of foundations, including the Ivey Foundation and Trottier Family Foundation, have embarked on a series of multi-stakeholder workshops and design charrettes to explore how best to improve both the quality and availability of energy data in Canada.

The group is working with academic institutes, think tanks, governments, and energy companies to develop a picture of what a new national energy data agency might look like. This work may

lead to crucial new government capacity to support Canada's ambitious climate agenda, with data, modeling, and an expert advisory committee that might be modeled on the UK Committee on Climate Change. The broad-based collaborative may not agree on the precise climate policy prescriptions for Canada, but they are united in the need for rigorous, evidence-based policy guidance. In 2018 the federal government announced that such an expert body would be created with CAD$20 million of initial funding.

Sustainable Finance and Mainstream Markets

A core aspect of the Ivey Foundation's low-carbon transition strategy centers on the need for mainstream financial systems to adapt and support the multi-trillion-dollar climate transition costs. Ivey's work is notably distinct from the civil society social finance agenda in that it focuses on mainstream financial sector players in Canada, including: pension funds, securities regulators, accounting bodies, investment firms, banks, asset managers, and finance regulators. Philanthropic resources are far too limited in scale and focus to deliver a low-carbon transition. Only through the alignment of mainstream financial policies and practices, with the low-carbon agenda, will sufficient capital be available. Ivey is participating in G7 events on this subject.

Consistent with the strategy of building new institutional capacity, the Ivey Foundation has been working closely with finance firms, the insurance industry, academia, financial sector associations and government on several fronts. One of the most important new actions in Canada is the creation of the Expert Panel on Sustainable Finance—an independent group of finance sector leaders who will provide the government of Canada with recommendations on policy priorities. The Ivey Foundation is supporting a national sustainable finance consultation coincident with the Expert Panel's activities, in partnership with the Public Policy Forum.

Another major initiative for the Ivey Foundation is the establishment of a new Sustainable Finance Institute in Canada. It is in the early stages of development with the idea to create an academic hub connected to several of Canada's leading schools of business, economics, and policy, that will house research, teaching and policy outreach on a wide range of subjects related to sustainable finance. A high-level advisory body has been assembled and the goal is to have the new Institute announced in early 2019.

Capital Resources and Walking the Talk

In addition to the intellectual and social capital that Ivey invests in building a low-carbon economy, it also invests its financial capital. Ivey recognizes the importance of aligning its own investments with the goals of its Economy and Environment Program. Since 2006, the Foundation has gradually "activated" its portfolio by reordering its investment strategies to assist with Canada's transition to a low-carbon economy. In 2016, the Ivey board went all-in, and committed to activate its entire CAD$95 million investment portfolio.

At the time, Board Chair Rosamond Ivey explained that the board's decision to devote its entire portfolio to sustainable investing "recognizes not only that opportunities are expanding rapidly, but also that we are now able to more easily choose the environmental, social, and governance investment practices that suit our values and operations."[105]

Accompanying and underlying these quantitative indicators are those focused on the extent to which the systems of government, institutional, and corporate policies, practices, and rules

necessary to ensure such impacts are aligned. They help explain the extent to which the trends in those impact indicators are moving in the right direction. They also require Ivey and its partners to track those policies and practices (in the three core and cross-cutting objectives).

Suncor Energy Foundation: Ideas for Leading an Energy Transition

Suncor Energy Foundation's approach to collaborating on the energy future provides a type of roadmap to this work. Their approach resonates with Deliberate Leadership's 7C's.

Invest in Capacity

Building leadership capacity and fostering collaboration skills is a key priority for the Suncor Energy Foundation. They believe it is critical that stakeholders—whether environmental organizations (ENGOs), think tanks, or the communities in which Suncor operates—have the resources, information, and capacity to engage thoughtfully.

Take Risks

Suncor Energy has been taking risks in the climate change space for more than 20 years. In 1997, the company came out in favor of the Kyoto Protocol and announced a seven-point action plan to address climate change. One of the biggest risks the company undertook was engaging with a group of Canadian environmental leaders, who had been campaigning against the oil sands industry. Key industry CEOs, including Suncor CEO Steve Williams, took the risk of engaging directly with ENGOs in support of leading climate policy. The ENGOs took a comparable risk by talking with the industry leaders. Over time the two groups built sufficient trust to agree on capping oil sands GHG emissions, among other policy innovations that became part of the Alberta Climate Leadership Plan. This approach yields results.

For several years, the Suncor Energy Foundation has had the energy future as a priority and was one of the founding partners of the Natural Step Canada's Energy Futures Lab (EFL) that looked at ways Alberta could use its current leadership position in energy as a platform for the energy system of the future. Seeing this as an opportunity to step into a collaborative space with a diverse group of people who shared common values, the Suncor Energy Foundation made a bold move to invest in this initiative so that it could learn from the perspective of others and contribute to the creation of a new vision in Alberta.

Be Creative

Foundational to Suncor Energy Foundation's approach is valuing diverse perspectives as a key component to creativity and innovation. The EFL is an example of this as are Suncor's contributions to the Alberta Climate Leadership Plan. Creativity is a strong feature of the CLP, in part due to the work of the ENGO-industry group that proposed the oil sands emissions cap, but also by the government itself and some of the other key change agents in Alberta. The Ecofiscal Commission played a creative role in helping the NDP government get over an ideological hurdle to institute a carbon tax versus taking a much harder regulatory approach to climate change. Then there were organizations like the Pembina Institute that created influential forums and coalitions and made timely interventions that fostered policy innovations at key points before and during the CLP process.

This approach was necessary for stakeholders (including the government) to get over various ideological hurdles, for example, when considering introducing a carbon tax versus taking a much harder regulatory approach to climate change.

Be Urgently Patient

Finding common ground and workable solutions requires a "go slow to go fast" mentality. When setting up negotiations, establish and maintain an atmosphere of trust and discretion. Don't overreach and try to solve everything in the first step. What's important is to get people together and aligned around actions that are moving in the right direction, and then gain the momentum that will help them advance in their own right.

Involve Community

Community involvement—engaging with affected local communities early and often—is fundamental to success. People want to see how initiatives like the CLP affects them, and they want to see themselves reflected in those plans. Community involvement, respect for a community's culture, urban-rural considerations, and community benefit are all issues that need to be addressed.

Demonstrate and Communicate

Helping communities embrace low-carbon transitions depends on being able to demonstrate that the steps taken—for example, paying carbon taxes—will ultimately be a benefit overall. The Suncor Energy Foundation and Suncor have invested in a few initiatives that help to support a cultural shift in how we all perceive the benefits of a low-carbon economy. These include Social Currents, a social media platform that connects Canadians on issues that matter most to them, and the EFL.

Political Risks, Threats, and Opportunities

As Deliberate Leaders, the three foundations in this case recognize that, with Theories of Change and new approaches to a Wicked Problem, come risks, threats, and opportunities.

Ivey's analysis of programmatic options led it to address the threats to Canada very differently than it had done historically. Moreover, the Foundation anticipated opportunities to build partnerships with businesses and government agencies. However, Ivey and others did not anticipate the results of the November 2016 US presidential election, and the United States' subsequent withdrawal from the Paris Agreement, the change in its position on pipelines, and its pullback on coal plant regulations. US reversals on climate change certainly pose challenges to Ivey's efforts. However, Ivey and Canada have tried to keep their sights fixed on opportunities the US position presents, in terms of bringing attention to the critical importance of Ivey's own efforts on environmental sustainability to Canada and the world. Canada's position as a northern country impacted inordinately by climate change—holding more oil and gas reserves than all but one or two countries—places it in a unique leadership position that it can more visibly assert in the absence of US leadership.

Similarly, the McConnell Foundation recognized an unanticipated opportunity with the election of the current Canadian prime minister. Since it had been investing in social finance

infrastructure for over a decade, the infrastructure was in place to seize the opportunity offered by Trudeau's election. Consequently, the Foundation helped inform and embed social finance and innovation into Canada's Department of Employment and Social Development, helping to create the Social Finance Strategy Co-Creation Steering Group.

Suncor Energy anticipated the threats and risks of Alberta's oil sands industry to its communities, and to its position as a responsible global energy company. The steps it took to manage these risks included active support for policy solutions federally and in Alberta (carbon pricing) and investments in social partners focused on innovative solutions. What Suncor and others (including Ivey) may not have fully anticipated or appreciated is the intensity of the current backlash against Alberta's Climate Leadership Plan (CLP). They, and others, are now responding to the risk of the CLP being upended just when it is becoming fully operational.

Capital Investment Risks

When the McConnell Foundation and Ivey Foundation invest their own capital in alignment with their overall mission and programming, they take on risks. Most evident are those related to the financial or social returns on investment—how big of a return and for how long. This is especially critical with social returns given the risks associated with inaccurate or misleading measurements of social value, time horizons (i.e., how long after investment do returns begin to arrive), and the sustainability of social return. Though not all these risks apply equally or uniformly to the contexts of either McConnell or Ivey, they are risks (anticipated or not) that necessarily arise with any impact investment.

Reputational Risks

The three funders assume reputational risks with their efforts, too. Each put their brand's cachet on the line. For example, Ivey's choice to become an active grantmaker and be more in the driver's seat is antithetical to the hands-off, community-driven, and community-defined philanthropy embraced by many other donors. Also, its decision to work with businesses, governments, and others beyond the environmental advocacy milieu is out-of-step with the "plug-the-pipe/shut-down-carbon-emitting-industries" position of certain elements of the environmental community (and their funders). Ivey assumed reputational risks, as it recognized that the anticipated opportunities from doing so outweighed such risks.

For the Suncor Energy Foundation, there was a risk of being too far ahead of government and industry with some of its investments in the low-carbon transition space. Suncor Energy Foundation worked hard to close gaps and transfer its learnings and experience within Suncor so that there was alignment between the company and the foundation.

Having forged a strong brand around social finance, the McConnell Foundation doubled down as it committed more of its endowment to the social finance model. Its prominence as a leader on social finance within the financial community, amongst Indigenous communities, and on government advisory committees further heightens scrutiny of its programs and investment practices. Since its leadership role puts the Foundation's actions under a microscope, failure to succeed and/or follow through could put its name at risk.

Build Strong Community through Diverse Collaboration

Deliberate Leaders understand that their work is in service to communities and the individuals in those communities. Though the methods and strategies employed by different Deliberate Leaders may vary, their goals ought to be shaped by placing community at the center of their work. Deliberate Leaders seek to build partnerships and collaborations with a variety of others, especially with those who may think or behave differently, or whose apparent aims contradict or are at odds with those of Deliberate Leaders.

Perhaps the strongest Deliberate Leadership quality that all three funders exhibit is the active seeking out of partners and collaborators. Not only do the funders work with one another and other funders (e.g., the Clean Economy Fund), but each has developed partnerships and collaborations among a wide range of interests, from the grassroots (e.g., Suncor Energy Foundation and the McConnell Foundation amongst Indigenous communities) to the grasstops (e.g., Ivey's work with the energy sector, agricultural sector, cement manufacturers, and institutional investors like pension funds).

Beyond formal or informal collaborations, partnerships, and networks, Deliberate Leaders also make sure that they understand how organizations and agencies with whom they do *not* partner relate to, and interact with, relevant communities on common issues. Such non-partner organizations may or may not be critical for collaborative purposes, but Deliberate Leaders understand that such groups' activities can help or hurt their own efforts, and deter from or benefit the health and well-being of the communities they serve.

Often organizations simply characterize such efforts as peer engagement. Deliberate Leaders, understanding the ecosystem of relationships among organizations serving a given community, seek to map out these organizations and their relationships to that community, and to each other. Such landscape mapping can reveal opportunities, blind spots, and possible incompatibilities, ones that combined with the Deliberate Leader's efforts, might render both players less helpful, or perhaps even harmful.

Figure 9 illustrates how mapping existing organizations working in a particular area can be helpful to funders launching a new program or revising an existing one. This model arrays organizations according to their impact on the various aspects of human security (of an individual community member). By creating a model of the ecosystem of organizations around a particular issue, a funder or any agency can understand who else is working in the same space, identify potential allies, and anticipate political or economic challenges that might arise.

Even if a map does not completely represent every stakeholder involved in the issue, by creating or visualizing such a chart, funders can think expansively about the context in which their work occurs. Mapping this constellation of organizations helps a new entrant visualize potential partners and helps a funder or other agency understand the landscape in which it will operate.

Ivey, the McConnell Foundation, and Suncor Energy Foundation clearly know the key players and stakeholders in their work (as witnessed by their strong collaborations and partnerships). Though none prepared expansive maps of the other key organizations in their communities, each recognizes the need to know the field, and others with whom to partner.

The McConnell Foundation's theory of change speaks of "Domain Understanding" and "Distributed Impact," concepts that reflect collaborative approaches. To understand a domain, it seeks to identify key stakeholders within it, know their capacities and objectives, and become ready to learn from them. Knowing the players and the networks in a domain, allows the McConnell Foundation to better determine whether and how they can help ensure a more distributed impact of their efforts and of others in the domain.

Figure 9. Risks, Mapping the Organizational Landscape

McConnell's work with Indigenous communities, whether through Aki Energy, finance intermediaries that work with or are owned by Indigenous people, or institutions that provide data-driven research around social finance amongst Indigenous communities, exemplifies its domain-focused work. Similarly, the Foundation's recognition that many different players need to be involved to affect the systems of finance was demonstrated as early as 2007 with the Social Innovation Generation, the Canadian Task Force on Social Finance in 2008, and again in 2011 with its support of the MaRS Centre for Impact Investing.

Ivey's efforts to identify, understand, and work with the array of interests critical to ensuring a sustained and effective low-carbon economy implicitly models landscape mapping. Ivey's understanding of its partnership landscape are reflected in: its theory of change, which asserts that the private and public sectors must be engaged as partners (not as opponents that need to be overcome); its deliberate efforts to build such partnerships with the private sector (and trade

associations representing private sector interests, which may not be considered low-carbon economy allies); and its work with provincial and federal agencies to ensure alignment of purpose and practice. To understand parts of this landscape better, Ivey is in the process of preparing a specific landscape map of institutional investors and other financial actors, institutions that are a critical component of its theory of change.

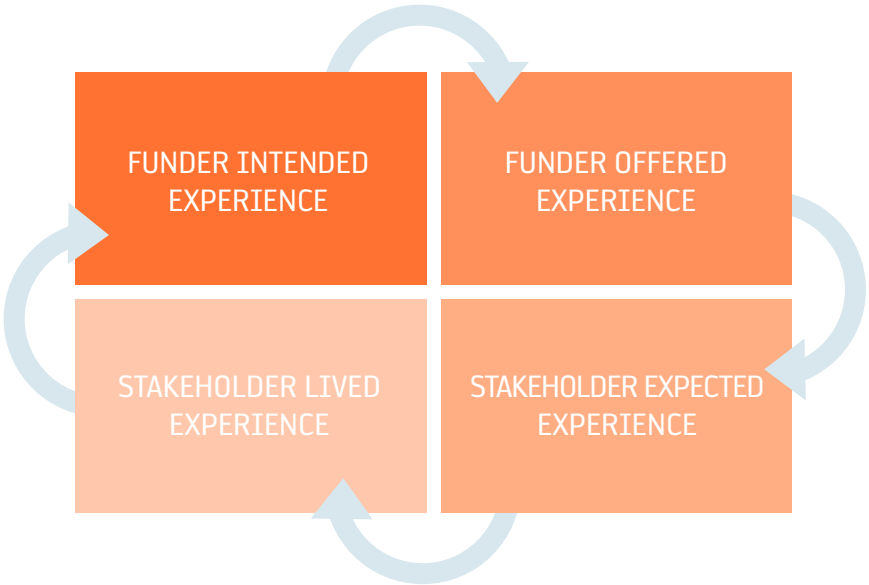
In Alberta, Suncor Energy Foundation and its numerous partners were supporting several collaborative energy futures initiatives that gave Suncor executives credibility to engage with ENGOs and government on climate policy.

Seeking and Ensuring Alignment

Deliberate Leaders seek to establish and maintain alignment among its partners and collaborators including the communities in which they work and serve. Misalignment of purpose and means can cause inefficiencies in execution and less than optimal results and at worst, upend the collective effort completely.

Using funder-stakeholder communications as an illustrative example, Figure 10 indicates the four places where such misalignments can occur—what is intended to be communicated among partners, what is actually communicated (i.e., what is the offered experience), the partners' expectations created by such communications (i.e., the experience they were offered), and how partners act on those communications or perceived agreements.[106,107]

Figure 10. Alignment of Interests, Expectations, and Actions



The three funders in this case study work to minimize misalignment internally and externally. Some efforts focus inwardly among relationships with one another and key partners. Ivey staff work very closely with the Foundation's grantees. This ensures frequent opportunities to test and discuss strategies, explore alternatives, and quickly identify when differences among partners vary enough to cause problems. Similarly, its leadership and participation in the Clean

Economy Fund present regular occasions to ensure programmatic alignment with its peer funders.

The McConnell Foundation's staff play a similar role as Ivey's. Their engagement with the work, their grantees, and the larger financial and government communities involved in social finance means that they can quickly determine if and where misalignments are occurring or may occur.

Much more of their energy and time is focused externally to ensure alignment of purpose and outcomes with the larger set of communities they are working to support and affect. Making sure that what they and their partners are seeking is clearly communicated to, and then expressed by these larger communities will ultimately determine the success of their efforts.

The tone and content of communications by the Suncor Energy Foundation and Suncor Energy—their communications to the oil and gas industry, and to the communities dependent on that industry—sought to ensure alignment around the CLP. However, as previously noted, despite their best efforts, there remains a noticeable discord around carbon pricing policies.

Much remains to be seen as the approaches described above play out and continue to be applied to the still developing energy transition in Canada. In the meantime, it is useful to examine how concrete actions by the three funders mirror the core characteristics of Deliberate Leadership—the 7C's.

Questions for the Field

- How do you define leadership, and inspire global public policy development, in a space that respects the complexity of systems in a collaborative way?
- Ivey Foundation chose to embrace an active grantmaking model. What are the advantages and disadvantages of this approach? How does it align with the Deliberate Leadership approach?
- How can Canada and the McConnell Foundation integrate mainstream institutions in order to sustain and scale its social finance movement?

Practicing Deliberate Leadership—the 7Cs in Action

Chapter 4: Practicing Deliberate Leadership—the 7Cs in Action

If Deliberate Leadership responds to the challenges of Wicked Problems based on proven business and social sector theory and practice, the core characteristics of such leadership, the 7C's, form the framework for blending recognized adaptive leadership strategies that create lasting positive impact within the communities most affected by systemic challenges, and within the organizations trying to tackle them. Deliberate Leaders like Ivey, the McConnell Foundation, and the Suncor Energy Foundation must consistently display the seven core characteristics to maximize learning and demonstrate flexibility.

McConnell Foundation

Through the years, the McConnell Foundation has come to see the need for such characteristics as Collaboration and Community—in social finance. In 2008, its Social Innovation Generation began developing a Canadian Task Force on Social Finance that identified seven policy recommendations to advance the field. One of the missing pieces of infrastructure was a space for cross-sector collaboration where diverse community voices could be included in the conversation.

In response to this need, the McConnell Foundation, the Rockefeller Foundation, the TMX Group, and Royal Bank of Canada (RBC) partnered in 2011 to establish the MaRS Centre for Impact Investing (MaRS CII). MaRS CII is a social finance hub and project incubator, set up with the intention of acting as a "neutral collaboration space" for the government, community, and private sectors to collectively mobilize private capital for public good.

More recently in 2017, the McConnell Foundation has helped inspire groups like the Senate and the Social Finance and Social Innovation Strategy Co-Creation Steering Group to develop a social finance wholesaler or fund-of-funds to take the work of MaRS CII to scale the overall marketplace through increased government engagement. MaRS, as a social finance "wholesaler," is intended to act as a "critical, catalytic piece that both tries to replicate a bit of UK's Big Society Capital by having some capital available… [and] also creates a center of gravity about what's required [to] create a runway to put together these new cross-sector collaborative practices and practical activities to be able to make the field jump further forward."

To Bill Young, one of the members of the Social Finance Task Force created by McConnell's social finance grantee Social Innovation Generation (SiG), and current Founder and President of Social Capital Partners, social finance is an opportunity to exercise one of Deliberate Leadership's 7C's—Creativity:

There's been so little creativity applied to the financing of good… In the private sector, any time [we] get an opportunity that can't be financed by a given financial instrument, we invent derivatives, limited partnerships, income trusts, or we invent some things we wish we hadn't invented, but there's always a way to create new pools of capital. In the nonprofit sector up until recently, there's only been one financial instrument, which is, "Here's a grant for a program," and only one value proposition for an investor—"Here's your tax receipt and your name on a building.'" … That's where there is so much room for creativity and so much room to create new pools of capital that could result in far more capital being targeted at social good and environmental good.

The McConnell Foundation has also made field-building efforts towards creating cultures of Courage and Candor, as is evident from its sponsorship of Dr. Michael Quinn Patton's thought leadership on Developmental Evaluation.[108] According to Brodhead, the Foundation found that the "straightjacket of many conventional evaluation methods" impeded the flexibility of grantees to innovate, test, learn, and grow. Developmental Evaluation was developed as a means to address this problem, under the leadership of Patton and with the support of DuPont Canada.[109]

Ivey Foundation

The Ivey Foundation's story of transition exemplifies many Deliberate Leadership characteristics—the Candor to acknowledge that its past practices were not working for today's problems, the Courage to change the very nature of how it does business, the commitment to Collaborate across many sectors and interests, the Compassion to ensure that "success" included all Canadians, and willingness to invest all its capital—monetary, intellectual, and social—into it efforts.

Embodying the Deliberate Leadership C's of Collaboration and Community is Ivey's launch of—and subsequent work with—Canada's Ecofiscal Commission. The commission, comprised of 11 experienced, policy-minded economists, provides evidence-based research and communications on fiscal approaches to environmental reform, including carbon pricing. It enjoys broad support from across the political spectrum and private sector and regularly hosts events and provides advice to policy makers. An advisory committee of 16 industry leaders provides critical insight, guidance, and perspective on designing practical and effective ecofiscal policies for Canada.

Ivey has also engaged various community voices with whom the Foundation has sometimes disagreed. For example, it has repeatedly reached out to public, private, and academic leaders to discuss their divergent views on pricing carbon via a variety of forums, convenings, and workshops. These include a Greening Corporate Canada forum, Sustainable Economic Forum at Wingspread, a convening on Understanding Barriers to Sustainability, and a meeting on Engaging Capital Markets. Other events have pursued more specific lines of enquiry, such as how best to maximize energy efficiency and ensure Canadian competitiveness.

Throughout these engagements, Ivey has sought to enlarge and diversify the circle of allies and communities with whom it collaborates, enhance understanding and commitment to low-carbon policymaking, and reinforce its evidence-based and market-driven approach to addressing climate change. In addition, Ivey's board and staff have frequently served as speakers and moderators at other forums and workshops on low-carbon policies.

The Ivey Foundation's evaluation framework reflects the Economy and Environment Program's commitment to ensuring that a low-carbon economy supports, and does not degrade, the financial and social well-being of all Canadians. It establishes indicators around the creation and use of social well-being measures that align with, and contribute to, inclusive wealth initiatives by international agencies and other national governments. In other words, a low-carbon economy is not successful unless the health and well-being of all Canadians are improved by it. Pragmatic as this may be, it also demonstrates Deliberate Leadership qualities: Compassion, as well as Ivey having the Courage to assess the extent to which its work embodies it.

Ivey knows that its behavior and approaches in implementing and recalibrating the Economy and Environment Program are integral to its success. It chose to include in the monitoring and evaluation frame, specific indicators and metrics for assessing its efforts to live the 7C's—Compassion, Collaboration, Community, Candor, Creativity, Capital, and Courage. This precedent-setting decision in the field of philanthropy offers Ivey and its partners opportunities to further deepen their collective work. Moreover, it demonstrates the type of candid and

transparent leadership necessary within the Foundation community (and all sectors) to truly tackle Wicked Problems.

Suncor Energy

The Suncor Energy Foundation invests in social change principally through the C of collaboration, by working with others to help communities increase resiliency and sustainability. "Systems change takes time and we believe it requires collaboration," says Arlene Strom. "These are time-intensive types of conversations. You can't bring a number of diverse stakeholders to a table and have a one-day meeting and expect to come up with systems-based solutions. So there has to be an investment of time. It requires trust, it requires listening, and it requires problem-solving."

Suncor Energy Foundation's partnership with Reconciliation Canada is an example of its commitment to a new way of thinking and acting, and an example of candor and courage, and reflective of Suncor Energy Foundation's social goal. Co-founded by Chief Robert Joseph, Reconciliation Canada conducts dialogue workshops and other outreach initiatives to bridge the distrust brought about by Canada's history of intolerance and racism—a history marked by the removal of some 150,000 Indigenous children from their homes and communities, and their placement in residential schools, where they were stripped of their culture and subjected to physical, sexual, and emotional abuse.[110]

Accepting the Peter Lougheed Award for Leadership in Public Policy in 2017, Suncor Energy CEO Steve Williams said, "Get courageous. Be brave enough to step into these places and overcome the divisions. That means keeping an open mind to others' perspectives, having strong values and beliefs, being willing to learn as you have the conversations, and stepping forward with your own ideas."[111] His views resonate across the seven core characteristics of Deliberate Leadership. Alberta's Climate Leadership Plan (CLP)—and the process leading up to it—is an example of the 7C's in action.

Government and ENGOs

Rachel Notley made history in May of 2015 when the New Democrats (Alberta NDP) were elected to form government for the first time in Alberta.[112] When she took office, she ended an 80-year streak of center-right governments in Alberta (Social Credit from 1935 to 1971 and the Progressive Conservatives from 1971 to 2015). Premier Notley and her cabinet have enumerated a number of forward-looking priorities, including implementing the United Nations Declaration on the Rights of Indigenous Peoples, modernizing Alberta's oil and gas royalty framework, and taking action on climate change. In an appearance just three weeks after the two-year anniversary of her New Democratic Party gaining a majority in the Province's Legislative Assembly, Premier Notley spoke to an audience at the Energy Leaders Forum about her administration's accomplishments and seemed to be issuing a rebuttal to her official opposition, including the opposition leader, Brian Jean, a Legislative Assembly member and head of the Wild Rose Party. Notley noted that Alberta's climate leadership plan is the most aggressive of any energy heavy jurisdiction in North America. "It puts a price on carbon, phases

out coal, reduces methane, and invests billions of dollars back into our economy," said Notley.[113]

Premier Notley and her key ministerial and political advisors had the courage to move hard and fast on climate change policy designed to transform the energy economy of Alberta. A new and inexperienced government rose to the challenge with full recognition of the powerful forces that would be mobilized against the transformation, including the opposition party and, to a certain extent, the general public. Recent polls have shown taxpayer opposition rising to elements of her provincial strategy, for example the carbon tax, and the political discussion continues regarding the Notley government's push for environmental protection—and its cost to taxpayers. Nevertheless, Notley continues to push for creative approaches on these issues. Similarly, key industry CEOs and senior staff, along with the former CEO of the Canadian Association of Petroleum Producers (CAPP), took the risk of engaging directly with ENGOs in support of leading climate policy.

The ENGOs took a comparable risk with the industry leaders to agree on capping oil sands GHG emissions, among other policy innovations. And the media journalists who covered the CLP process and reported on tough issues with balance and integrity demonstrated courage in the face of a media consolidation process and downsizing that was fomenting anti-government and anti-climate policy positions.

Several collaboration initiatives existed before, during, and then following the CLP process. While the CLP process did engage a wide range of stakeholders, as well as large segments of the public, its compressed timeframe left some stakeholders unsatisfied. In particular, First Nations and other Indigenous communities were not adequately engaged, which was perhaps the biggest gap in the process. It was also too rushed for the public to fully grasp, and this left an opening for the government's political opponents to exploit. As openly acknowledged by many interviewees for this study, including government officials, a big job remains to be done on this aspect of leadership. Initiatives are underway that will enable a broader public and conversation to occur; this may take on greater importance as CLP policies go into effect. Public support has waxed and waned, but the general sentiment has become negative towards the CLP and the government.

Candor is a challenge for governments, given the focus on negatives by political opponents and their supporters. Governments in general tend to promote the positive side of their policies and what has been accomplished, and downplay the things that aren't going well. Some ENGOs do the same thing, while others are vocal critics of governments. Industry leaders try to avoid becoming embroiled in partisan politics, but that often leaves the government with little visible support. The leadership transition in Alberta will be a severe test for groups and organizations supporting the CLP.

The CLP will have an impact on capital availability and some of the oil industry are making planning assumptions based on the price of carbon steadily rising over the coming decades. This affects the growth prospects of the companies and in the choice of technologies they will deploy, as well as the direction of research dollars into new technologies and practices. Some companies, such as Shell and Suncor, already apply a higher carbon price than the CLP envisages in their investment decisions, so considerable change or ambition (through goals) is built into their current facilities and plans for the future.

The challenge for Alberta, however, is much greater than the carbon tax, and encompasses the competitiveness of trade-exposed industries, which has been exacerbated by the US government rejecting climate change as an issue and modifying energy policies accordingly. Nevertheless, billions of investment dollars are at stake in Alberta, despite the reduction of capital expenditures that has occurred recently in the oil and gas sector. Some new investment in renewable energy projects is flowing into the policy-driven transformation of the electricity system in Alberta. The public has been supportive of closing down coal-fired electricity plants, and it would appear that this policy transition and related funding flows will be sustainable.

Compassion is strongly displayed by the NDP Government, which places an emphasis on supporting vulnerable people. The transition challenge here is to make the carbon-pricing signal effective in changing personal decisions, while ensuring that people in need have adequate resources to live a quality life. Currently the NDP government is providing rebates to 60 percent of Albertans.[114]

These, and other examples of how funders invoke the 7C's of Deliberate Leadership, lead us to examine the consequent, and sometimes contrasting solutions that come as a result of each funder's different approaches and applications of the core characteristics.

Questions for the Field

- Do any these 7C characteristics appear to work together in the case? Does that strengthen the effort in any way?
- Which of the 7C's seem most important to Canada's successful transition to a low-carbon economy?
- Do the 7C's show up differently in Indigenous communities?
- What would you do next about climate change if you were the Premier of Alberta? Or the CEO of a major oil company? Or the head of an industry association, such as the Canadian Association of Petroleum Producers? Or the head of an energy and environmental think tank, such as the Pembina Institute for Appropriate Development.

Chapter 5: Learning by Deliberate Leaders in Canada

Recalibration—Reflect, Learn, Adapt

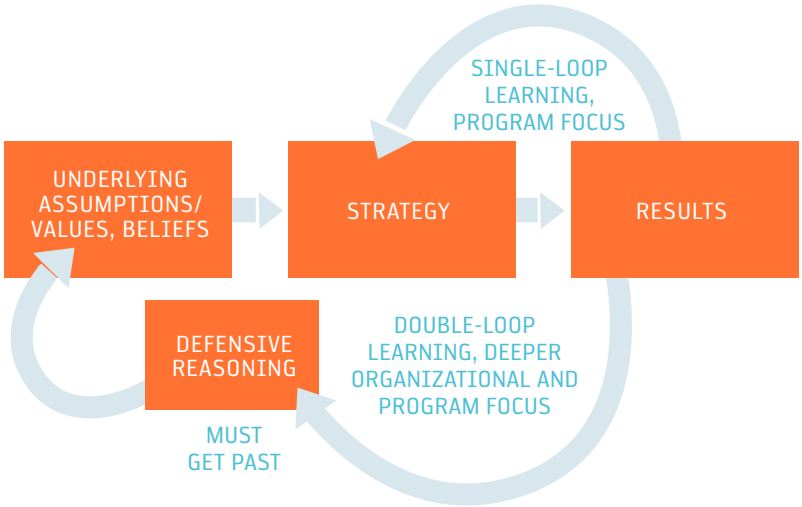
The Deliberate Leadership analytic construct sees data gathering and assessment as part of each phase of the Deliberate Leadership Learning Process. Phase I identifies partners and stakeholders and defines the problem being addressed. Phase II conducts ongoing assessments in parallel with action. Phase III requires reflecting on experiences and outcomes and then recalibrating in order to improve in the next iteration. In every phase, and most importantly in Phase III, a particular kind of learning is important—double-loop learning.

Double-loop learning, a concept developed by the late Harvard scholar Chris Argyris, helps leaders and their organizations make informed decisions in rapidly changing and uncertain times.[115] This deeper and more adaptive form of assessment rests on several principles: commitment to robust learning, testing hypotheses, openly sharing results, and recognizing that

program outcomes are shaped by values, beliefs, and assumptions as well as by strategy. This approach encompasses and requires profound life-cycle examination and learning, which can challenge the fundamental assumptions, values, and beliefs of a company and its work.[116,117]

Juxtaposing it is single-loop learning, as the diagram in Figure 11 suggests, a framework—used often in philanthropy—that focuses just on the outcomes of strategies that are predictable and whose effectiveness is taken for granted. In a single-loop model, an organization focuses on the extent to which its strategy worked, and if not, what about it was ineffective. Poor design, poor implementation, or perhaps the context changed, but the strategy did not. This information can be valuable for a leader taking on a tame problem, but it is of limited use with Wicked Problems. In a single-loop learning culture, closer examination of underlying strategies or assumptions may trigger a defensive reaction rather than learning.[118]

Figure 11. Single-Loop versus Double-Loop Learning



Lessons Learned and Opportunities for Growth

McConnell's Learning Curve

The McConnell Foundation started down its social finance path 16 years ago. The path it chose, a significant departure from how it had conducted business, exhibited double-loop learning. Since then the Foundation has learned from and modified its strategies; however, it has not fundamentally altered the way it sees the world or conducts its business. Its active, ongoing developmental evaluation approach by design seeks to identify and assess possible approaches that fundamentally differ from its current path (as well as simpler adjustments to its current strategies and approaches). However, to date opportunities and insights the evaluation provides have not altered the Foundation's current models or theories of change.

As a learning organization, the McConnell Foundation has documented and shared some of the lessons it has learned from its Solutions Finance portfolio in a 2016 white paper. Their key lessons are as follows:

- Impact investing can be applied across multiple asset classes, touching on a range of organizations contributing to positive societal transformation at different levels of scale.
- Impact investments do not necessarily come with an inherent trade-off between financial and social returns.
- Integrating financial capital—grants with investments—enables adaptation and scaling of promising projects that neither activity could achieve alone; relatively small investments can potentially lead to transformational opportunities at a larger scale.
- For impact investments to perform, domain expertise must be matched with rigorous and prudent investment practices.
- PRIs offer a powerful leverage of philanthropic capital for social impact but are more challenging to implement. The market for MRIs is larger, more mature, and growing quickly; it has already entered mainstream markets.
- With the right tools and processes, fiduciary duty is not incompatible with impact investing.[119]

Examining the challenges faced by one of the initiatives the McConnell Foundation supports—MaRS CII—Draimin and Young both point to operational challenges that have hindered the initiative's ability to achieve market scale. According to Draimin, even with an excellent team of young innovators, "MaRS CII has found it difficult to gain the attention of senior financial leaders. This may in part be due to Canada's banks having weathered the financial storms of 2008–2010 in better shape than many others because they were not innovative, and thus comfortable with the status quo." Young believes this challenge partially stems from MaRS CII's funding model, which relies on government funding that has not been enough to enable MaRS CII to work on large enough issues and achieve scale: "I suspect it's because a lot of their primary funding comes from the government, and they're trying to be an innovation hub, writ large, and of course, who's the last institution you think of when you think of innovation? You think of government. Funding comes with so many strings attached, and you go through so many hoops to get it … I think therein lies the root cause as far as I'm concerned."

As Huddart says, "These problems are much larger and more complex than any of us can handle on our own." It will take cross-sector, cross-border collaboration to achieve and sustain social finance at scale.

Insights on Alberta's Climate Leadership Plan

Key insights on Alberta's low-carbon transformation have been gleaned from interviews with ten thought leaders who had a front-row seat on the action (see Appendix 1). Many of these ideas dovetail with the learning and evaluation aspects of Deliberate Leadership, as articulated previously.

- **Find the sweet spot** between pressure and encouragement, to build trust and spur and retain industry participation.
- **Identify your leverage**. For industry, interview participants expressed that the appeal of the transition was the opportunity to demonstrate leadership in resource development and secure social license for new pipelines and ensure market access. Alberta's rapid economic downturn had impacted corporate R&D capacity. The *Climate Leadership Plan* directs a portion of carbon-pricing revenues for support for industry innovation. In other words, the province will use revenues from pollution to reduce pollution. The industry can continue to grow, so long as emissions stay under the negotiated cap.
- **Keep the faith**. When setting up negotiations, one industry veteran advised others to establish and maintain an atmosphere of trust and discretion: "Don't overreach and try to solve everything in the first step," the interviewee said. "What's important is to get people together and aligned around actions that are moving in the right direction, and then gain the momentum that will help [them] advance [in] their own right."
- **Recruit unusual suspects**. Two prominent people on the Ecofiscal Commission's advisory board included Preston Manning, a politically conservative Canadian icon, and Steve Williams, CEO of Suncor, one of the nation's largest oil sands producers. Both stood up publicly and expressed support for a broad-based carbon price. "Having the CEO of Canada's largest independent oil company make that statement got attention from the media, and hence the public and the politicians, not to mention the oil industry and the environmental groups," said one participant.
- **Make the transition personal.** Weave human stories through the narrative, to ensure citizens see themselves reflected within it.
- **Policy is boring.** It's been said before, and it bears repeating: The public narrative on the low-carbon transition is still too often about the societal moral imperative to "do something about climate change," followed by explainers on the needed abstract policy mechanisms. People need to have access to actions and understanding of benefits that are meaningful and tangible, several participants said. Without doing a sales job, you need to answer the question, "What will these changes mean for me, and my life?" one participant said.
- **Mind the media.** It's difficult for reporters to tell a story around the risks and opportunities of energy transformation without seizing on, and amplifying, conflict. This isn't surprising—conflict provides the narrative tension that journalists need to drive a story. But it also spurs polarization that can exacerbate the challenges of leadership, one participant said. That said, the advertiser-supported media business model continues to collapse in Canada and elsewhere. When the *Climate Leadership Plan* was being developed, Alberta's media brands were consolidating and sacking reporters. This is distressing, but the evolution of media could potentially open more space for new models, platforms, and channels for reaching citizens, participants noted.
- **Show how the pieces fit together**. Alberta now has one of the most ambitious climate agendas in the world. "Talk about it," said one participant. "Show how it works, in plain language." Show how people are saving money and living in more comfortable homes

through energy efficiency, and how children and the elderly are starting to breathe easier with less coal pollution. Show how rural land owners are benefitting from wind farms. If people don't see a future that is prosperous for them, or their children, our participants said, the transformation may well lose support and stall.

- **Convey a sense of humility but also gravitas.** The province and the Climate Leadership Plan supporters could do a better collective job of framing why the transition is important, "in a context that all Canadians can relate to," one participant said. "They need to find the middle ground of getting and keeping the ball moving…and then to building momentum over time. Overreaching, or being too prescriptive on the way forward, could stall things out."
- **Be cautious of the rural-urban divide.** The urban–rural divide is strong. For example, while mistrust of government and climate action runs deep in rural communities, the City of Edmonton has a robust Community Energy Transition Strategy, including a commitment to reduce the city's emissions on a two-degree pathway. "Alberta is strongly divided between urban and rural on the carbon price issue, with urban people realizing that it's not as big a deal as it was made out to be, but there has been a general acceptance of it," said one government participant.
- **Ensure regional benefits will address local needs.** How revenues raised by carbon pricing are recycled, and how effectively they are spotlighted, will make a huge difference to the economic benefits derived from a given policy intervention and the longer-term support for a climate plan, one participant noted. In Alberta, early support for the Climate Leadership Plan increased when Albertans came to understand that all revenues earned from carbon pricing would stay in the region.[120]
- **An energy transition is also a cultural transition.** Albertans are fiercely proud of their identity as a longtime provider of energy that supported the economy and created prosperity and well-paying jobs for Canadians—many of whom migrated to opportunities in the oil sands from as far afield as Newfoundland and Labrador. Nevertheless, participants noted that there has been a broad shift; Albertans now broadly recognize that they must deal with climate change, and hesitatingly support action. Those introducing notions of low-carbon transition to carbon resource economies must begin in a place of deep compassion and sensitivity, with respect and appreciation for contributions and opportunities to compete for global energy demand.
- **Think very carefully about prospective winners and losers**, about who needs to be at the table, who doesn't, and how to manage the blowback of exclusion.
- **Create a broader context.** Several participants noted that persistence is a big part of the challenge of managing a process and collaboration as complex as a low-carbon transition; being prepared to participate in a multitude of different groups, while recognizing that new groups and actors are going to weigh in over time. "It's essential to create a broader context in which climate policy discussions can happen," one participant said, "because sufficient critical mass around key influencers at the end of the day makes things happen."
- **Keep opted-out parties in the loop.** The oil industry association sat out the engagement process and backstage negotiations, as did the more elbows-out environmental

organizations. “When you exclude people from a conversation and then spring a decision on them, they can be really sour about the process, even if they like the decision!” one interviewee observed. “And that can create all kinds of problems after the fact.”

- **Keep the benefits local.** Those planning an energy transformation must guarantee that benefits flow to local communities—particularly those that are historically underserved. Ontario learned a hard lesson about community ownership of renewable energy. “Lots of renewable-electricity developers got rich, and some landowners felt like they had gotten no piece of the action,” one participant said. “So, they concocted non-existent health effects, like headaches.”
- **Make your very best effort on engagement.** In the view of one engagement expert, the Climate Leadership Panel was on too rushed a timetable to properly engage the public—although it did a great job with the time it was given. As a result, when the Climate Leadership Plan was announced, the province didn’t have the public fully onside. That gave the opposition, the United Conservative Party, the opportunity to exploit this weakness, and to portray the plan as an ideological social agenda.
- **Celebrate successes,** but don’t rest on your laurels. All progress is fragile.
- **Think big. Really big.** The necessary change for a low-carbon transition needs to occur at a niche level and at a policy level, but it also has to occur on a landscape or cultural scale in order to drive a complete flip-over to a different mindset, participants said. Talking about policy is not going to resonate in the same way as talking about what the changes “mean for me and my life. The transition is gnarly, there’s not a consensus, and there’s lots of polarization.” Questions about the role that oil and gas are going to play in the next 20, 30, 40 years have had the effect of shortening the timeline for investors, especially their ability to get in and out of investments. That could be a problem for some oil sands companies that generate cash over the longer term. Other companies like Suncor have capital invested upfront and avoid the need to raise capital for exploration.
- **Secure early wins and make sure Albertans know about them.** The Climate Leadership Plan is in place, and operational, but it is far from a done deal. The Government is under huge pressure to show results. It will remain a political battle, involving huge questions of ideology, capital flows and job creation, environmental outcomes, and a fight for the support of the people of Alberta. Interviewees pointed to successes such as Energy Efficiency Alberta, the new agency set up to reduce demand through efficiency measures, which is showing progress, and there are new clean energy installations such as solar-powered EV charging parking lots at a popular department store.

The Alberta low-carbon “transition” has just begun, at least from a new government policy perspective. The New Democratic Party (NDP) has tried to put into effect an economic, social/cultural, and environmental paradigm shift, while still supporting growth of the oil sands sector, which employed 151,000 people in 2015 and is expected to contribute CAD$4 trillion to the national economy over the next twenty years.[121]

The key policy change agents outside of the government are well-defined and have become “battle-hardened.” The future of Alberta is uncertain, and hinges on many things, such as the

global demand for oil, Canadian federal government leadership, local industry development, ENGO and other champions stepping up to support the CLP (or opponents gaining the high ground), technology development that can drastically reduce oil sands GHG emissions over time and a huge cultural shift in the outlook of many Albertans.

The learnings so far, for the purposes of this case study, are tentative, given that the battle over the Climate Leadership Plan has just begun. There are no clear winners or losers yet in the political battle, which involves questions of ideology, capital flows, job creation, environmental outcomes, investment in technology and innovation, and a fight for the support of the people of Alberta.

Learning can occur in many different ways. While some learning takes place in full public view, like the CLP, other important learning can be applied internally, to the way an organization does business.

Ivey's New Way of Working

The Ivey Foundation applied its lessons learned to redesigning its entire business practice. In 2013, Bruce Lourie, Rosamond Ivey, and the Ivey board recognized that its old way of doing business was not working. They chose not to simply refine the existing strategy by providing more grants, or differently targeted grants, using the same process to identify and award them. Instead they acted like Deliberate Leaders. They candidly recognized that the old strategies were failing to get the results they were seeking; thus, they chose to reconfigure their grantmaking, staffing, and investment strategy.

Wanting to understand and communicate the "so what" of its efforts, Ivey established an evaluation framework—a set of economic, environmental, and social well-being indicators and metrics relating back to its theory of change—as well as its three core objectives and activities. The indicators focus on intended impacts and the progress made towards them (the "what"), the reasons for progress or lack thereof (the "why'), and Ivey's contributions to those impacts (the "so what"). Detailed in the *Ivey Monitoring and Evaluation Framework*, Table 1 summarizes the impact indicators.

Table 1. Key Economy and Environment Program Impact Indicators

Economic	Environmental
• Increased number and size (revenues and employees) of low-carbon, green industries, and services. • Increased number of jobs in low-carbon, green industries, and services. • Increased investments in low-carbon, green industries, and services with accompanying decrease in investments in high-carbon, non-sustaining industries, and services.	• Reduced CO_{2e}[122] emissions per capita and in key sectors, including transportation, energy, and manufacturing. • Decreased energy usage of residential and commercial buildings (kWh/m2 year). • Decreased energy usage per capita (i.e., increase in energy efficiency per capita). • Increase in climate-friendly land uses such as increased tree canopy in urban areas, conservation of older growth forests, and agricultural crop types, rotations, and uses.

The Deliberate Leader Learning Process

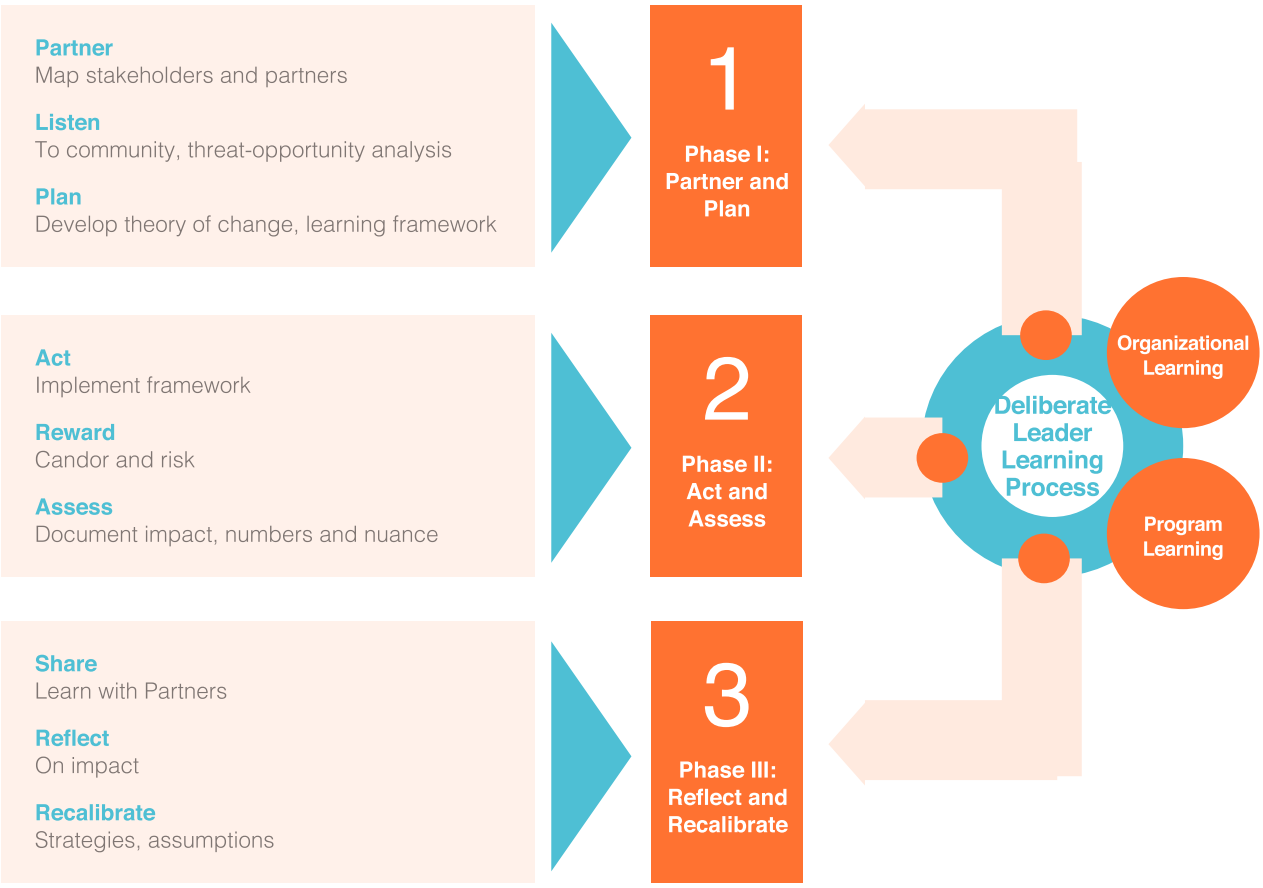
In all three foundations, different ways of learning and adapting can be found as explored in the previous sections. The DL model offers a systematic approach to adaptive learning (see Figure 12). Deliberate Leaders walk through three interconnected phases when addressing systemic, complex issues.

Phase I: Partner and Plan is about seeking out unlikely partners and building safe spaces where dissenting opinions can come together and shape creative solutions. These inputs are used to shape theories of change, and they inculcate a listening and learning approach. Phase I also involves setting up a culture of openness to risks—discussing at the outset of an initiative what can go wrong (as things inevitably do), bracing for impact, and acknowledging that unexpected things will happen.

Phase II: Act and Assess builds a learning framework with indicators that measure "numbers and nuance." "Numbers" can help measure CO_{2e} emissions reductions, while "nuance" is required to assess more intangible aspects like alignment of visions or organizational cultures.

Phase III: Reflect and Recalibrate asks social investors and other stakeholders to overcome defensive reasoning and the fear of failure, in order to reflect honestly and critically on not just the results of their initiatives, but also the organizational values and cultures that led to those results. Importantly, Phase III requires Deliberate Leaders to share results and reflections openly to help the field learn.

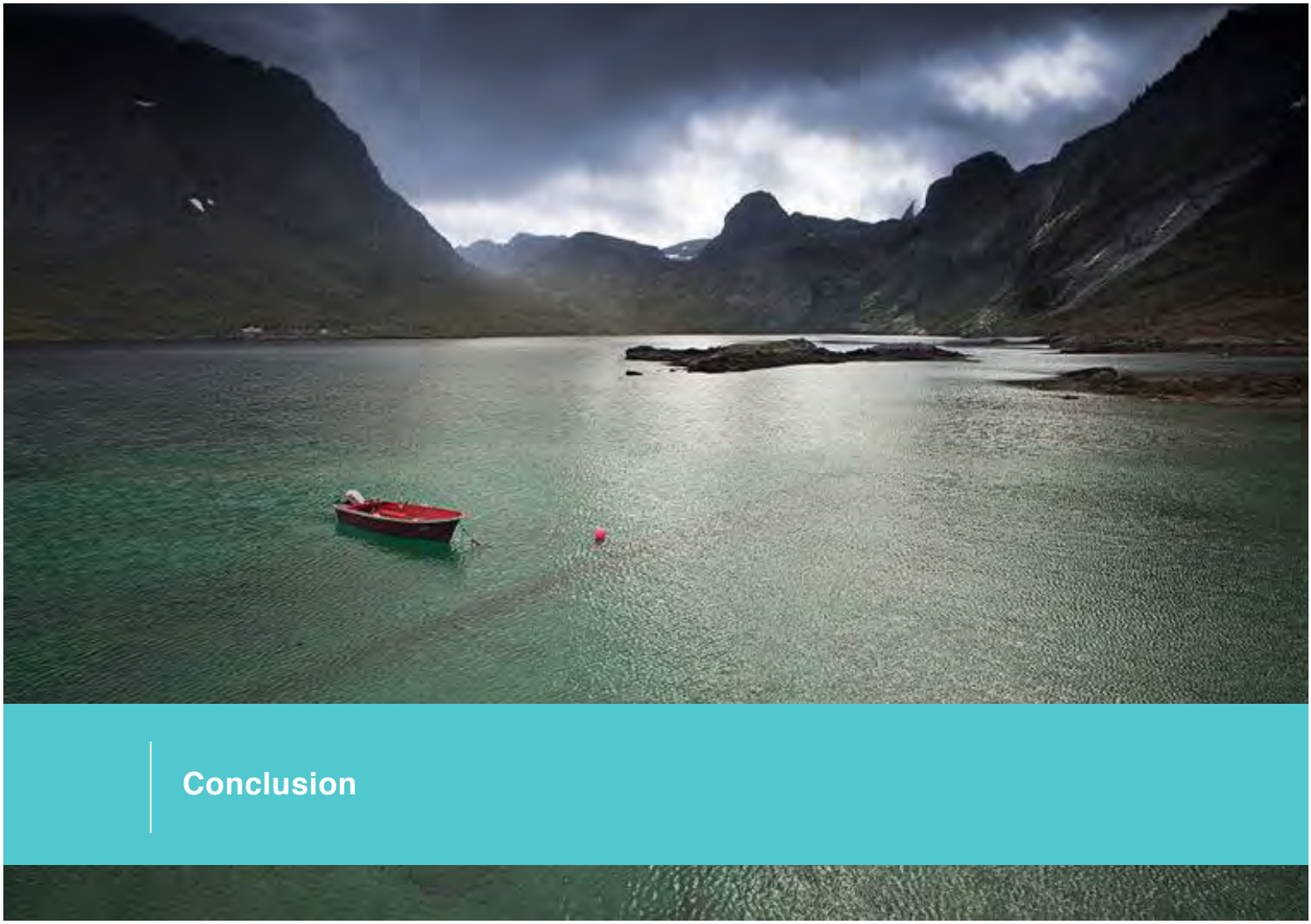
Figure 12. The Deliberate Leader Learning Process



How Deliberate Leaders in this case learned and then adapted is at the core of the Deliberate Leadership process. When the learning and adaptation culture is robust, change efforts are stickier. In an issue as complex as climate change, adaptation is the key to survival.

Questions for the Field

- Which of these lessons learned seem the most applicable to your company or field of interest?
- What do these three foundations need to learn more about to support cross-sector collaboration?
- What avenues of action are open to Deliberate Leaders in the context of contending political forces?



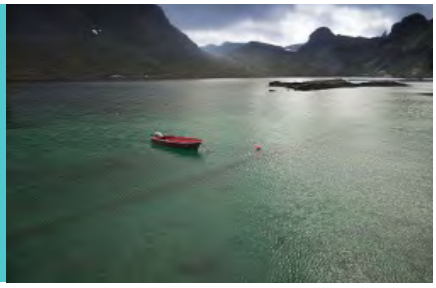
Conclusion

Chapter 6: Conclusion

Building a System to Last

Perhaps the most important lasting question raised by the examples in this study is how to persevere with critical work while grappling with change on many fronts. Changes in leadership and the political climate are particularly unpredictable, and unanticipated consequences of actions (and non-action) often conspire to derail the best of intentioned plans.

The challenges raised by the Ivey Foundation are illustrative of how climate stakeholders must continuously interrogate these issues in a volatile and challenging environment for change.



Challenging Issues, Connecting the Links

In moving towards a low-carbon economy, Ivey and its partners faced important challenges related to the problem of ensuring certainty and sustainability in policies and the marketplace. Ivey understands these challenges. It devised the Economy and Environment Program intentionally to address them and help create policy, practice, and financial infrastructures that are robust, predictable, reliable, and aligned.

Challenge 1: Sustaining Carbon Policies

Ivey's Economy and Environment Program theory of change adopts the conventional economic hypothesis that a critical aspect of transitioning to a low-carbon economy has to do with market signals—their strength, their consistency, and their stability. How does a government adequately signal to the marketplace its commitment to transition? What are those signals and how are they conveyed in terms understood by the marketplace? Moreover, how does a government hear and respond to signals from the marketplace? Conversely, how does the marketplace (whether the financial, production, or manufacturing sector) signal to the government what it needs in order to invest beyond the short term and ensure an economically successful transition? Perhaps most critically, what are the social and behavioral aspects of markets and the role of complementary policy measures to fill the gaps where markets fail?

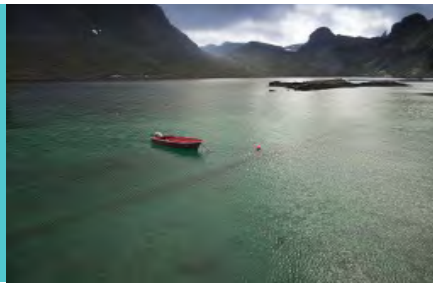
Canada's public policies to tax carbon send a clear price signal to the market and the public. As noted at the start of this case study, the national signal is the federal government's Pan-Canadian Framework on Clean Growth and Climate Change: Canada's Plan to Address Climate Change and Grow the Economy,[123] and the actions of provincial governments preceded and helped pave the way for development of the federal government framework.

The challenge is to ensure that the public policies are sustained, and sufficiently predictable for the private sector to commit investment resources, and research and development funds, within their frameworks.

Challenge 2: Aligning Procurement and Infrastructure Policies and Practices

With public procurement expenditures amounting to 13 percent of OECD countries' gross domestic products, government procurement policies offer another strong market signal.[124] Canada's procurement expenditures track OECD figures. The federal government spends CAD$16 billion annually on goods and services, nearly 10 percent of its gross domestic product.[125] Opportunities to adopt policies that prioritize low-carbon options and support Canada's clean technology sector have been offered.[126] The federal government already has some procurement-related commitments in place, including Public Services and Procurement Canada's commitment to using 100 percent clean power in all its operations by 2025, and a mandate that requires government operations to cut carbon emissions by 40 percent by 2030.[127]

The private sector sees opportunities, too. However, at times, it is not receiving the signals it needs. For example, Adam Auer, Cement Association of Canada's Vice President of Environment and Sustainability, observes, "Governments purchase 60 percent of all building materials in Canada. No one is thinking about how we reduce the carbon footprint of those materials outside of regulating the actual manufacturers. For example, we have a lower-carbon



blend of cement we call "Contempra," but it hasn't penetrated the market in a meaningful way because public procurement agencies aren't specifying it. This won't change unless the specification process itself changes, unless governments actually start valuing carbon reductions and climate resilience in their procurement process."

Procurement signals can go hand-in-hand with infrastructure signals. About low-carbon cement, Auer notes, "There's not a single ton of this stuff that's being purchased by public procurement agencies. It makes us scratch our head. If government procurement processes are so misaligned with what they're trying to do on climate and resilience, it tells us there's something fundamentally broken with the way that governments invest in infrastructure."

The newly formed Canada Infrastructure Bank may help synchronize the signals. It will invest CAD$35 billion in public transit systems, trade and transportation corridors, and green infrastructure projects, including those that reduce Canada's carbon footprint.[128]

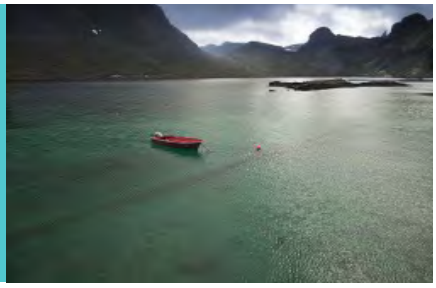
However, getting those signals right between government agencies is not always easy. An interviewee wishing to remain anonymous observed, "Within a government there's supposed to be alignment around things like infrastructure and procurement. The toughest part of the job, honestly, is those conversations with the Ministry of Infrastructure around the kind of criteria that they should be placing on the large scale of procurement of cement as an example, or on the need to start building the social cost of carbon into the project choices that they make, and certainly reflecting that in the economics and the financial analysis of those projects."

Challenge 3: Involving the Financial Sector

Andrea Moffat, Vice President of Ivey Foundation (and previously Vice President, Corporate Program of CERES, an American nonprofit working in sustainability) notes that "Carbon pricing is a crucial signal but the price is not high enough to change investor behavior." In other words, other signals are needed.

On the surface, perhaps, it appears that Canada's private sector is receiving plenty of signals. Clean energy investments in 2015 and 2016 totaled CAD$6 billion, ranking it eleventh among all nations.[129] While this level of investment mirrors Canada's position in the global economies, the figures represent less than one percent of the global clean energy investments of CAD$816 billion over those two years.[130] Reasons for the miniscule percentage of investments may be attributed to the fact that Canada's electrical generation is already 80 percent carbon-emissions free, with two-thirds of it from renewable energy (mostly hydropower); thus, there is a perception that big clean power projects are not necessary.[131] Yet, with the government's commitment to phase out all coal-fired power plants by 2030, additional investments will be needed to be made to move from 80 to 100 percent.[132]

To fill that gap and others that hinder progress towards a lower-carbon economy, market actors (financial and private sector) need clear signals about certainty and risk. The finance and manufacturing sectors need to be assured that there is long-term political commitment and regulatory certainty.[133] In Canada, this means assurances that the current federal and provincial climate change plans and carbon pricing schemes will remain in place and proceed as proposed. Beyond stability and predictability, the finance sector needs other signals about investment opportunities and the risk of these opportunities. While the government's R&D



efforts help, they are not enough. Procurement, noted above, is one such signal that is required but currently missing.

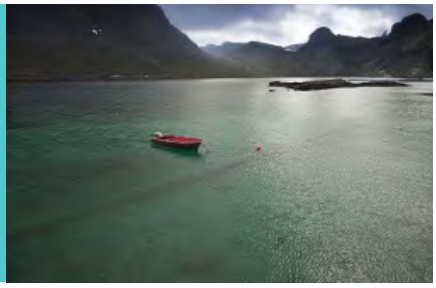
Other government signals are also weak. Andrew Chisholm of the Chisholm Family Foundation, previously Senior Strategy Officer at Goldman Sachs & Co., and currently a bank board member notes, “I don't think the financial sector has had much external impetus to cause it to think about this [i.e., investing in low-carbon opportunities] thematically, or strategically.” He said, “External stakeholders, the government in particular, has an opportunity to more specifically express to the financial sector that they wish it would look at this suite of issues strategically as a means of allocating capital more rapidly and in greater scale towards the transition to a low-carbon economy. But they haven’t done that. I have not seen signals that they’re inclined to do it [in the near term]. I personally hope that changes because I believe there are opportunities for the country in initiating a coordinated approach as some other jurisdictions appear to be doing, but as yet I haven’t seen it.”

Conversely, government might feel the same way. Alex Wood, Executive Director, Government of Ontario Climate Change Directorate, observes, “The interest from the private side to partner on financing with us has been pretty low. We haven’t seen a lot of folks coming in and saying, ‘Okay, how do we start talking about partnering to use public resources to help unlock larger pools of private capital?’ It's been an underwhelming response, I would say, from the private capital side.”

A lack of understanding, combined with the fact that government and the financial sector employ different lexicons, contributes to the disconnect. Moffat notes that “There is a language issue, a big gap between how government policy makers and agencies talk and the language of the financial sector.” This lack of a common language compounds the problem of mutual understanding. For example, Christopher Ragan, Chair of Canada’s Ecofiscal Commission points out, “I think it's fair to say that the various aspects of carbon pricing are not well understood by most people in the investment community.”

There are some signals reaching the investment community, but they are just not at the amplitude to ensure scale. Chisholm observes that “The finance sector currently thinks about low-carbon investments episodically and in silos or pockets. There are certain groups, usually small, within a number of the institutions, and there are certain institutions as a whole that are more leading-edge thinkers about individual aspects such as lending, or investing, or risk management. But it’s still very early days, and generally not even really that coordinated within institutions, let alone sector wide. It certainly, as yet, could not be considered a determined or strategic approach to the issue.” Ragan echoes those observations stating, “Whether you’re talking about small businesses or large businesses, or people in the investment community, I think we are very much at the beginning of this. On the investment side, they’re trying to understand carbon exposure and how big it is.”

Aside from positive signs of progress, Canada’s social finance movement also has challenges to overcome. “One of our biggest problems is a big geography in Canada. Thirty-five million people…so we always have a bit of market failure, based on our small population,” says Tessa Hebb, Carleton Centre for Community Innovation. Bill Young offers that social finance could be “justifiably criticized” for thinking that leadership must come from purpose-built smaller organizations rather than mainstream institutions. According to Young, “Our best hope is to get



those mainstream institutions involved and their distribution networks. I think that would be where leadership has been missing." Tim Draimin also believes that SiG and the McConnell Foundation are well poised to lead this mainstream integration by acting as the "missing middle"—actors in the ecosystem who can connect the dots between the different centers of resources, policy, and culture, and help build the mindset to pull things together and make things happen.

According to Young, another related challenge for social finance in Canada is what he describes as "the sprinkle effect." "There have been lots of innovative bit-by-bit shifts going on in Canada where there are some smart interesting parties that have got people to think Canada is a leader… but there hasn't been a real kickstart here," he says. In his view, the sprinkle effect stems from a desire to satisfy every stakeholder: "Let's make every interest group who has made submissions to us happy so we won't do anything big."

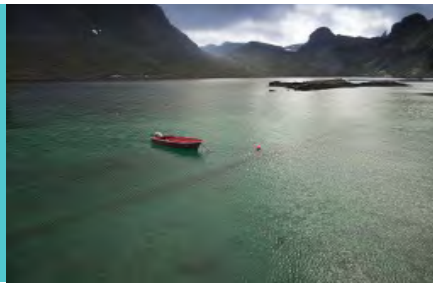
Part of the problem stems from an outdated regulatory environment that hinders further cross-sector collaboration on financial innovation. "There are countless examples of where you can get multi-stakeholder financial arrangements in place that work for everyone. The missing part sometimes is we've got regulatory environments that divide the worlds in two as if there's no intersection between for-profits, not-for-profits, and government, whereas the real solutions are in the intersection," says Young. Henderson agrees, arguing that, "Capital is needed, but capital can't move without the policy framework for a clean energy future and a capacity framework that encourages local participation, both in terms of direct involvement in project development, ownership, and obviously how capital is used."

Canada as a Bellwether of Potential Solutions to the Wicked Problem

Canada, in many ways, reflects the global challenges of reconciling and aligning economic and market forces with climate change while moving economically marginalized people and communities to the mainstream. Its resource-driven economy, its large Indigenous population impacted by poor economic conditions and now changing environmental conditions, and its commitment to change are factors and conditions that make it particularly relevant to other countries. Moreover, as the United States abdicates its leadership, Canada's role in North America grows larger and more important.

This case study offers insights into how three different foundations seek to catalyze, enlarge, and sustain Canada's efforts to address the Wicked Problems of climate and economic marginalization, and ways in which they embody the characteristics of Deliberate Leadership and processes to demonstrate them. The narrative invites the reader to critically analyze the extent to which the three funders act as Deliberate Leaders, and ways in which they and their efforts could be improved. As importantly, the study challenges the reader to consider how these efforts (including the processes and strategies) and lessons from them apply to their own communities, countries, and businesses.

Suffice to say that experience has proven that success comes not without pain and difficulty, and that change happens best when all stakeholders are at the table. The dual problem facing Canada of climate change and the reconciliation of its Indigenous people can be solved more successfully when all stakeholders have a seat at the table and an equal voice in the future. The



Deliberate Leadership Process, properly executed, can provide results, even when the participants come from varied backgrounds and perspectives. Wicked Problems *can* be addressed successfully by Deliberate Leaders like Bruce Lourie, Stephen Huddart, and Steve Williams (and their respective foundations). Canadians hope that other countries will benefit by listening, learning, and applying lessons from their experience in ways most suited for each country and community.

Concluding Questions for the Field

- After reading about the Canada experience, do you think that the funders and others have created the conditions for a low-carbon economy transition?
- What does this case tell us about the relative merits of regulatory versus financial approaches to energy transition?
- To what extent do these approaches operate at cross purposes? Can they be mutually reinforcing, and if so, how and under what circumstances?
- Are there partners or stakeholders you believe are missing from the groups with whom the funders are working and supporting?
- The three funders collectively assume that a greener, more sustainable, lower-carbon economy will arise the fastest and will be more sustainable though carbon pricing and accompanied investments. Do you agree? What other theories of change might Canada pursue?
- What is the applicability of the Canadian experience (with social finance for low-carbon economy) to countries with less actively engaged governments? To what extent can philanthropic actions take up the role the government plays in Canada?

Epilogue

Epilogue

Recent Emerging Issues and Political Changes

The climate change and social finance challenges and solutions continue to unfold in Canada, in an ever-increasing pace since this case was written in early 2017. The Epilogue describes how leaders at Ivey, McConnell, and Suncor Energy foundations are responding to these new challenges and opportunities as they seek to ensure that Canada meets its Paris Accord commitments and shifts to a Low Carbon Economy. The goal of the case is to be live and to allow readers to better understand the dynamic system stakeholders much navigate long-term.

In a recent article in the Stanford Innovation Review, Huddart and Draimin called for the creation of a Canadian Social Finance Fund, complimented by a social innovation fund. They write:

> A social finance fund in Canada would stimulate innovation in the public service and bring new dynamism to the social sector, renewing the relationship between government, philanthropy, and the private sector at a time when meeting the UN Sustainable Development Goals demands an all-out effort. Transformative change will require not only collaboration within government and across sectors, but also new sources of capital, new approaches to managing risk, and new uses of data.[134]

The federal government continues to work on the development of such a fund, and announced development of a Social Innovation and Social Finance Strategy in a press release in June 2017. In making the announcement, Patty Hajdu, Minister of Employment, Workforce Development and Labour, noted the importance of ensuring the strategy included all Canadians.

> Our government is committed to ensuring that all Canadians can share in the prosperity of our country. Yet, there are many Canadians, such as Indigenous people, women, recent immigrants and youth, that still face barriers that prevent them from being fully included in society. We recognize that traditional approaches alone are no longer sufficient to tackle our most complex social challenges. We look forward to co-creating a Social Innovation and Social Finance Strategy with this new steering group. By innovating and working together we're going to find new solutions that make a real difference for people in our country.[135]

Other international voices are also speaking out on the connection of Indigenous people to the solutions of climate change. Darren Walker, President and CEO of the Ford Foundation, spoke at the recent Global Climate Action Summit. He said, “Normative discourse about climate change solutions until recently ignored Indigenous people, and in fact, we won’t get to a climate solution without addressing land management and deforestation, and we can’t effectively do that without going through these communities and these people and hearing and listening to their voices.”[136]

The urgency of the challenge has not abated. As economist Nicolas Stern tweeted in the run up to the June 2018 G7 Summit, hosted by Canada, in Charlevoix, Quebec: “Climate change is the greatest market failure the world has seen,” and the world is now looking to Canada for leadership to puts its financial sector muscle to work correcting this.”[137]

With Canada as the President and host of the G7 in 2018, climate change was one of five agenda items for the gathering of world leaders. The Canadian government summarized its commitment in a G7 public engagement paper:

> Throughout Canada’s G7 Presidency, we will work to chart new ways forward towards a more secure, sustainable, low carbon future—a future that ensures the health of our oceans, with a renewed focus on the development of new energy technologies. This is why Canada will promote strong engagement with our domestic and international partners, the private sector, and Indigenous and local communities in order to advance efforts on climate change, accelerate clean energy innovation and commercialization, and mobilize action on oceans health and resilience.[138]

Ivey Foundation staff have been working closely with federal government representatives in helping design a Sustainable Finance Roundtable as part of Canada's G7 hosting in fall 2018. The goal is for Canada to begin the development of a domestic sustainable finance strategy informed by global action and experience. Canada is in the unique situation where there are those who fear an activist approach to climate finance will harm Canada's competitiveness in the short-run, whereas others see this vulnerability as a wake-up call to the country to get ahead of the low-carbon transition curve.

Voices calling for action were loudly heard during 2017 and 2018. Ray Dhirani, of the World Wildlife Fund's sustainable finance program, was quoted in the *National Observer*, saying,

> Canadian capital markets players are sophisticated global investors who should be able to re-align their investments with climate change and broader sustainability targets, but leaders must now step forward. Together, the largest public sector pension funds and six large Canadian banks control over $6 trillion in global assets. With a financial industry of this scale, Canada should help lead the world in the transition to sustainable finance.[139]

A number of Indigenous groups reacted forcefully in May 2018 to the announcement by the government, that they would give $4.5 billion to Kinder Morgan to buy both the existing 65-year-old Trans Mountain pipeline and the controversial Trans Mountain Expansion Project. Reaction was swift and unequivocal by Indigenous Climate Action:

> The Trudeau government has shown its cards; they do not have an interest in standing by their election commitments to uphold Indigenous Rights, lower GHG emissions or work towards solving climate change. The Canadian government has gone from backing a fossil fuel company that is trampling Indigenous rights to becoming one.[140]
>
> Other Indigenous groups supported the pipeline and have indicated a desire to take an equity stake in the project.

Government policies on climate change are facing opposition on many sides. Bloomberg News reported "growing opposition has put Trudeau on the defensive and has provincial governments rolling back other measures, raising questions about the appetite of this oil-exporting country to tackle climate change."[141]

One province, Ontario, has publicly announced that it would join a legal challenge, following Saskatchewan, to the central government's carbon pricing policy. The Ontario premier, Doug Ford, rescinded the provinces cap-and-trade policy in a series of moves to reverse existing climate change policies. Recent polling in Alberta suggests voters may elect a government that opposes the climate plan as well.

Another Deliberate leader, Bruce Lourie of the Ivey Foundation weighed on the actions of Ontario's political leadership in a June 21 opinion piece in the *National Observer*. He wrote, "Scrapping cap and trade and The Green Ontario Fund will do nothing to lower electricity rate, what it will do is cause huge disruption and costs to Ontario businesses. And yet Ontarians have been worked up into a fervor by our politicians, despite the facts."[142]

How do Deliberate Leaders respond to the change in the political tide and public opinion? How do they hold onto the gains made and continue progress? Our Deliberate Leaders offer their thoughts.

Epilogue

Bruce Lourie, Ivey Foundation

In 2014 the Ivey Foundation embarked upon an ambitious goal of helping Canadians think through and plan for the transition to a low-carbon economy. We know well that this challenge is not unique to Canada, although as the case study illustrates, Canada has several unique attributes, adding complexity.

We are seeing more than ever that the world is in the midst of a great techno-cultural shift, perhaps the greatest since the Industrial Revolution. This is being driven by three powerful forces: advances in the human-technology interface; the decarbonization of global energy systems; and the impacts of climate change on humanity, and natural and physical infrastructure.

The question for countries all over the world is: how do we see ourselves in this great transition? And what can we offer to the world and learn from others? Those questions could not be more critical or challenging then for Canada, a country with regions that rely hugely on fossil fuel exports, while the people of other regions live with the direct and disproportionate impacts of climate change. In the past year, these very direct challenges have come to the fore.

Canada, as with many other parts of the world, is facing political populism–electing politicians with an explicit disdain for academia, evidence and even truth. How does one contemplate social change in an environment where social media platforms are designed by cynics to propagate and feed upon fear? And where political parties define their *raison d'être* as opposition to climate policies?

This trend was identified by the Ivey Foundation two years ago as the single greatest risk to our philanthropic endeavours. It has caused us to double down on our strategy of building new collaborations and new mainstream institutional capacity to create and uphold evidence. Moreover, it reinforces the need for philanthropy writ large to reach across sectors—beyond the traditional left-of-center civil society organizations—to create meaningful partnerships with government, industry, finance experts, economists and academics. And most critically, with a broader political spectrum.

Communications has emerged as the number one challenge we face. To this end the Ivey Foundation began conversations around how to shift public discourse, and Canada's own narrative, away from the negative portrayal of pipelines versus progress, toward a credible and compelling vision of a prosperous future. This work has taken two forms. First is the creation of a new communications initiative working with a politically diverse group of Canadians to celebrate Canadian values, call out polarization, and recognize the importance of finding solutions and a "middle ground."

Second is the establishment of a Transition Planning Incubator designed to understand and accelerate the low-carbon transition. The Incubator will marry energy systems scenario planning with socio-cultural methodologies to develop specific transition pathways that consider the social aspects of technology adoption and transition, in addition to traditional economic and energy systems modelling. The transition pathways in-turn inform communications and identify social finance opportunities through the establishment of public-private consortia.

The Ivey Foundation set out to rethink and retool Canada's transition to a low-carbon economy and to reframe climate action. We are emboldened by the challenges we face and buoyed by progress that has been made—knowing that there is much more to do.

Stephen Huddart, McConnell Foundation

What a difference a year makes. Since the inaugural convening of the Oxford Social Finance program, things seem to be getting better and better AND worse and worse, faster and faster.

Canada hosted the G7 in June, and one outcome of the meeting was that the US again broke ranks and we are left with a G6 + 1 situation that is confounding multilateral efforts to address climate change. (As a Canadian member of the F20 group of foundations, McConnell prepared and issued a public submission to all delegations on behalf of the group. The F20 will continue to organize advocacy efforts and hold side events around future G7 and G20 meetings.)

Later that month, Ontario's new Premier, Doug Ford, announced that the province will withdraw from the Western Climate Initiative—a cap-and-trade program to which the private sector had committed CAD$3-4 billion and that was generating significant revenues for emissions reductions initiatives. Meanwhile, the United Conservative party, widely expected to form the next government of Alberta in the coming spring, has stated that if elected, it will cancel that province's carbon tax—which was imposed by the current provincial government on the condition that the federal government guarantee that a pipeline be built to the west coast in order to accommodate a significant increase in production volumes. The ensuing opposition on the west coast led the private sector owner of this project, Kinder Morgan, to publicly issue a deadline for this approval, after which it would walk away. The federal government then stepped in and bought the pipeline project for $4.5 billion.

In an effort to forestall further disruption of this kind, the federal Minister of the Environment and Climate Change recently announced a dilution in the federal carbon tax regime that is due to take effect in January 2019.

Indigenous communities are divided, with some calling for suspension of the project in view of its potential to cause ecological damage, and others supporting its development, and the jobs and income it would create.

Against this discouraging backdrop, foundations continue to make headway on a number of fronts. At a Clean Economy Fund (CEF) meeting in Alberta, a dozen foundations, including Ivey, Trottier, the Suncor Energy Foundation and McConnell, considered solutions to the current stalemate. We heard from political conservatives who support action on climate change; from oil field workers who are calling for investment and jobs in the renewable energy sector; and from several academics and funders who see large-scale managed transition to a low carbon economy as the essential focus for their work. In addition, we discussed the need to incentivize institutional investors to invest at the scale necessary to finance such a transition—an advisory committee to the Finance Minister on this subject is due to report out in the fall.

Steve Williams, Suncor Energy

Change—often rapid and sometimes dramatic—continues to be a defining characteristic of the economic, social, and environmental context in which Suncor and the Suncor Energy Foundation operate. Whether it's through shifts in public policy, evolving stakeholder expectations, or polarized debates on how to address the challenge of climate change, we know that the present state is continually being questioned, revised, and tested. Navigating through this dynamic has been and continues to be challenging. And yet, we know doing nothing is not an option.

Regardless of the changing winds, the Suncor Energy Foundation and Suncor Energy remain committed to a transition to a low-carbon economy and a renewed relationship with Aboriginal Peoples. Suncor's long-standing commitment to sustainability, our social goal focused on our relationship with Aboriginal Peoples, and our goal to harness technology and innovation to share in the effort to address the global challenge of climate change attest to our view that in order to address complex challenges, we have to embrace long-term thinking and step into solution space with others.

Our path forward has been driven by a desire to contribute to the success of Canada. We're early on our journey, but are encouraged by the progress we've made through our social goal. That includes strengthening relationships between Aboriginal and non-Aboriginal Canadians, partnering with Aboriginal youth to develop their leadership potential, significantly improving our hiring, retention, and advancement of Aboriginal employees, and increasing revenues to Aboriginal businesses and communities. Our historic $500 million equity partnership with the Fort McKay First Nation and Mikisew Cree First Nation at our East Tank Farm facility redefines how, together, we can share the benefits of resource development.

We've harnessed technology and innovation to set us on a pathway to a low-carbon energy system. We're measuring our progress by targeting a 30 percent reduction in GHG intensity by 2030 through efforts like driving energy efficiency at our facilities and switching to lower carbon fuels. We're also developing and piloting technology to fundamentally change how we extract and process resources, and we're participating in the greening of the provincial energy grid through investments in cogeneration and renewable energy. We're encouraged by results we've achieved; the emissions intensity of the oil we're producing from our newest facility, Fort Hills, is on par with the average GHG intensity of the average refined barrel in the United States.

Complex challenges and systems change require collaboration, and there's no monopoly on good ideas. We've therefore made a conscious effort to reach out to others. In industry, that's meant participating in Canada's Oil Sands Innovation Alliance (COSIA) and supporting Evok Innovations. With governments, we've contributed to environmental and economic public policy through direct consultation and Canada's Ecofiscal Commission. And with partners like the Energy Futures Lab, Turtle Island Institute, Reconciliation Canada and the Canadian Council for Aboriginal Business, we've furthered conversations and fostered new ideas on social innovation.

Through our work and through interactions with others, we're reminded of what helps a business succeed—being courageous, collaborative, community-focused, transparent, creative,

and compassionate. For Suncor and the Suncor Energy Foundation, these approaches and our values and principles will continue to serve as a north star to guide us in the years ahead.

Conclusion

Attacking Wicked Problems is a bold reach. It requires taking risks, asking big questions, and making mistakes. Addressing the "super" Wicked problem of climate change, will continue to challenge all the Deliberate Leaders involved. And, like any innovative effort focused on a seemingly intractable problem, there will be successes and setbacks, supporters and critics. System change is complex and generally doesn't work out as planned.

Because each problem is unique, leaders must choose their approach carefully. Should they command and control because they face a crisis? Can they manage the problem by calling on previous successful experiences? Do they face a challenge that requires them to be collaborative and adaptive leaders, adjusting their strategy based on a clear-eyed understanding of what is and isn't working? Can they hold to their vision while putting their preconceived notions aside, recognizing the strengths and limits of their expertise, and seeking solutions where one might least expect them, including within communities affected by the problem? Can they build collaborations that survive political, economic, and social change?

These questions will continue to be asked as Canada chooses its future path, towards or away from a low carbon economy and meeting the Paris Accord. Deliberate Leaders will persevere in the face of both anticipated and unanticipated change. Students are urged to consider what they can do, as savvy leaders of social finance, to create and sustain a global network that makes climate change an important agenda for mainstream finance.

Appendix 1. List of Interviewees

Name	Affiliation
Adam Auer	Canadian Cement Association
David Berliner	CoPower
Geoff Cape	Evergreen
Andrew Chisholm	Chisholm Thomson Family Foundation
Linda Coady	Enbridge
Dave Collyer	Canadian Association of Petroleum Producers
Tim Draimin	Social Innovation Generation
Melanie Goodchild	Waterloo Institute for Social Innovation and Resilience
Tessa Hebb	Carleton Centre for Community Innovation
Chris Henderson	Lumos Clean Energy Advisors
Lori Hewson	Suncor Energy Foundation
Stephen Huddart	The McConnell Foundation
Bruce Lourie	Ivey Foundation
Stephen Lucas	Canadian Ministry of Environment and Climate Change
Jane McDonald	IISD
Dale McFee	Deputy Minister of Justice, Saskatchewan
Marguerite Mendell	Concordia University
Lorraine Mitchelmore	Shell Canada
Nancy Neamtan	Chantier de l'Économie Sociale
Ratna Omidvar	Canadian Senate
Pamela Ouart-McNabb	The McConnell Foundation
Chad Park	Natural Step
Christopher Ragan	Ecofiscal Commission
Sidney Ribaux	Equiterre
Merran Smith	Clean Energy Canada
Adam Spence	MaRS Centre for Impact Investing
Arlene Strom	Suncor Energy Inc.
Kalen Taylor	Aki Energy
Brian Topp	Former Chief of Staff to Premier Rachel Notley

Name	Affiliation
Tim Weis	Alberta Department of Energy
Ed Wittingham	Pembina
Alex Wood	Government of Ontario Climate Change Directorate
Bill Young	Social Capital Partners

Notes

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investment. In comparison, 2017's capital investment figure was $57.1 billion, and the government said in February that it expected capital investment to drop a further 5.3 per cent in 2018 as "a result of the construction cycle of major oil sands developments completing." Wood, J., Calgary Herald, July 11, 2018, https://calgaryherald.com/news/politics/a-return-of-interest-premier-notley-confident-investment-in-alberta-bouncing-back

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[86] **First Nations** people are descendants of the original inhabitants of Canada who lived there for many thousands of years before explorers arrived from Europe.

The people of the Canadian Arctic are known as the **Inuit**. They used to be called Eskimos, which came from a Native American word for 'eater of raw meat'. Now the Arctic people are officially known as the Inuit, which means 'the people', or singularly, Inuk, which means 'the person'. The Inuit have a distinct culture and appearance from other First Peoples groups in Canada, which really set them apart.

The **Métis in Canada** are a group of peoples in Canada who trace their descent to First Nations peoples and European settlers. They are recognized as one of Canada's aboriginal peoples under the Constitution Act of 1982, along with First Nations and Inuit peoples.

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