

A changing climate is the challenge of our generation and, if left unabated, will increasingly disrupt the environment and our society. Canadian Pacific (CP) is already confronting this challenge as we experience more frequent disruptions across our network and CP is committed to further rise to this challenge by adapting our business and operations going forward. Since industrialization, our planet has seen a dramatic rise in greenhouse gas (GHG) emissions, which over the next 30 years may significantly increase global temperatures to unsustainable levels. Over the next decade, we believe climate change represents a fundamental threat to the planet and provides potential opportunities for our business. For nearly 140 years, CP has embodied strategic, long-term thinking and, as we look ahead to turning 150 in 2031, we remain committed to planning for the long term and confronting the challenges created by climate change. We are committed to serving North America and the world through efficient and sustainable rail transportation for the next 150 years, and beyond.

Our Stance

The transportation sector is a major source of GHG emissions in North America, accounting for 28 percent of Canadian and U.S. emissions in 2018\(^1\)\(^2\). While transport by rail represents only 2.2 percent of GHG emissions from the transportation sector, the rail industry plays a major role in helping reduce overall transportation-related GHG emissions. Railways represent the most energy-efficient method of moving freight over land. A single-unit train keeps more than 300 trucks off of public roads and is four times more fuel efficient than highway transport, helping our customers further reduce greenhouse gas emissions. At CP, we have improved our fuel efficiency by more than 40 percent since 1990 (currently 13.8 percent better than the North American Class 1 freight railway average). As CP continues to strategically grow its business, we must continue to curtail our own emissions, while supporting further emissions reductions across the broader transportation sector.

We acknowledge that fuel efficiency improvements alone are not enough and we are looking to emerging technologies, renewable fuels, partnerships and innovative ways of running our business. Not only must we take steps to mitigate the risks of climate change, it is critical that we adapt our business and operations to changing conditions in order to avoid the worst of escalating major disruptions.


Our Vision

We believe transportation of freight by rail will continue to play an integral role in the low-carbon future for North America and CP is transitioning to be a leader in this transformation. We accept and welcome this responsibility and will continue to create long-term sustainable value for our shareholders and the broader economy. From transporting goods and materials that will drive the energy transition to continuously optimizing our operational and energy efficiency, CP will continue to build on our legacy of innovation, leadership and precision scheduled railroading to provide the highest standard of transportation solutions to rise to the serious challenge of climate change. We are proud to be embarking on this challenge and to take a leading role as our industry moves toward decarbonization.

Alignment

Climate change transcends our business, our industry and our continent. In recognition of the global nature of the fight against climate change, CP continually aims to align with recognized initiatives that bring governments, sectors and companies together, such as the Pan-Canadian Framework on Clean Growth and Climate Change and the resulting Greenhouse Gas Pollution Pricing Act (Canada), to the extent that they apply to CP’s operations, as well as the Task Force on Climate-related Financial Disclosures (TCFD). This includes a commitment to leverage our leadership role within the rail industry to support the goals laid out in the Paris Agreement and emerging best practices to limit global temperature rise to well below 2°C. CP will also strengthen its resilience and adaptive capacity through cooperative approaches. CP will continue to support public policy aimed at reporting and reducing emissions and lowering the impact of the freight rail sector on the environment. Since 1995, we have actively engaged with industry peers and government agencies to pursue voluntary emissions reductions in the railway sector. We remain committed to promoting positive change both within CP and beyond.

Read CP’s Commitment to Fight Climate Change online here
At CP, we have achieved significant emissions reductions through efficient operations and investments in technology and innovation. We recognize that long-term sustainable growth requires an ambitious vision. As we look towards the next stages of our growth, we are building on our culture of innovation to adapt our business and continue to work together with all stakeholders, to position CP for a Sustainably Driven future.”

Keith Creel, President and CEO

Our Commitment

We know that ambitious goals require diligent action, and we are engaging in a number of strategies to understand climate risk and drive significant emissions reductions. CP is committed to set a science-based target within the next year to reduce our emissions in line with the Paris Agreement. To further mitigate climate risks and embrace opportunities, CP is conducting scenario analysis to understand the full range of possible impacts from climate change as they relate to our business. Through this process, we plan to formalize the integration of climate-related risks into our enterprise risk-management mechanisms and develop strategies for mitigation of risk and pursuit of opportunity.

These strategies will necessitate actions that require regular assessment and further planning, and CP commits to continually explore available tools to drive this transition. We believe the only way to be a leader in smart and sustainable climate action—while continuing to deliver high-quality transportation solutions that connect Canada and the United States to the world—is to understand the full scope of limitations and the opportunities we can seize as part of our low-carbon transition.

Central to this transition is the need for ambitious progress in innovation, development of new business practices and deployment of emerging transportation technologies. To support and guide this work across our organization, CP will implement internal carbon pricing mechanisms to help meet our climate-related objectives. Carbon pricing analysis will occur over time.

Operational Excellence and Innovation

CP’s locomotive operations consume more than 92 percent of the energy needed to run our operations. While CP regularly outperforms industry averages for fuel efficiency, we are committed to further improving the carbon footprint of our locomotives. Whether through our fleet modernization program or technology upgrades such as installing trip optimizers on 85 percent of our high-powered line locomotives by 2025, CP is committed to evaluating and piloting new technologies, as they emerge. This commitment extends across our business and has resulted in energy saving initiatives beyond our locomotive fleet, including upgrades CP has done to lighting fixtures to save millions of kilowatt-hours of electricity and reduce carbon emissions, as well as many more innovative solutions and efficiency projects to reduce energy consumption across our network, yards, facilities and operating equipment.

Climate Leadership and Influence

Given the magnitude and complexity of combatting climate change, we know that greater leaps in fuel alternatives and technology development are needed to help us reach our goals. CP is committed to take a leading role in working collaboratively with regulators, suppliers, trade associations and other partners to push for greater deployment as emerging low carbon transportation solutions become available.

CP recognizes that our ability to influence GHG emission reductions extends beyond our own operations. We must also advocate and partner across our network of suppliers and value chain in ways that drive for positive change outside the CP network.

Our commitment to address climate change is a journey and we intend to be a leader in transforming both CP and the transportation sector to meet this challenge.

NOTE ON FORWARD-LOOKING INFORMATION

This climate statement contains certain forward-looking information within the meaning of applicable securities laws relating to Canadian Pacific’s operations, priorities and plans for the establishment and achievement of certain environmental and sustainability targets for reductions in GHG emissions. Forward-looking information is indicated by words such as “commitment”, “anticipate”, “believe”, “expect”, “plan”, “will”, “must”, “target”, “should” or similar words suggesting future outcomes. Forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance. Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance.

By its nature, the forward-looking information in this climate statement involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking information, including but not limited to the fuel efficiency of railways and CP’s operations, CP’s ability to implement certain initiatives, including emissions targets, scenario analyses, risk mitigation strategies, changes to enterprise risk management and internal carbon pricing mechanisms, future investments in and the availability of carbon emissions-reduction tools and technologies including through CP’s fleet modernization program and technology upgrades, the impacts of existing and planned capital investments, and CP’s ability to work with governments and third parties to mitigate the impacts of climate change, as well as additional factors detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in CP’s annual and quarterly reports filed on Form 10-K and 10-Q, respectively, including CP’s annual report filed on Form 10-K for the period ended December 31, 2019 and quarterly report filed on Form 10-Q for the period ended June 30, 2020.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.