

Task Force for Climate-related Financial Disclosures (TCFD) for Municipalities

Introduction

1. With increasing frequency and severity of extreme weather events and costs from building resilient infrastructure, municipalities are incurring higher costs to provide critical services to their community. Disclosing financial climate risks details the exposure of municipal infrastructure and investments to climate change.
2. Climate-related financial disclosures cover municipal governance around climate-related risks and opportunities as well as impacts on the business, strategy, and financial planning. It also includes the identification, assessment, and management of climate-related risks; and the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
3. The Taskforce on Climate-related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board of the G20 group of nations. Designed primarily to provide information to investors on how companies are managing climate risk, its framework can also be used by local governments to integrate climate change considerations into their capital planning, strategic and budgetary decisions.
4. Application of TCFD is particularly important as municipalities start to implement their own climate action plans – as financing climate actions is critical for cities to align towards their net zero targets.
5. The TCFD Framework covers four broad pillars:
 - **Governance** of climate-related risks and opportunities
 - Actual or potential impacts of climate-related risks and opportunities on **Strategy** and financial planning

- **Risk management** including processes to identify, assess and manage climate-related risks
- **Metrics and targets** used to assess and manage climate-related risks and opportunities.

TCFD in Canada

6. In the 2021 federal budget, the Government of Canada pledged to engage with provinces and territories to make TCFD part of regular disclosure practices for a broad spectrum of the Canadian economy. Currently, all Crown corporations are required to adopt TCFD requirements and standards as part of corporate reporting by 2024.
7. In the Fall of 2021, the Canadian Securities Administrators also proposed a requirement for all public companies to make climate-related disclosures informed by the TCFD starting in 2024. A majority of financial organizations (banks, rating agencies, pension funds) have also adopted TCFD and greater requirements and regulations to do so are anticipated going forward.

Why is TCFD important for municipalities?

8. It is essential for municipalities to identify and incorporate climate-related financial disclosures in strategic long-term and future-focused growth plans. This ensures that climate adaptation and mitigation measures are included to support economic growth, reduce potential costs and damages, attract new investors, and build a more resilient community.

9. Application of TCFD framework in municipal operations can:
- Integrate climate change considerations into existing municipal risk assessment processes and build internal capacity for managing climate risks
 - Enhance data collection and sharing internally and externally – improving municipal decision-making and allowing comparison amongst municipalities
 - Quantify climate-related information in financial terms, such as infrastructure investment needs and the costs of doing nothing, public health costs, economic growth potential from clean-tech investments, and green jobs
 - Integrate climate-related risks and opportunities into municipal budgets and long-term capital planning to allocate resources where they are most needed
 - Build public awareness of climate change impacts, and enhance climate accountability and local support for climate action
 - Enhance access to government and external funding projects, as well as attract new investors and businesses by building resilient communities

Canadian Municipalities Advancing TCFD

10. Canadian municipalities are not yet required to implement TCFD, but leading municipalities, including [Mississauga](#), [Vancouver](#) and [Toronto](#) now include it as part of their annual financial reporting. This helps build both internal and public support for climate action, demonstrate good governance and transparency, and actionize municipal climate emergency declarations.
11. Over the course of 2019, Chartered Professional Accountants Canada worked with municipal staff from Montreal, Toronto, and Vancouver along with other partners such as the Public Sector Accounting Board, C40 cities, Federation of Canadian Municipalities, and others to develop a [guide](#) for municipalities that included the following recommendations

for the four TCFD pillars to consider as part of a TCFD process:

Governance:

- Describe the mayor and council's oversight of climate-related risks and opportunities.
- Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy:

- Describe climate-related risks and opportunities over the short-, medium-, and long-term.
- Describe the impact of climate-related risks and opportunities on the strategy and financial planning of the city's businesses.
- Describe the resilience of the city's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management:

- Describe the city's processes for identifying and assessing climate-related risks.
- Describe the city's processes for managing climate-related risks.
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the city's overall risk management.

Metrics and Targets:

- Disclose the metrics used by the city to assess climate-related risks and opportunities in line with its strategy and risk-management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and the related risks.
- Describe the metrics used by the city to manage climate-related risks and opportunities as well as performance against targets.

Municipal Implications

12. Implementation of TCFD recommendations represents a multi-year phased opportunity for municipalities to begin disclosing, assessing, responding to and ultimately quantifying climate-related risks and opportunities.
13. Advancing the TCFD framework strengthens municipal resilience by reporting on material climate-related financial disclosure, incorporating a climate lens on financial decisions and ensuring there is a clear understanding of climate information within municipalities.
14. TCFD recommendations provide a mechanism to accelerate municipal goals of reducing emissions and enhancing climate resilience to the future impacts of climate change. It can also act as an effective way to mainstream climate considerations into municipal financial processes, paving the way to a resilient and green economy.

Related Webinars and Further Reading

15. [TCFD for Canadian Municipalities](#)
16. [Manifest Climate TCFD Recommendations](#)
17. [CPA Canada - Enhancing Climate-related Disclosure by Cities](#)

Contact: Devanshi Kukadia, Climate Communications Lead
Email: dkukadia@cleanairpartnership.org