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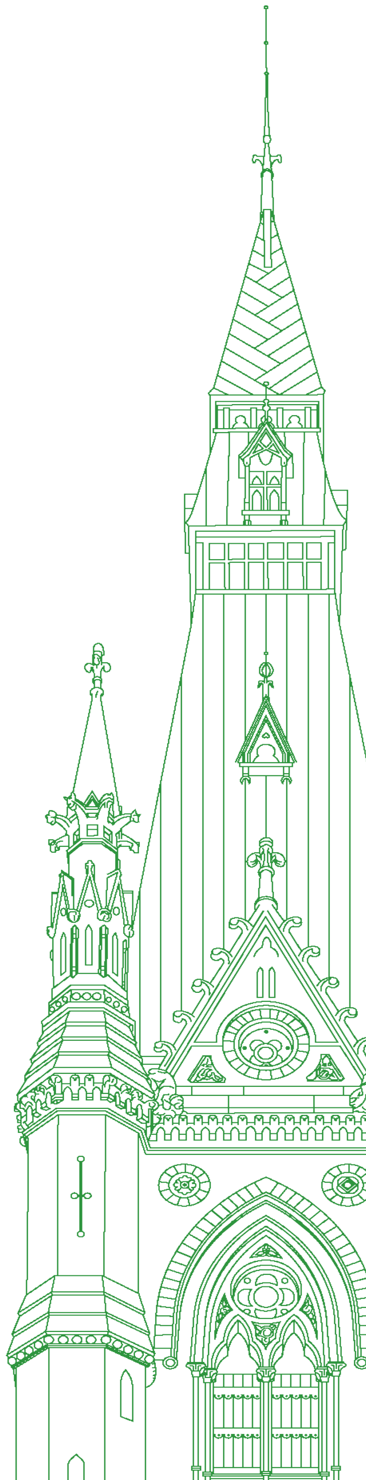

Chair: Mr. Francis Scarpaleggia

Standing Committee on Environment and Sustainable Development

Wednesday, October 30, 2024

● (1635)

[*Translation*]

The Vice-Chair (Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC)): Hello, everyone.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Mr. Chair, I would like to know if you have heard anything about Minister Randy Boissonnault appearing before the committee. The last time, we were discussing possibly in December. Do you have any more details?

[*English*]

The Vice-Chair (Mr. Dan Mazier): I'll turn to the clerk.

There are no updates on that.

[*Translation*]

Mr. Gérard Deltell: I would also like to know if you have any news about Mark Carney potentially appearing.

[*English*]

The Vice-Chair (Mr. Dan Mazier): Is there any update on Mr. Carney?

I'm sorry to report no updates on either one.

[*Translation*]

Mr. Gérard Deltell: The sooner the better.

Thank you very much.

[*English*]

Mr. Adam van Koeverden (Milton, Lib.): I have a point of order, Mr. Chair.

The Vice-Chair (Mr. Dan Mazier): Go ahead, Mr. van Koeverden.

Mr. Adam van Koeverden: Thank you, Mr. Chair. Welcome to the chair seat for the day.

I want to point out the unprecedented number of ministers who have appeared at this committee over the last year. We've been very fortunate with their availability, and I certainly hope it will continue.

I think we received an update on Mr. Carney's availability at the last meeting.

Thank you, Mr. Chair.

Mr. Branden Leslie (Portage—Lisgar, CPC): On a point of order, Mr. Chair, I would like to highlight the number of Liberal scandals that have led to the number of Liberal ministers coming before this committee.

The Vice-Chair (Mr. Dan Mazier): I'll call this meeting to order.

Welcome to meeting number 129 of the House of Commons Standing Committee on Environment and Sustainable Development.

Before we begin, I would ask that all in-person participants read the guidelines written on the updated cards on the table. These measures are in place to prevent audio and feedback incidents and to protect the health and safety of all participants, including our interpreters.

Today's meeting is taking place in a hybrid format. All witnesses have completed their required connection tests in advance of the meeting.

I would like to remind participants of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

I understand that Mr. Bachrach is going to be subbing for Ms. Collins.

Ms. Laurel Collins (Victoria, NDP): That's for the last half-hour.

The Vice-Chair (Mr. Dan Mazier): Okay, that's good. We have that out of the way.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, October 31, 2023—almost a year ago—the committee resumes its study on environment and climate impacts related to the Canadian financial system.

I'd now like to welcome our witnesses. Up to five minutes will be given for opening remarks, after which we will proceed with rounds of questioning.

We will open up with CIRANO and Ms. Hubert.

Welcome.

[*Translation*]

Ms. Anne-Marie Hubert (Fellow, CIRANO): Mr. Chair, I want to thank you and all members of the committee for inviting me and for the work you do for all Canadians.

I also want to thank the Anishinabe Algonquin community where I grew up in the Upper Gatineau region, and which continues to share and preserve its unceded land for future generations. They are a model to be emulated.

[*English*]

After 39 years at EY, I recently started the next chapter of my career with the Centre interuniversitaire de recherche en analyse des organisations, CIRANO.

CIRANO provides a neutral, science-based forum that brings together global and local scientists, investors, standard setters and other stakeholders in the pursuit of one common goal, which is to accelerate the building of local and global market infrastructure, and the data and technology solutions required for sustainable finance and sustainable growth.

Our work plan is designed to help turn five critical issues into opportunities for our country.

First, public and private finance are required in support of transitions. Businesses are for profit and must deliver appropriate returns. It's the same for investors. Public finance must be leveraged smartly to enable the attraction of the private capital required to drive sustainable growth.

Second, support is needed for citizens impacted by transitions. Some jobs will change and some jobs will disappear. Some jurisdictions are making more progress than others to get relevant disclosure needed from employers to identify sectors, people and communities impacted by climate transitions. We will need similar information for AI transitions in order to develop support programs for people and communities impacted.

Third, global investors need consistent global sustainability disclosure. They've joined forces at the international level with global standard setters, IOSCO and central banks to get the information they need.

Progress is happening much faster than expected. Global investors are not waiting for country adoption to ask portfolio companies to reduce their scope 1 and 2 emissions, and to utilize their procurement power to engage with upstream value chains to reduce scope 3 emissions and align with other sustainable procurement requirements. When organizations like Apple, Microsoft, Walmart, Amazon, the City of Toronto or the City of Vancouver align their procurement practice to meet investor needs, Canadian businesses must adapt to keep access to market for their products.

Fourth, small and medium businesses feel the pressure from the buyers of their products, who are asking for higher sustainability maturity levels. SMEs need support to meet those new sustainable procurement and financing requirements.

Financial institutions and most large buyers are spending a lot of money to build technology platforms in support of SMEs. Some global industry associations are investing in industry solutions to ask for the same information in the same format for all suppliers globally. Lack of coordinated efforts to do this in Canada results in redundant costs and redundant requests for SMEs, which makes us less competitive. All this could be reduced with coordinated leadership efforts.

Fifth is the overload of regulation. The last thing we need is more regulations in this country. In the U.S., investors have worked with the federal, state and municipal governments to ask for the same baseline of sustainability disclosure. As a result, U.S. businesses experience a lower cost of doing business and faster approvals for projects.

Our work at CIRANO will contribute in two areas. It will provide evidence to support decisions and public policies that will accelerate rationalization and alignment of global sustainability standards that can be leveraged for private and public finance, consistent attributes of sustainable finance products, transition finance, infrastructure projects and carbon markets. We will also provide analysis to identify and compare best practices, tools and other sustainable growth accelerators to improve access to capital markets, reduce trade barriers, reduce compliance costs for business and accelerate project approvals.

I am proud of the voices of Canadian leaders from our scientific and financial markets, standard-setting and labour organizations, and first nations communities that are contributing to shape the global rules of the game to transform financial markets.

● (1640)

We also need to speak with one voice to guide and support the success of businesses and people in Canada. We at CIRANO will do our share to help you drive coordinated efforts for success.

A country like Canada, with one of the best energy mixes in the world, with natural resources, and with an educated and connected population, can and should be a global leader in sustainable growth and sustainable finance.

[*Translation*]

I will be pleased to answer your questions.

Thank you.

[*English*]

The Vice-Chair (Mr. Dan Mazier): Thank you, Ms. Hubert.

We're now on to Mr. Dubey for five minutes.

Mr. Akshay Dubey (Chief Executive Officer, CVW CleanTech): Thank you, Mr. Chair.

I thank the members for inviting me to speak—what an honour it is to do so.

First, I begin by acknowledging that we are gathered on the traditional unceded territory of the Anishinabe Algonquin people and by recognizing that Canada's oil sands reside on Treaty No. 8 territories, home of the Cree and Denesuline peoples, and on the unceded territory of the Métis peoples of the lower Athabasca region.

I state clearly and unequivocally that climate change is absolutely the most critical and existential issue of our time. I'm often reminded of the indigenous proverb, “We do not inherit this land from our ancestors, but instead borrow it from future generations.” It is imperative that public policy and private priorities focus on reducing the impact of industrial emissions, while at the same time understanding that these topics affect many peoples' livelihoods. Understanding the micro-level individual effects of these policies is crucial for developing public policy that garners public support and for ensuring the long-term stability that businesses need to make these transformational investments.

I've been lucky, in my career, to hold different roles in corporate finance within the resource industry. This includes time in investment banking at a Canadian bank and at a prominent Canadian pension plan, as well as now leading a clean technology innovator. As a young person, I often struggled with my conscience, being part of an industry often labelled as “dirty”. As my career progressed, I realized that it would be easy to leave the industry, but that simply ignoring the problem, including through actions such as divestment, won't solve it. Instead, we need to constructively work on solutions.

Specifically, fossil fuel use is a global demand-side challenge versus a supply-side issue. By this I mean that as long as the world continues to need energy, the world is going to look for sources for that energy. Today, over 50% of that energy comes from fossil fuels, with Canada making up just 6% of global oil supply. Just imagine if, tonight, every gas station were out of fuel. The entire country would grind to a halt. Think about any disaster: The first place people rush to is gas stations. Energy is vital to human civilization. While we have made impressive gains in renewable power, they collectively make up only 17% of the world's energy needs today.

From a Canadian perspective, if we turn off the tap in Canada and abandon the industry and those who work in it, we will see other sources of fossil fuels replacing our production. This alternative production will shift to other countries with more adverse environmental standards than Canada, where improvements are unlikely, especially in regard to decarbonization. The sector also employs over 900,000 people, which means there are hundreds of thousands of families, many of whom indigenous and from western Canada, whose lives are dependent on a healthy Canadian oil and gas sector.

At the same time, we must acknowledge that this sector is the single largest source of Canadian emissions today, at over 30%. This means we need to invest in solutions for the problems facing our energy industry, including carbon emissions but also other key issues, such as oil sands tailings ponds. We have the ability to continue to deliver the energy the world needs while minimizing its impact as the world transitions. This is the critical piece to me: We are in an energy transition that may span decades, and we must utilize technology to improve our energy industry instead of simply ignoring it in the short term.

At CVW CleanTech, we have a ready-to-deploy technology to reprocess the waste or tailings from mining oil sands to recover additional hydrocarbons as well as critical minerals, including titanium, zircon and rare earth elements. These critical minerals are central to the energy transition and national security, and they impact things like nuclear energy, electric vehicles, renewable power and the aerospace industry. By recovering additional oil lost in the oil sands mining process, we also recover an important resource that would otherwise be lost to tailings ponds, preventing an environmental liability for future generations.

Oil sands tailings ponds are also the single largest source of fugitive methane emissions in Canada and, potentially, the world. By recovering these hydrocarbons, we remove the substrate for subsequent methanogenesis, reducing those fugitive methane emissions by over 90% and oil sands emissions by 5% to 10%, effectively reducing Canada's emissions by 0.5%.

Our company developed this made-in-Canada technology through support from both the Alberta and federal governments, which highlights the important role governments play in helping drive innovation forward. We recently announced a partnership with four indigenous communities in the Treaty No. 8 region, and we are appreciative of our indigenous partners trusting us to move forward with this important technology, which aligns with their concerns about air and water quality in the region.

This underscores another important topic: the fact that economic reconciliation with many indigenous communities, especially in western Canada, is intertwined with the success of our resource industries. The industry's lack of implementation of this ready-to-deploy technology highlights the gap that exists between innovation, which is strong in Canada, and commercialization, with which the country struggles.

The thought I'll leave you with is that public policy initiatives must be designed to drive sector-wide innovation aimed at reducing emissions, both through regulatory means that push the industry to deploy feasible solutions and through incentives such as the announced ITCs, which aren't fixated on the method of carbon reduction but instead on the reduction itself.

● (1645)

I'm a strong believer that investing in human ingenuity and promoting innovation in Canada will help deliver the solutions we need.

Thank you again, and I look forward to your questions.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Dubey.

Now we move on to Ms. Péloffy for five minutes.

[*Translation*]

Ms. Karine Péloffy (Lawyer and Sustainable Finance Project Lead, Ecojustice): Mr. Chair, ladies and gentlemen of the committee, thank you for inviting me to be here. I want to thank you especially for undertaking this important study on the climate and environmental impacts related to Canada's financial system.

It is a dry and complex subject, which is too often left to bankers and financial analysts. The fact that you are studying it nonetheless indicates how important you consider this crucial matter to be for Canadians today.

[*English*]

When I started my legal career in 2007 at Davies Ward Phillips and Vineberg, one of Canada's top-tier corporate law firms, British economist Sir Nicholas Stern was calling climate change the biggest market failure the world had ever seen. Almost 20 years later, despite the grandstanding and all the noise, we have not yet addressed this great market failure that is climate change. Large Canadian financial institutions still operate, for the most part, as if the climate crisis does not exist and as if the government efforts to curb carbon emissions do not concern them.

Worse, Canadian banks are some of the largest investors in fossil fuels: That is, they fund the very cause of the climate crisis, even as the governments of the world came together in Dubai last year and finally pledged to transition away from fossil fuels. This should be a very clear signal that financing fossil fuels is unsustainable finance.

Much of the conversation on how finance pre-empts climate change focuses on disclosure of material risks—mostly, the risks that climate change poses to their operations. Worryingly, an Oxford study earlier this year revealed that investors are “flying blind” to the risks of climate lawsuits, even as court cases against polluting companies, and the financial institutions that support them, are mounting globally. By the time these lawsuits reach judgment, which could amount to trillions of dollars in liabilities, the risks will have materialized and it will be too late for the prudent risk management that the current rules are meant to ensure.

Overall, the risk-based framework is ill-suited to address the climate crisis. As a former Bank of England economist said, “Just discussing risks, and assessing risks, does not mean we are actually transitioning to net zero. Many firms may discuss risks—and do exactly nothing to advance the transition.”

We cannot afford to wait any longer for the financial industry to realize its error in underestimating climate risk and to recognize its fundamental materiality for all aspects of business decision-making.

The United Nations principles for responsible investment call Canada a “low-regulation jurisdiction by international standards”. We are dangerously lagging behind our more forward-looking trading partners.

I was the legal architect behind the climate-aligned finance act, introduced by independent Senator Galvez in 2022. This bill was drafted on the advice of dozens of national and international experts. It is informed by the best available climate science, financial expertise and international practices. It is now before the Senate's banking committee.

The CAFA has been endorsed by 120 civil society organizations and by MPs from four different parties. Five petitions in the House of Commons have been filed in support of this bill. The Financial Times' “Moral Money” recently called it “one of the most interesting pieces of climate legislation...in the works anywhere.”

We need a financial sector that supports—rather than one that works against, as is the case today—Canada's goals to reduce global warming emissions. We need to regulate our way out of unsustainable finance. The time has come to mandate action and to stop waiting for financial institutions to self-regulate.

The climate-aligned finance act introduces the regulatory elements that we need.

First, financial institutions are to be aligned with Canada's international and national commitments and produce credible climate plans and annual reports on progress.

Second, they also need to avoid conflicts of interest at the board level and leverage climate expertise while dealing with climate change as a new, superseding public interest duty.

Third, the CAFA calls for new capital requirements that account for systemic climate risks generated by the activities of financial institutions.

The climate-aligned finance act is the missing piece we need to align Canada's financial sector with a climate-safe future and to foster a clean investment boom that will future-proof our economy.

● (1650)

[*Translation*]

I hope your report on the present study will shed light on this important matter for Canadians and suggest possible solutions, including aspects introduced by the climate-aligned finance bill.

I look forward to your questions.

Thank you.

[*English*]

The Vice-Chair (Mr. Dan Mazier): Thank you, Ms. Péloffy.

Our final panellist for this round is Mr. Brooks. You have five minutes.

Mr. Richard Brooks (Climate Finance Director, Stand.earth): Good afternoon.

I'm honoured to appear before the committee today. I'm appearing from the territories of the Haudenosaunee, the Wendat, the Anishinabe and the Mississaugas of the Credit in Toronto.

My name is Richard Brooks, and I'm the climate finance director at Stand.earth, which is a binational NGO working on climate protection. Our climate finance program, supported by our one million members, works to transform financial institutions from climate laggards into champions advancing the energy transition.

As you all know, there's no community untouched by the devastating fires, floods and smoke of climate-caused disasters. When one-third of Jasper burns, when Toronto, our financial centre, floods repeatedly and when our country racks up over $5 billion to date in climate-related damages this year alone, it's a risk to our economy.

Just today, the World Health Organization endorsed the call from The Lancet, the world's foremost medical journal, urging financial institutions to divest from fossil fuels “to save lives”. The WHO's director, Dr. Maria Neira, stated:

> We are seeing record-breaking heat waves, droughts and food insecurity affecting millions of lives worldwide. Yet, we continue to pour trillions of dollars into fossil fuels, which are driving these crises. It’s time to stop funding harm and start investing in health.

Earlier this month, the University of Toronto's climate observatory released a groundbreaking report. It studied the financed emissions of 18 banks, pension funds and asset managers. These 18 financial institutions have financed emissions that are double Canada's reported emissions and 100 times those of the city of Toronto. Their $1.2-trillion of financing and investments in fossil fuel companies in 2022 account for 1.4 billion tonnes of CO2 emissions. If they were a country, these 18 financial institutions would be the fifth-largest emitter in the world.

In June, the CEO of the Royal Bank of Canada appeared before this very committee. You'll recall he could not remember what his salary was when asked repeatedly. He stated that 80% of RBC's clients have transition plans, but he neglected to say that only 2% of those clients have 1.5°C-aligned transition plans. That's the magic number.

Dave McKay also couldn't recall that the bank had disclosed that RBC's emissions from financing oil and gas companies are equal to the emissions from all cars and light trucks in Canada every year.

CEOs from the other banks mentioned the need for a slow and “orderly” transition, but there's nothing orderly about Canadians fleeing fires. There's nothing orderly about towns being evacuated and thousands being unhoused, yet our banks continue to finance the cause of the problem—fossil fuel emissions—and claim that phasing this down would be disorderly.

A report released just today, Urgewald's “Global Coal Exit List”, revealed that over the last year, RBC, TD and BMO actually increased financing to coal-exposed companies. Canada is a founding member of the Powering Past Coal Alliance. Why are our banks enabling new coal deals?

Indigenous nations and disenfranchised communities in Canada disproportionately bear the brunt of climate impacts. They're also on the front lines of many of the financially risky, polluting oil and gas projects that banks are financing and enabling. These include projects like PRGT, Coastal GasLink, Rio Bravo and the pipelines and gas lines associated with these.

A couple of weeks ago, Exxon issued a new bond. This was long-dated to 2074. This bond is for general corporate purposes to facilitate the company's drilling and digging for another 50 years, long past the date of any net-zero plans and commitments in Canada and beyond. There were four banks that underwrote this bond. The Royal Bank of Canada, which has a 2050 net-zero commitment, was one of them. This is a clear example of a bank's CEO misleading you, the public and investors by professing to help its clients transition. That's a false rationale to enable fossil fuel giants to pollute long past 2050. It is not orderly. It is not just. It is just greedy.

We cannot reach our national climate goals, meet our international commitments and protect our communities if our banks are not on side with us.

Of the banks you heard from in June, TD is now known as the top money launderer for drug cartels. RBC is under investigation by the Competition Bureau for allegedly misleading consumers about its climate claims and greenwashing. CIBC and BMO have been fined for improper record-keeping, and Scotiabank was fined for unlawful commodities trading.

We cannot trust voluntary actions by our banks. To date, they have proven to be neither trustworthy nor accountable.

Here are the actions that my organization proposes you support in your report and recommendations.

Embolden the commissioner of the Competition Bureau to use his enhanced powers to investigate all of the banks. Move forward and support the climate-aligned finance bill. Mandate climate transition plans that are standardized and credible for all banks. The banks have record profits right now. Tax them with a climate impact tax and have those funds dedicated to compensation for the climate damages, which I named earlier. Incentivize further investments by financial institutions in renewables and climate solutions.

• (1655)

I urge you to issue a formal report and to include these recommendations in your findings.

Thank you for your time.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Brooks.

Thank you, everyone, for your remarks.

I will now open up the floor to questions.

We will kick off the first round with Mr. Deltell.

[*Translation*]

Mr. Gérard Deltell: Thank you very much, Mr. Chair. Congratulations on the new role you are taking on today.

I want to say hello to the ladies and gentlemen attending today as witnesses. Many thanks to them.

My question is for Mr. Dubey from CVW CleanTech.

We all know that climate change is real, that it is having strong effects and that we have to adapt. We recognize that it is real, but we must also recognize that we cannot radically change our way of doing things overnight. We have to go in stages, which is what we call the energy transition.

The most recent report by the HEC Montréal states that close to 19 billion litres of oil were consumed in Quebec last year, which is a 7% increase. About half of that oil is from the United States, primarily Texas and Louisiana, while the remaining half is from Alberta. I want to point out that neither Texas nor Louisiana contributes to equalization payments, while Quebec receives about $14 billion in equalization payments, money that comes primarily from provinces that are developing their energy potential.

Mr. Dubey, since we are in an energy transition, I want to ask you the following question.

If all oil production in Alberta were to stop tomorrow morning, or if we didn't have the necessary funding to continue developing what is happening and being done in Alberta, what would the impact be on consumption? Would it decrease or, on the contrary, would the oil simply be produced elsewhere? All revenues would then go elsewhere and ultimately that would not help the planet but instead would help other countries.

[*English*]

Ms. Laurel Collins: I have a point of order, Mr. Chair.

Just on the translation, I'm not sure if there is a way to adjust the volume of the actual speaking in the headset. You can make it out, but the volume level of the floor, combined with the translation, makes it a little hard to follow. It has been good in the past, but this time it was just a little more difficult. I'm not sure if the IT folks can adjust that.

Mr. Gérard Deltell: Was it because my microphone was a bit too low?

Ms. Laurel Collins: No, I think it's the volume in here.

Mr. Lloyd Longfield (Guelph, Lib.): I think it might be that the translators are giving us the English translation at the same time as the English is being spoken. Could we just have the floor for English? I keep flipping back to the floor when people are speaking English so that I don't have two voices.

Ms. Laurel Collins: I'm happy if we proceed, but maybe the IT folks can work on it while we're continuing our committee business.

Mr. Lloyd Longfield: It's better.

Mr. Gérard Deltell: Mr. Chair, if I may, I will not start from the top, but I will just ask the last sentence of my question to get back to where we were.

• (1700)

[*Translation*]

Mr. Dubey, my question is very simple. Canada is a fossil fuel energy producer and we are all part of the energy transition. If oil production were to cease in Canada tomorrow morning though, would that reduce oil consumption or, on the contrary, would it remain the same because that oil would be produced in other countries, which would be very costly to Canada?

[*English*]

Mr. Akshay Dubey: Thank you for your question.

Essentially, as I said in my opening statement, the oil market is a global supply-and-demand market. Canada makes up only 6% of the global supply of oil. It is clearly a demand-side issue, where we need to reduce the demand for fossil fuels over time, and supply would respond to that.

In a situation, for example, where we decided that Canada was not going to produce any oil and gas starting tomorrow, that supply would simply be overtaken by another jurisdiction that also produces oil. From that perspective, it wouldn't be the most effective method for us to pursue decarbonization.

Instead—and I am a strong believer that we do need to decarbonize—what we should be doing is investing heavily in innovations and technologies, especially those developed here in Canada, that can help the decarbonization of oil production and oil use as we transition. Along with many others in this room, I hope that the transition is as quick and orderly as possible, but again, we need to make sure that the transition happens in a way that makes sense.

[*Translation*]

Mr. Gérard Deltell: You have worked in the industry for many years now. Can you give us a few examples of investments in new technologies that are having a real and positive impact on reducing greenhouse gas emissions?

[*English*]

Mr. Akshay Dubey: In regard to the technologies that have been deployed in the space, we have seen reduction in carbon emissions. I have experience in both the mining space and the oil and gas space. We're seeing, for example, the electrification of truck fleets. In long-haul distances, where you see this in a variety of commodities, that reduces carbon emissions significantly.

There is a copper company currently in Canada called Foran Mining, which is building a mine that is going to be a carbon-neutral mine.

There have been a variety of technical innovations in the space, but certainly more needs to be done. I think this is where it's important to have public-private partnerships to be able to move things ahead that make sense for industry but also make sense for the goals that we have as a society.

[*Translation*]

Mr. Gérard Deltell: As to the investments, some are backed by considerable financial resources, but bank financing is of course necessary.

In your opinion, should bank financing be facilitated for the development of high technology designed to reduce emissions?

[*English*]

Mr. Akshay Dubey: I certainly think there is a role for banking to play in terms of reducing emissions, but, really, from my perspective, that comes to the banks providing a helpful ecosystem for innovation to take place here in Canada.

What we need to do is emphasize the fact that innovation is taking place in the country. There are a lot of companies doing great work out there, but the struggle in Canada has historically been moving a technology from that development cycle, from a technical readiness level of seven or eight, to something that's a commercial technology. That's really where I would focus my efforts from a policy perspective: How do we get these technologies over the hump?

[*Translation*]

Mr. Gérard Deltell: Canadian engineers are working on finding solutions.

In your opinion, can we find any solutions in Canada that can be applied immediately to fossil fuel production here in Canada and elsewhere around the world?

In short, it's a business opportunity, isn't it?

[*English*]

Mr. Akshay Dubey: Absolutely, there are technologies that could be deployed right away. The technology that we have developed at CVW for creating value from waste is one of them. It's a ready-to-deploy technology. It's the result of 18 years of research and development here in Canada. Really, it just requires the right regulatory framework, the right incentive, but also the right emphasis from industry to move solutions ahead.

That's really why I always stress that we do need to have this partnership among innovators like us, industry and the government, which sets the regulation and the incentives for industry.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Deltell.

Ms. Chatel, you have six minutes, please.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you, Mr. Chair.

To begin, I want to welcome all of our witnesses to the committee today for our study on this extremely important topic.

My questions are primarily for Ms. Hubert.

Ms. Hubert, thank you for your excellent work in this very complex field. I know you have been extremely active in this field by virtue of your ongoing work, as well as your passion, I might add.

On October 9, the government finally announced that it is putting forward the taxonomy. We will have to wait though because it will take 12 months. Nonetheless, they are putting forward a science-based taxonomy, which is very important to meeting the target of 1.5°C in global warming. So that is encouraging. We are already lagging behind, in my opinion, but we are moving forward.

We are also moving forward on mandatory disclosure of financial information related to climate and the environment. These two very important announcements are at the heart of green financing and the transition.

I would like you to talk to us specifically about the role of disclosure and the International Sustainability Standards Board, or ISSB, and the future interaction with that body. I would also like you to talk to us about the consultation process of the Canadian Sustainability Standards Board, or CSSB, which will be closely involved in this important step of mandatory disclosure.

On that note, Ms. Hubert, please go ahead and speak to us about these matters.

● (1705)

Ms. Anne-Marie Hubert: Thank you.

First of all, I'll say a word about the taxonomy, which I think was very well explained by Barbara Zvan. Whether a taxonomy is introduced or not, all investors will define what sustainable commitments and sustainable finance are.

As I mentioned, Canada has a better energy portfolio than most countries in the world. By saying how we align our investments to enable our industries to meet the target and by introducing disclosure to allow businesses to say so—we are not asking them to do anything, we are simply stating what they are doing to be in a winning position. We're already going to be better than the others, thanks to our energy portfolio. Not to do so would be to forgo market access.

The ISSB, the International Sustainability Standards Board, has set sustainability standards for the private sector, and they are championed by central banks. North Korea and Russia are not participating. Along with the other participating countries, we will have to think about our economy in terms of the 1.5°C target, or we're going to face systemic risk to financial markets. The number of climate incidents, the number of fires and the number of viruses will bring down the insurance system. When you no longer have insurance, you can no longer get a loan. We are seeing it in Florida, where the insurance on a condo that cost $6,000 four years ago cost $12,000 three years ago, and then $25,000, last year, to $60,000 today. You can't get insurance anymore, so you can't get a loan. We're starting to see that here as well.

Disclosure is essential to allow us to integrate climate as a factor in all financial decisions. The ISSB is acting for the private sector. Investors want that, but they also want to make sure that climate plans don't cause damage to nature, to humans or to the communities that will be affected, because that also has harmful effects on the financial system. We are asking for disclosure, but let's first make sure that we have, as a first standard, disclosure on the other important things for which we can demonstrate the correlation of a measure and the long-term performance for the private sector.

In the case of the public sector, another standard-setting organization is the IPSASB, the International Public Sector Accounting Standards Board. That organization created the Sustainability Reference Group, whose members indicated that they would adopt the same standards as the private sector all over the world and that they would add requirements for the public sector. Whether we want those standards or not, they are there. The investors behind the International Sustainability Standards Board have $55 trillion in managed assets. When they decide they want something or ask for something, whether or not we pass regulations is of little importance to our businesses. What's important is to join forces to help our businesses make plans aligned with a Canadian taxonomy and to help harmonize our economy for 2050, in addition to supporting workers and businesses in the meantime.

There was a question earlier about proven technologies. The United States has aligned all of its tax credits with technologies that work and are cost-effective. They gave tax credits to accelerate the use of these technologies. Texas is one of the most advanced states on the planet. The U.S. is outpacing Europe.

To understand what is required, there needs to be science-based collaboration, finance at the service of alignment to—

Mrs. Sophie Chatel: Thank you.

I would like to briefly come back to a very important point you just mentioned, i.e., the risk of inaction in green finance and the transition. If we don't take action through this type of finance, we risk cutting ourselves off from financial markets and investments.

Can you clearly explain the risk of our government's inaction in this area?

● (1710)

[*English*]

The Vice-Chair (Mr. Dan Mazier): Your time is pretty well up, but if you can do it in 10 seconds, that would be great, or you can table that reply.

Ms. Anne-Marie Hubert: It's losing access to capital markets and losing access to markets for our products—pretty simple.

[*Translation*]

Mrs. Sophie Chatel: Thank you very much.

[*English*]

The Vice-Chair (Mr. Dan Mazier): Thank you, Ms. Chatel.

We are moving on to Madame Pauzé for six minutes.

[*Translation*]

Ms. Monique Pauzé (Repentigny, BQ): Thank you to all of our witnesses for being here. This is indeed a very important study, because we have learned that Canada is lagging behind in this area.

Ms. Péloffy, you worked closely with the senator on the climate-aligned finance act. My question is for you. You talked about all the support that the bill enjoyed.

Has the financial sector also shown any support for this bill?

Ms. Karine Péloffy: There are stakeholders in the financial sector among the 120 organizations that support the bill. One of them is Vancity, which is a credit union in western Canada. There is also the Caisse d'économie solidaire in Montreal. Impact investment funds have also supported the bill.

However, the major financial institutions do not officially support it, although individuals within those institutions have told me that we have to move forward. It should also be noted that another commonality between the financial sector and the fossil fuel industry is that both industries are extremely effective at avoiding regulation.

Ms. Monique Pauzé: Yes. However, if we do nothing, what is the risk to the financial system in terms of international competitiveness?

Ms. Karine Péloffy: As I think Ms. Hubert was going to say, the funds will go elsewhere, where the regulatory systems are clearer and it's easier to invest in solutions. We would therefore deprive ourselves of funding for solutions.

There is also a financial risk for us as Canadians, because our money—our pension funds, our savings—is invested in the fossil fuel industry. About five years ago, we saw that foreign investors had massively disinvested in Canadian fossil fuels, and Canadian banks filled the gap. So now, not only are Canadians at risk of seeing the entire world decide to invest in energy elsewhere, but they are also at risk of permanently losing about $100 billion of assets invested in the oil sands. It's our money that's on the line because we took the place of financial institutions when they left.

Ms. Monique Pauzé: When Senator Galvez came to testify before this committee, she emphasized the concept of double materiality, that is to say the fact that climate change is having an impact on financial institutions and that financial institutions are having an impact on climate change.

Since Canadian banks rely on voluntary commitments and there are people who sit on boards in both the banking and oil sectors, what is your take on the huge challenge we will face?

Ms. Karine Péloffy: There are a lot of questions in there.

I do think there needs to be some sort of divorce between the fossil fuel industry and the financial industry to avoid real or apparent conflicts of interest. Board minutes are not made public, so we don't know how they manage this issue, but, from the outside, we clearly see a problem.

In terms of materiality, there are terms floating around, such as "double materiality", "dynamic materiality" and "explosive materiality". I had a lot of fun reading accounting texts. An accountant in 1972 called the materiality assessment an Alice in Wonderland exercise. The former chair of the U.S. Securities and Exchange Commission even said that lawyers, accountants and business people get materiality wrong all the time. That is why, in my opening remarks, I said that this was not an appropriate standard. We are managing not only a financial risk, but also an existential risk for life on earth.

Senator Galvez's bill calls for action. It's not just a matter of disclosing, you have to be part of the solution. It's not enough to talk about it or disclose the impact that climate change will have on the entity; we also have to look at the entity's impact on the real world, particularly in terms of its greenhouse gas emissions, and we have to force action in order to reduce that impact and move towards solutions.

● (1715)

Ms. Monique Pauzé: So you're telling us that although banks rely on voluntary commitments and continue to fund fossil fuels, Bill S-243, if passed, could require them to take climate action and be held accountable for their operations.

Ms. Karine Péloffy: Yes. The bill contains a number of key measures. One is to set up an annual disclosure system, somewhat like what is already being done everywhere, but on fundamental issues, so that we can really do things properly when it comes to alignment with climate commitments. With all due respect, I think it's much less complex than the other standards that are in place. The questions we have to ask ourselves, albeit difficult, fit onto a double-sided page.

Another key measure contained in the bill is the creation of a new overriding duty to act in the public interest. This means that the primary duty of a corporate executive would no longer necessarily be to maximize short-term profit for shareholders, which is the misguided way that Canadian law is often interpreted. That's what the law says in the United States. That's not really the case in Canada, but we always ape the United States. In short, from now on, an entity's main duty would be to respect the limits of the planet so as to guarantee a safe climate for everyone, and then to make profits. It would stop the destruction of land, air and water for short-term gain, as some entities are doing.

Ms. Monique Pauzé: Do I have any time left, Mr. Chair?

[*English*]

The Vice-Chair (Mr. Dan Mazier): Madame Pauzé, the time is up. Thank you.

Ms. Collins, go ahead for six minutes.

Ms. Laurel Collins: Thank you to all the witnesses for being here today.

I want to start with Ms. Péloffy.

Can you talk a bit about the results we saw from the Australian model for climate-aligned finance? Do you know of it?

Ms. Karine Péloffy: I know of an Australian court case, but I don't think that's what you're asking about.

Ms. Laurel Collins: Okay.

Do you think Canada can meet its climate obligations if we don't move forward with this kind of sustainable finance legislation and switch from what seems like a voluntary approach to a more mandatory approach?

Ms. Karine Péloffy: It's possible we might achieve our goals. It's possible we might win the lottery. I think we need a stronger legal framework that makes this possibility a near certainty. I think that's what climate-aligned finance aims to do.

As Mr. Brooks' presentation outlined, what's going on right now is that we have Canadian financial institutions also investing in other countries, in things they're no longer allowed to invest in here. We have our own financial institutions investing against our competitive advantage.

Ms. Laurel Collins: On that switch between the voluntary to the more mandatory, can you talk about what you see the impacts of more robust legislative or regulatory tools being on pensions, our economy and, more broadly, jobs and affordability?

Ms. Karine Péloffy: It's always hard to predict how things will unfold. There are always unintended consequences, as the opponents always love to say.

I think it would address the core issues we have today. There was a study done by the Canadian Centre for Policy Alternatives showing that, in 2022, record corporate profits were responsible for 40% of the increased prices. All of those increased profits went to three main sectors. Two of them were the fossil fuel industry, and the banking and insurance industry.

We might see less wealth concentration at the top. We'll hopefully see better funding for companies like Mr. Dubey's. Hopefully, we will have better jobs for Canadians. If we finance this, they forecast 2.2 million well-paying jobs in renewable energy.

We can think of this as the next industrial revolution. If we want to decarbonize by, at the latest, 2050, the money needs to be there long before then. We need to build that infrastructure, so the investments need to be there long before then. That's why financing needs to move first. It doesn't mean turning off the tap tomorrow morning, but putting the money towards what we know has a future.

● (1720)

Ms. Laurel Collins: We saw OSFI bring forward the B-15 guidelines requiring financial institutions to improve their governance and risk management practice. However, they fall short in aligning us with Canada's climate commitments.

Can you talk a bit about how we could fill those gaps and what needs to happen when it comes to climate-related risk disclosure?

Ms. Karine Péloffy: Yes. It was a good move on OSFI's part to come up with those guidelines. Of course, they could go further. As you highlighted, the commissioner of the environment and sustainable development did a report on this and said that the approach in B-15 remains "short of incentivizing the transition to a net-zero emissions economy." We understand that OSFI thinks its mandate in that regard is limited. Other regulators elsewhere have a different view of their mandates, even without legal changes. I definitely invite OSFI to have a broader interpretation.

That's something your report could recommend—that OSFI have a broader interpretation of their mandate.

What the climate-aligned finance act would do, on top of what OSFI is already doing, is mandate OSFI to look at impacts and at reducing impacts. It would anchor everything in a 1.5°C framework. It would provide a lot of details. That two-pager "climate test", as we used to call it, provides a level of detail that is missing in the guidelines. It mentions transition plans. It doesn't go into any level of detail there. The measure most bankers absolutely hate is increased capital requirements for microprudential and macroprudential risks that investments in fossil fuels bring forward.

Ms. Laurel Collins: We have had a lot of conversations back and forth in this committee and we have heard about divestment, but also the inclusion of fossil fuels in the taxonomy. Can you speak a little bit to why it might be important to ensure a robust taxonomy when it comes to excluding fossil fuels and making sure they're actually sustainable investments?

Ms. Karine Péloffy: I think if the taxonomy is to have any usefulness for the investment community, it needs to be for a defence against greenwashing. If the taxonomy itself greenwashes by painting LNG as a solution, then it won't provide cover, I think, for investors on that front.

Most importantly, defining sustainable finance is nice, but what we're severely lacking is regulating unsustainable finance. We need to first start regulating away from the damaging practices. Once we've circumscribed what's bad and what we need to stop, then the markets can actually do what they do best, which is innovate. We first need to close the door to the problem so that the others can flourish.

Ms. Laurel Collins: Thank you.

The Vice-Chair (Mr. Dan Mazier): Thank you, Ms. Collins.

Now we're on to our next round, starting with Mr. Kram for five minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much, Mr. Chair.

Thank you to all the witnesses for being here today. My questions will be for Mr. Dubey from CVW CleanTech.

Mr. Dubey, your company has developed some fascinating technologies that can extract critical minerals from tailings ponds while cleaning up the tailings ponds at the same time. That's excellent work on your part. What I find concerning, though, is that your company's business model depends on the continued existence of the oil sands.

Would you say that environmentally friendly companies such as yours run the risk of becoming collateral damage in this taxonomy system?

Mr. Akshay Dubey: I'd say our technology has been developed for the oil sands mining space, specifically tailings, both fresh tailings as well as tailings ponds that exist today. There is a future for our technology that goes beyond just the current production of oil sands, well into the future, dealing with this environmental liability. At the same time, the majority of the economics delivered through this technology is through, as you said, the recovery of critical minerals, but also the hydrocarbons that are sitting in those tailings ponds.

When we talk about taxonomies, I think we need to really think about it from the perspective of being flexible, in that, if you just said oil production was bad, you may not want to support our technology, because we do generate revenue from selling barrels of oil, but those barrels of oil are sitting in tailings ponds, which are a large environmental liability, potentially the largest liability in Canada. Having that flexibility to really understand what the technology delivers is important in any system, regulatory or taxonomy.

● (1725)

Mr. Michael Kram: Generally speaking, do you feel that this proposed taxonomy system is well understood in the business community at large?

Mr. Akshay Dubey: I think it's a very pertinent question. I'd say, quite frankly, from my perspective, that the most I've heard about this taxonomy is when I was watching other discussions from this very committee, which gave me some background on the discussions that have been taking place. The only other forum where I've really had some exposure to the discussion on taxonomy was the Western Executive Council of the Canadian Chamber of Commerce, where I sit as one of the CEOs, and really the only CEO from a small or medium-sized enterprise, across the table from my partners, who are CEOs of very large businesses.

From my perspective, it seems like a lot of this conversation has been dominated by some of the larger players in the space. I think it's important that we get some opinions from the small and medium enterprises in Canada as well, just given the fact that businesses like ours make up close to 50% of Canada's GDP.

Mr. Michael Kram: If the oil companies with which you work found it more difficult to access capital due to this taxonomy system, do you think that would make them more likely or less likely to invest in these new technologies, such as the ones that your company is developing?

Mr. Akshay Dubey: I'd say that anyone coming from a finance background will tell you that to invest in risky technologies, first-of-its-kind innovation or things that haven't been done before requires a cost of capital that allows money to flow into these solutions. Today, I'd say one of the bigger challenges that we have, when discussing our technology with oil sands operators, is providing that capital commitment for a first-of-its-kind deployment.

In that type of environment, again, I think it's really important that we have this partnership between innovators, public companies and the government to institute these technologies. In situations where capital is leaving that sector, every single project that we're looking at, whether it's traditional oil and gas, energy transition solutions or things to deal with their liabilities, will suffer due to the lack of capital in the space.

Mr. Michael Kram: If this taxonomy system does have the desired effect of discouraging investment in oil and gas, and oil and gas development, what do you think would be the outcome for your business in particular and other businesses developing similar technologies?

Mr. Akshay Dubey: Again, I'd say, from my perspective, that I haven't spent as much time understanding exactly what the taxonomy has been proposing. I wouldn't want to sit here and say that it's been proposed in a way that will disadvantage oil and gas investments.

At the same time, though, what I do know is that our technology does provide a solution for a very large environmental issue here in Canada, both on the tailings pond side as well as the emission side. I think it's critical that technologies like ours get the capital they require. This is where I look to regulators and folks like you, who are thinking about policy from a public perspective, to put in the policies that will really help drive that innovation forward, solve the problems that we need to solve and have the flexibility required to be able to do that.

The Vice-Chair (Mr. Dan Mazier): You have 10 seconds.

Mr. Michael Kram: I'll cede my time, Mr. Chair.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Kram.

Ms. Taylor Roy, go ahead for five minutes.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you.

Thank you to the witnesses for being here.

I'm going to ask a broader question, because we've been studying sustainable finance since the spring and have heard many expert witnesses talk about the need for the financial system to work with the government's goals, as opposed to against them.

While we've been studying sustainable finance, we have also undertaken a study on the Jasper wildfire complex, the disaster there. That study has been very politicized, and it's turned into who's to blame for the fire as opposed to looking at what can be done. It's being extended by people who want to continue the politicization, but there seems to be very little interest in looking at climate change as an underlying cause or considering climate change and how, in fact, this study on climate-aligned finance could help prevent disasters such as this going forward.

I'm looking for help understanding how it is that there are people who ignore the science, who don't see climate change as a real issue and seem to be more concerned with short-term profits than they are with the future of the planet. How does that happen, the dissociation that is there, and how can we do better in reaching out and working with people who are perhaps skeptical about climate change and the need for things like these taxonomies or your investments, for example, in the type of thing you're doing?

Could you start, Karine?

● (1730)

Ms. Karine Péloffy: Of course.

I'm totally stepping out of my legal shoes and stepping into the ones of someone who has been concerned about climate change for a very long time.

I'm sorry; I'm very tired because of a young child as well.

This is information that is difficult to process and brings up fear, and then fear can lead to rage or denial. I have felt it myself. After engaging on this, I watched a documentary that said it was one big swindle. My God, I felt good. I was like, “I don't have to worry about everything that I love ending.” But it's not a swindle.

I understand that a lot of people decide to disengage, deny and scapegoat people who are vulnerable and have very little responsibility in the problems, rather than really trying to hold accountable the most powerful actors responsible for this issue in our society. I think that's where the failure is. It's something to do with the difficulty of handling this psychologically.

Ms. Leah Taylor Roy: Thank you very much for that.

Mr. Dubey, you've worked in the financial field. You've worked in structuring projects in the natural resource sector, and you now have a great innovation to try to deal with the tailings ponds, which are a great environmental liability for the oil companies and our country, in fact.

How would you deal with that? How do you explain it, and how do you help people see the need to get more financing into projects like yours and away from traditional oil and gas production?

Mr. Akshay Dubey: I'd say that my perspective was very similar. I had a very difficult start to my career in mining and investment banking, working in an industry that's often been villainized in terms of its environmental impact, and then transitioning to working in oil and gas, and then a little bit of both. I've been in two industries. At the same time, my personal realization, as I said in my opening statement, was that we can certainly stick our head in the sand and hope the problem goes away. We've seen a lot of institutions go down the path of divestment.

I think the proactive approach here, which we should all be thinking about, is that we're not going to be moving off oil and gas tomorrow. I think we all know that's the practical solution. Is it five years, 15 years, 50 years? That remains to be seen. There are a lot of global decisions that will need to be made to get there.

I think what we need to do, in the very short term, is utilize anything that we can from an innovation perspective to make those industries more sustainable. Oil and gas is never going to be a green industry, necessarily. We can minimize the impact of that industry while we go through this decade-long transition so it doesn't have those impacts on the environment that we're all so worried about.

Ms. Leah Taylor Roy: Thank you.

When the CEOs of the banks and the oil companies were here in the spring, I actually asked the CEOs of the banks if they would be willing to commit to only funding projects in the oil and gas industry that actually worked to reduce emissions. None of them were willing to make that commitment. I understand the need to improve that while we're making the transition, but it doesn't seem that the appetite is there in our banking system for that either.

I'm just wondering if—

The Vice-Chair (Mr. Dan Mazier): Your time is pretty well up. You have two seconds left.

Ms. Leah Taylor Roy: Thank you. I'll cede my two seconds.

The Vice-Chair (Mr. Dan Mazier): Madame Pauzé, go ahead for two and a half minutes, please.

[*Translation*]

Ms. Monique Pauzé: Thank you, Mr. Chair.

My question is for Mr. Brooks.

We know that all the banks, both internationally and in Canada, are part of the Net-Zero Banking Alliance. However, Canadian banks are also members of the Canadian Bankers Association and the Canadian Chamber of Commerce, both of which are publicly opposed to Canada's economic environmental policies.

We also know that banks are increasingly financing fossil fuel companies.

In your opinion, would there be a way to move forward in this kind of framework with people who basically have doubts about climate change?

Mr. Richard Brooks: Thank you very much for your question.

[*English*]

This is where the issue of voluntary versus mandatory actions comes into place. We have lots of initiatives like the net-zero banking alliance, which is purely voluntary. We have other bodies that are purely voluntary as well. There's a lot of urging action: "Let's just get our financial institutions to do more, but let's not regulate them." We've spent a lot of time urging voluntary action, but we're not getting that voluntary action from the titans of business you had here in June: the CEOs of the big banks and the CEOs of the big oil and gas companies. They could not commit to making the right level of investments in climate solutions and renewables that we all need to see, and they doubled down on the continuation of financing of oil and gas to the same degree they've been doing since the Paris climate agreement was signed.

I stated earlier that $1 trillion has gone into fossil fuels from 18 of the biggest financial institutions that are headquartered in Toronto—my city—just in 2022, leading to over a billion tonnes of fossil fuel emissions. This is why we need regulation. Voluntary action is simply not enough. What I don't understand is how the CEOs of these institutions can stand in the towers in downtown Toronto when the sky turns orange, as it did last summer when we had the fires across Canada, and look out their windows and say, "I'm going to do another oil and gas deal, and I'm not going to choose to finance renewables."

You can look at the Royal Bank of Canada as a good example, with $265 million—

● (1735)

The Vice-Chair (Mr. Dan Mazier): I'm sorry, Mr. Brooks, but you're about 15 seconds over, unless you can wrap it up.

Ms. Collins, go ahead.

Ms. Laurel Collins: You can use 15 seconds of my time to wrap up.

Mr. Richard Brooks: I was just going to say that at the Royal Bank of Canada, for every dollar they put into fossil fuels, only 40¢ goes into renewables and climate solutions. That's a problem that needs to be regulated away.

Ms. Laurel Collins: Mr. Brooks, I want to put a couple questions to you. One is about The Lancet, which just released a report stating that climate and health are facing record-breaking threats because of government inaction, and they're urging governments and companies to divest fossil fuel investments. In 2023, fossil fuel investments accounted for more than one-third of global energy spending. The World Health Organization has stated that while investments in fossil fuels are higher than ever, clean energy investments and the critical funds needed to support the most vulnerable nations are vastly underfunded.

Can you talk a little bit about some of these regulatory pieces, the taxonomy and how critical it is that we move urgently but robustly towards more sustainable options?

Mr. Richard Brooks: I think you hit the nail on the head there. There's underinvestment in renewables and climate solutions, and that has tremendous health impacts. Our energy transition is not moving fast enough, neither in Canada nor internationally. Part of the reason for that is that there's underfinancing happening at our biggest financial institutions. That includes the big banks, the big public pension funds and the big asset managers.

That needs to change, and it's only going to change—and meet the need we have globally, as well as in Canada, to accelerate the energy transition—through regulation. Simply putting out more disclosures or more data, which is what a disclosure framework is, is not going to change actions. That's where we need the regulation to come into force, incentivize investments in renewables and disincentivize investments in and financing of dirty energy projects so we can move faster on this journey.

Right now, the banks and the pension funds are stepping on the brakes when we're all trying to slam down on the accelerator, and that's what's slowing us down.

Ms. Laurel Collins: Thank you.

The Vice-Chair (Mr. Dan Mazier): Mr. Leslie, go ahead for five minutes.

Mr. Branden Leslie: Thank you, Mr. Chair.

I'd like to start with Ms. Péloffy.

I appreciate your emotion. I also have a young child, so I'm also tired a lot. I can certainly understand that.

I'd like to start by asking you this: Would you support legislation that would force the Canada pension plan and other public pension plans to divest assets from oil and gas?

Ms. Karine Péloffy: Yes.

Mr. Branden Leslie: Is this an issue that your organization has raised with the government?

Ms. Karine Péloffy: I've been with my organization for six months, so I'll use a lot of caveats, but I'm pretty sure the answer is yes.

However, to answer the question you didn't ask, that is not what the climate-aligned finance act does. Actually, it encourages engagement, and divestment is the last—

Mr. Branden Leslie: I appreciate that. I'm just curious to hear some of your thoughts on behalf of the organization.

What was the response from the government when you raised that with them or when your colleagues did, perhaps?

Ms. Karine Péloffy: They haven't done it, so I'm guessing the response is negative.

Mr. Branden Leslie: What about financial institutions? Would you support legislation that would make it illegal for financial institutions to provide any more capital to oil and gas companies in Canada?

● (1740)

Ms. Karine Péloffy: I think I would go the way that Ms. Taylor Roy.... I think funding to resolve their environmental liabilities is something that has to be done. We cannot leave tailings ponds around.

Mr. Branden Leslie: You would support banning financial institutions from lending capital to a company for any new projects in the oil and gas space. Is that a fair assessment?

Ms. Karine Péloffy: Any new projects for fossil fuel combustion, yes, I would be against that, as is the International Energy Agency.

Mr. Branden Leslie: Obviously, we're aware that the current government is on track to raise, on a yearly basis, the current consumer carbon tax up to $170 per tonne by 2030. Do you believe that the government should be more aggressive in its track over the next six or seven years?

Ms. Karine Péloffy: I think where the government should focus its attention—apart from climate-aligned finance, which is the topic that I came to discuss—would be on actually increasing the industrial price on carbon. Under the output-based pricing system, or OBPS, actually, the biggest polluting firms in this country pay a very small fraction of the carbon tax because they say that they are trade-exposed, whereas what we're actually going to see is that Europe is going to go forward with carbon adjustment mechanisms that will actually be detrimental to our industry if we do not increase our industrial carbon tax.

Mr. Branden Leslie: Has Ecojustice suggested that to the government, and what was their response at that time?

Ms. Karine Péloffy: I'm pretty sure my organization has suggested it. If they haven't done it, I'm guessing they are against it.

We have to understand that the fossil fuel industry, over the last 15 years, on average, has had six meetings per working day with the government, so it holds a tremendous amount of influence.

Mr. Branden Leslie: A colleague of ours, Charlie Angus, introduced a piece of legislation that would make it criminal to use certain “terms, expressions, logos, symbols or illustrations” when talking about the oil and gas sector.

In your view, are there any terms or logos that you think the government should be criminalizing? You talked about greenwashing earlier. Are there any particular logos that—

[*Translation*]

Mrs. Sophie Chatel: I have a point of order, Mr. Chair.

[*English*]

Mr. Adam van Koeverden: I have a point of order, Mr. Chair.

Is this a five-minute round?

The Vice-Chair (Mr. Dan Mazier): Yes. We have a minute and 30 seconds left. It's still green, so we're good.

Mrs. Sophie Chatel: Mr. Chair, I would just like to remind my colleague that we are discussing green and transition finance, sustainable finance, so it's not logos. I'm sorry.

Mr. Branden Leslie: I'm here to find solutions to the problems we're all trying to address.

Mrs. Sophie Chatel: To logos? Okay.

Mr. Branden Leslie: Do you have any specific thing we should be putting people in prison for?

Mrs. Sophie Chatel: That's not on green finance.

Ms. Karine Péloffy: I do have an answer. I would support an advertising ban for the fossil fuel industry, just as we've put in place advertising bans on tobacco. The fossil fuel industry is polluting the lungs of the planet, just like the tobacco industry was polluting our lungs.

Mr. Branden Leslie: What about the agricultural industry? Would you expand that? They have emissions. Should the ag industry be allowed to talk about its record in any way?

Maybe I'll frame it this way. How many other sectors should not be allowed to tell their stories of the quality of work that their sectors are doing in terms of whatever environmental outcomes they are trying to improve? What other sectors should be banned?

Ms. Laurel Collins: I have a point of order, Mr. Chair.

Can you just give us an update on the clock?

Other committee members seem to have different numbers.

The Vice-Chair (Mr. Dan Mazier): Five minutes.... There are 42 seconds left.

Mr. Adam van Koeverden: It was a minute and 30 seconds two minutes ago. Is your clock okay?

The Vice-Chair (Mr. Dan Mazier): Continue on.

Mr. Branden Leslie: I don't have a clock—

The Vice-Chair (Mr. Dan Mazier): No, we're good.

Mrs. Sophie Chatel: Should I do the clock?

The Vice-Chair (Mr. Dan Mazier): Continue on. You have a minute left.

Mr. Adam van Koeverden: A minute left.... It's a five-minute round.

An hon. member: Challenge the chair.

Mr. Adam van Koeverden: Yes. This is crazy.

The Vice-Chair (Mr. Dan Mazier): Okay, I rounded up. It's 38 seconds. There you go.

Mr. Branden Leslie: Sure. Thank you, Mr. Chair.

Do you have any comments about the other sectors?

Mr. Adam van Koeverden: I have a point of order, Mr. Chair.

I'm sorry, but I'd like to challenge the chair.

The Vice-Chair (Mr. Dan Mazier): Are you challenging the chair on time?

Mr. Adam van Koeverden: Yes. It's way over, man.

We all have our own clocks, too.

The Vice-Chair (Mr. Dan Mazier): Look, they have 38 seconds left. Let's finish the round. You guys get five minutes, as well. We're running behind as it is.

Mr. Gérard Deltell: Folks, we lost the last two minutes talking about time. Move on.

The Vice-Chair (Mr. Dan Mazier): Okay, Mr. Leslie.

Mr. Branden Leslie: Go ahead, Ms. Péloffy.

Ms. Karine Péloffy: The fossil fuel industry is responsible for 80% of global warming to date. I think it deserves singling out in terms of advertising bans. For all other matters of greenwashing, this Parliament adopted changes to the Competition Act, which I think, for now, sort of address the issue for the economy as a whole.

● (1745)

Mr. Branden Leslie: The government included nuclear energy as part of their green bond framework.

Do you support the inclusion of nuclear energy in that?

Ms. Karine Péloffy: I can't answer that question.

Mr. Branden Leslie: Okay.

The Vice-Chair (Mr. Dan Mazier): Mr. van Koeverden, you have the last round of five minutes.

Mr. Adam van Koeverden: Thank you very much, Mr. Chair.

Ms. Péloffy, I'd like to start with you.

The line of questioning implied that a taxonomy would shut down production, completely halt the production of oil and gas in Canada, or even cause people to be thrown in jail, as was just implied by the Conservatives. That's a lot of hysteria about a list for how we define “green” in Canada.

Would people be thrown in jail? Are we talking about shutting down production just by having definitions for the words “green” and “sustainable”?

Ms. Karine Péloffy: I believe there might be a certain degree of confusion. The taxonomy is about defining things Canada will consider to be solutions. It will be a voluntary standard. It will definitely not put anyone in jail.

I think what your colleague was referring to, perhaps, was the change to the Competition Act that you passed last June, where the absolute maximum penalty—

Mr. Branden Leslie: I have a point of order, Mr. Chair.

I could offer clarity. It's NDP MP Charlie Angus's private member's bill, as I said.

Mr. Adam van Koeverden: I hope my time has been paused.

The Vice-Chair (Mr. Dan Mazier): It has.

It wasn't a point of order, so go on with your questioning.

Mr. Adam van Koeverden: Thank you.

Thanks, Ms. Péloffy.

I'd like to ask Ms. Hubert the same question.

[*Translation*]

Ms. Anne-Marie Hubert: The answer is clearly no. Instead, we need to support the transition of our industries.

Our Canadian investors even managed to get gas included in the European taxonomy. You've seen the sustainable finance action council report. The Canadian investors who have inquired about the taxonomy want us to have a pathway to our 1.5°C target by sector that reflects the economic reality and to be able to support companies that are transitioning towards the targets. It's not a matter of doing it overnight, but rather over time. Replacing coal with gas now is positive. In 2030, we may have to move on to other things. However, there has to be a transition. We're not at all saying to ban oil and gas tomorrow morning.

Mr. Adam van Koeverden: Thank you.

Ms. Anne-Marie Hubert: Transition plans must be supported to hit the targets.

Mr. Adam van Koeverden: Thank you very much, Ms. Hubert.

[*English*]

Mr. Dubey, could I ask you the same question? Do you feel as though a taxonomy leading towards more information and better definitions for these types of things would halt production in the oil sands, or somewhere else?

Mr. Akshay Dubey: I'd say that, overall, providing information through things like disclosure is important for the investment community and the finance community, so they can look at the investments they're making.

Regarding the taxonomy, I think it really comes down to the details of that taxonomy and how much flexibility it provides so that solutions like ours aren't all put in the same bucket as things that may be viewed as the fossil fuel industry. It's about having that flexibility.

Mr. Adam van Koeverden: Thank you.

Do you think investors or people in the oil and gas sector should be concerned about criminality, as the Conservatives just suggested, with respect to having a clearly defined taxonomy?

Mr. Akshay Dubey: Again, I don't have the background on the bill that was brought up and the details behind it, so I can't answer that question.

Mr. Adam van Koeverden: Okay.

I have a couple of other questions for you about the oil sands.

We had the CEOs of the banks here, and the CEOs of a couple of the energy companies. I asked them about emissions intensity over the last 15 or 20 years, particularly for oil sands products. We saw that the oil and gas sector's emissions have gone up by about 11% or 12% since 2005. That's been driven by oil sands emissions intensity. That means per barrel of oil. I know you know this, but that is a lot more emissions. You mentioned that methane is a key driver of those emissions in the oil sands.

Do you think the industry and the companies operating in the oil sands region are likely to reduce their emissions intensity on their own, out of the goodness of their hearts, in the absence of a truly well-defined taxonomy, or will regulation and proper disclosure drive that transition?

Mr. Akshay Dubey: Yes, I watched the testimony from the oil sands CEOs who were here as well, and I think, similar to what they said, that having the right regulatory framework is key to driving those decisions. I think businesses need long-term stability to make the investments to decarbonize their own operations. Pathways Alliance is, obviously, something they have been talking about quite a bit, which has large carbon reduction claims. Similarly, we can also deliver a 5% to 10% carbon intensity reduction per oil sands site.

There are significant technologies that are available to these companies but, certainly, having the right incentives and regulatory framework would help move them ahead.

● (1750)

Mr. Adam van Koeverden: Thank you very much.

In an article here it says, "Regulation will complement existing suite of financial incentives on offer for oil and gas companies that invest in projects to reduce emissions". At the same time, we see that emissions intensity has gone up and that Canada's oil sands have grown by 142%, largely driven by increased oil sands production, and that's, as it says, in the absence of regulation and a taxonomy. Is that your understanding?

The Vice-Chair (Mr. Dan Mazier): Give a very short answer.

Mr. Akshay Dubey: Well, we certainly don't have a taxonomy in place, and those emissions have gone up, but I don't know if I would draw that direct link.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. van Koeverden.

Thank you to the witnesses for coming in.

Mr. Branden Leslie: On a point of order, Mr. Chair, I would like to offer an apology. When I was discussing Bill C-372, Charlie Angus's NDP bill, I said "prison". However, upon reading the text, it's actually "a fine not exceeding $1,000,000 or...imprisonment" of under two years, which is technically a jail, not a prison. I'm sorry for being incorrect in my verbiage.

The Vice-Chair (Mr. Dan Mazier): Thank you for clarifying that.

Thank you to the witnesses for coming out this afternoon.

We'll take a short recess to get ready for the next round.

● (1750)

_____________________(Pause)_____________________

● (1755)

The Vice-Chair (Mr. Dan Mazier): Welcome back, everybody.

I call the meeting back to order.

We're going to start with Mr. Guénette for five minutes.

[*Translation*]

Mr. Jasmin Guénette (Vice-President, National Affairs, Canadian Federation of Independent Business): Good morning.

My name is Jasmin Guénette, and I am the vice-president of national affairs at the Canadian Federation of Independent Business, or CFIB.

I would like to thank the members of the committee for this kind invitation. I will deliver my opening remarks in French, but I will be able to answer questions in French and English.

The CFIB represents 97,000 business owners from all sectors of the economy across the country. Among our member businesses, 70% have nine or fewer employees, and 28% have between 10 and 49 employees.

Currently, the optimism index among Canadian entrepreneurs is very low. This is according to our monthly “Business Barometer” survey, which we have been using for a few decades now to assess optimism.

Not only is the optimism index low, but the majority of entrepreneurs would not recommend that Canadians start a business because of the very high operating costs, economic uncertainty and tax burden.

When we ask our members what factors are limiting their business's growth the most, a majority indicate that demand is not there. In other words, consumers are spending less.

When asked about the top costs putting pressure on their business, our members cite insurance, taxes and regulations and payroll taxes as the top three biggest costs.

It is important to note that borrowing costs have risen sharply in recent years. What's more, the proportion of financing requests from small and medium-sized businesses, or SMEs, has increased significantly over the years. It went from 35% to 58% between 2012 and 2022. In addition, the approval rate for these applications is 94% for medium-sized business owners, compared to only 77% for microbusiness owners.

When the Bank of Canada began raising its key interest rate to combat inflation, the share of small business owners struggling with borrowing costs jumped from 21% in January 2022 to 39% in May 2023.

To ensure the success of our entrepreneurs and our SMEs, public policies, such as environmental ones, must avoid increasing the regulatory, administrative, tax and financial burdens of our SMEs. If we force environmental, social and governance criteria on financial institutions or large businesses, they in turn could force them onto their clients, which could lead to higher costs for SMEs and make financing less accessible and more expensive.

We therefore ask parliamentarians not to impose new legislative provisions on SMEs that would increase their costs and red tape.

Thank you.

● (1800)

[*English*]

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Guénette.

Ms. Taylor, go ahead for five minutes.

Ms. Heather Taylor (Partner, Climate Change and Sustainability Services, EY Canada): Thank you, Mr. Chair.

I'd like to begin by acknowledging that I am in Toronto, which is the traditional territory of many nations, including the Mississaugas of the Credit, the Anishinabe, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse first nations, Inuit, and Métis people.

Thank you for the opportunity to speak with committee members today and contribute to your study on environment and climate impacts related to the Canadian financial system.

I am an EY partner who is leading our sustainability work for all levels of government in Canada. I have a public sector experience that includes serving as the City of Toronto's chief financial officer, and as an assistant deputy minister and chief administrative officer in the Province of Ontario. I currently sit on the Canadian Public Sector Accounting Board, and I'm working with the International Public Sector Accounting Standards Board to help develop sustainability standards.

Many see environmental sustainability standards as a compliance exercise or a “nice to have”, but they are a powerful economic tool that is essential to grow Canadian companies and increase our productivity and international competitiveness. Over 20 countries, representing 55% of global GDP, including Canada, have announced timelines for alignment to these standards or are already using them as a basis for their own regulatory frameworks. In addition, the EU corporate sustainability reporting directive is reshaping how companies evaluate the risks and opportunities of environmental, social and governance issues. This impacts both European companies and companies with substantial economic interests in the region.

EY works with financial institutions across the globe to identify the sustainable business opportunities, to consistently and transparently engage with capital markets and to help them transition to the economy of the future.

The private and public sectors must work in lockstep to ensure that regulatory systems are aligned so that we can fully harness the power of this economic opportunity. We know that markets don't like uncertainty, and what we've seen is investors in capital markets driving the need for increased disclosures to help assess risks. We know with certainty that globally recognized and adopted financial standards have created a consistent language that has enabled a global marketplace.

Sustainability standards for both the public and the private sector are needed to create a similar platform that allows comparison of data and information. They provide clarity, help eliminate stakeholder confusion, and decrease uncertainty.

Over the last year, I have been working with some of the world's largest pension funds and asset managers. They are committed to invest in transition projects and seek jurisdictions that are committed to transition investment and sustainability disclosure. They also want the confidence that the investments will drive the intended outcomes. Sustainability standards are already being used by investors and banks to determine access to capital and cost of capital. It's a simple supply-and-demand issue. More capital supply leads to more affordable capital. A smaller access pool means less attractive rates and more expensive costs that put Canadian businesses at a disadvantage.

As jurisdictions around the world adopt sustainability standards more quickly than Canada does, they are demanding transition and risk disclosures. Canadian companies that participate in the disclosures will be more competitive from both a market share and a growth perspective. Companies that do not participate in disclosures run the risk of being unable to participate in supply chains. Canadian companies that export to jurisdictions that are further advanced in the adoption of sustainability disclosures are at risk of becoming ineligible for these business opportunities and losing market share.

In closing, the alignment of public and private sector sustainability standards is essential for the economy. It will increase comparability, decrease uncertainty, and increase access to capital at competitive rates. Sustainability disclosures are essential for the economy and also good for the environment. I recommend that Canada harmonize and adopt both the private and emerging public sector sustainability standards.

Thank you so much for the opportunity to appear today.

● (1805)

The Vice-Chair (Mr. Dan Mazier): Thank you, Ms. Taylor.

Now we have Mr. Scott, for five minutes.

Mr. Adam Scott (Executive Director, Shift Action for Pension Wealth and Planet Health): Thank you very much for having me.

I'm Adam Scott, the executive director of Shift, a non-profit education and advocacy project focused on aligning Canada's financial sector with climate. I'm joining you from Toronto, the traditional territory of many first nations, including the Mississaugas of the Credit, Anishinabe, Chippewa, Haudenosaunee and Wendat peoples.

I'm a career climate expert with more than 20 years of experience working to solve this issue through research, policy and solutions. Along with many other colleagues who have provided testimony here, I was an author of a policy road map for a sustainable financial system in Canada.

I'll start with the bottom line, reflected by many other experts you've heard from: We simply cannot achieve Canada's climate obligations without new policy to align our financial system with science-based targets. The stability of our financial system and the long-term growth of our economy are very much at risk here.

This isn't just a moral argument. It is a financial one. As you will all appreciate as lawmakers, many of the most critical decisions that determine Canada's progress on climate aren't actually made by politicians. These decisions are made behind the closed doors of financial institutions and corporations in their day-to-day business. Wherever capital is allocated, money borrowed, debt issued and financial investment decisions made, that's often where the rubber hits the road on climate every single day in this country. How many everyday financial decisions are being made through the filter of a credible, science-based climate plan?

According to Oxford University's net-zero tracker, roughly two-thirds of Canada's largest corporations have made a commitment to net zero. However, that number is far lower when we look at the wider corporate sector. Unfortunately, even among companies and institutions that have made those commitments, they're rarely followed up with credible climate transition plans for achieving them. Every single day, financial decision-making in Canada largely continues with business as usual, financing climate failure and putting the stability of our entire financial system in danger.

Expert colleagues at these hearings have highlighted, in particular, the failure of Canada's largest banks to back up their net-zero commitments with credible climate plans, especially with the obvious requirement to end new finance for coal, gas and oil, while also directing adequate capital towards credible climate solutions.

At Shift, we focus on the climate plans of pensions, Canada's largest asset owners. As long-term buy-and-hold investors, pensions are acutely vulnerable to climate risks and stranded assets. While we're starting to see voluntary leadership and climate plans emerging among some pensions—proof that credible climate plans are real and very achievable—we also still see far too many pension plans, like the Canada pension plan, refusing to set interim targets, while continuing to make investments in fossil fuel expansion that directly bet against climate safety.

We are also troubled by obvious governance failures on climate, in particular the prevalence of directors cross-appointed to the boards of fossil fuel companies and financial institutions at the same time, creating the obvious potential for serious conflicts of interest when discussing this topic. This is an issue raised by others.

I hope that, by this stage in your study, you fully appreciate the dangers of climate failure for Canada and the economy. This is already causing damage to our economy, the global economy and our ability to grow GDP. It is a headwind against GDP growth that, without action, will get worse every single year. Canadian financial institutions are highly exposed to stranded assets, which can lose value suddenly as the energy transition already under way continues to accelerate.

Thankfully, we have the tools available to modernize our financial regulations on climate. The first building blocks are under way—you've been talking about them already—and so is putting in place a credible green taxonomy that excludes fossil fuels from green or transition labelling. Greenwashing is already widespread in financial circles, and we can't allow new loopholes for that to continue.

Climate disclosure rules are also essential. It's very good to see first steps announced to amend the Canada Business Corporations Act for major companies to align with international climate reporting standards.

This trend will need to continue at full speed. Those baseline moves are not enough alone to align financial flows with climate safety.

Along with many other experts, I'd direct this study toward the need to adopt the measures found in the climate-aligned finance act, which, as we heard, is a detailed, ambitious and practical blueprint for moving past disclosure into regulating alignment directly through a variety of measures.

I'll remind you again that this is an unprecedented situation. The climate crisis continues to get worse, carrying with it complex and potentially cataclysmic financial risks. Our brittle and dated regulatory system is not fit in its current state to ensure that Canada's financial sector lives up to its reputation for stability and prudence.

● (1810)

I'll conclude by urging this committee to understand that the policy reforms that we're calling for should really be seen as inescapable, because they're ultimately required to protect the financial system and to meet our climate goals. The question, really, is when we will put them in place. Will it happen quickly enough?

Thanks very much.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Scott.

Dr. Sarra, we're just going to do a little test with you. Maybe just say where you are so that the translators can see how the levels work.

Dr. Janis Sarra (Professor of Law Emerita, Canada Climate Law Initiative): Good afternoon. I'm tuning in from Bowen Island, British Columbia.

There's a very big echo.

The Vice-Chair (Mr. Dan Mazier): You might have to put up with that.

How are things in translation?

Are you switched over to English on the interpretation part of it, on the app, Dr. Sarra? Down at the bottom is interpretation. You click on that.

Dr. Janis Sarra: Yes, I was on English, but they've had control of my computer for the last 20 minutes. The tech people have been trying to be helpful.

We had none of these troubles during the test.

Is it better now? Okay.

Well, if that's the hardest part of the afternoon....

● (1815)

The Vice-Chair (Mr. Dan Mazier): Okay, go ahead, and let's see what happens here.

Dr. Janis Sarra: Okay.

There's nothing like a little tech problem to throw you off. I apologize; I haven't heard my co-witnesses as a result of that.

Honourable members, thank you for the opportunity to appear before the Standing Committee on Environment and Sustainable Development.

I'm a professor of law emerita at the University of British Columbia, and I'm principal co-investigator of the Canada Climate Law Initiative, or CCLI. It's a collaboration of the law faculties of UBC and York University that analyzes the legal obligations of corporate directors and pension fiduciaries to manage climate-related risks and opportunities.

We publish sector guidance working closely with national industry organizations, for example in real estate and mining, etc. We have 70 Canadian climate governance experts, who comprise CEOs, accountants, actuaries, lawyers and others, who volunteer their time to give presentations to corporate boards on effective climate governance.

The importance of this committee's work, I think, cannot be overstated. You've already heard evidence about the devastating economic impacts of climate change, including that, last year alone, climate-related events in communities across Canada cost more than $3.5 billion in insured damage. Ensuring that we have the policies to mitigate future harms and transition to a more sustainable economy is something that I think we can all agree on, regardless of political affiliation.

First, the CCLI applauds the Office of the Superintendent of Financial Institutions, OSFI, for its guideline B-15 on climate risk management. It sets out key governance requirements for more than 400 federally regulated financial institutions. This guidance, which was undertaken after extensive consultation with the financial sector, sets the benchmark for what federal policy could achieve, and that is creating transparency, integrity and certainty in the financial system.

CCLI believes that three additional federal policies are necessary to protect the Canadian economy.

The first is to amend the Canada Business Corporations Act, CBCA, and/or its regulations. Since we submitted our opening statement, of course, there's been an announcement that the government will move forward to enact legislation to require the largest Canadian companies to disclose climate plans.

For us, what's really important is to make sure that financial statements include a transition plan to reach Canada's climate goals no later than 2050, with five-year targets for emissions reductions and annual reporting of progress. Disclosure of transition plans is what will equip investors with the information they need to finance such a decision at the speed and the scale required—and you've heard some of that today—ensuring that we remain competitive in the global economy.

Just as an example, if we applied it to the largest 1,102 companies that have an average income of $389 million annually and average assets of almost $1.5 trillion, and then, a year later, to another 6,000-plus companies, we would shift the Canadian economy, but we would leave untouched 98% of all businesses. In other words, we're not trying to suggest a burden on small businesses or microbusinesses, but rather that the big players, who really do move our economy, need to have a plan in place.

The second policy change would be to amend the pension benefits standards regulation and to require that plan administrators, under their current obligations, have a written statement of investment policies and procedures, or SIPPs, as they're affectionately known, to determine how their climate resilience policies pertain to the plan's portfolio of investments and loans. They already have a fiduciary duty to invest the pension funds' assets prudently and impartially and balance intergenerational interests—people my age and my grandchildren coming forward—in determining both short- and long-term investments. It's really important, though, that they be required to put their minds to this, and this policy change would be very significant.

The third is to press for a rapid development of Canada's green and transition finance taxonomy. It's important to remember that this is a classification system. This is not a standard that's being imposed. Rather, it identifies, as 40 other countries have already done, what will constitute green finance and transition finance. An estimated $115 billion annually is required for Canada's low-carbon transition, and a science-based taxonomy will create the market integrity, clarity and interoperability, globally, necessary to accelerate global capital to come and invest in Canada's businesses.

● (1820)

Investors are already looking for investment opportunities, and Canada offers resources and expertise in critical minerals, clean tech and a host of other areas that are sustainable. However, without a common classification system for investing in that transition, capital will definitely flow to other jurisdictions that are ahead of us in adopting it. More than 26 Canadian financial institutions have already endorsed the sustainable finance action council's road map, and it's important now to get that council in place before the end of the year so that they can do their work.

With those comments, I'll leave you for the discussion.

Thank you.

The Vice-Chair (Mr. Dan Mazier): Thank you, Dr. Sarra.

We'll start with the first round for six minutes.

Mr. Kram.

Mr. Michael Kram: Thank you very much, Mr. Chair.

Thank you to all the witnesses for being here today.

My questions will be for Mr. Guénette, from the CFIB.

Mr. Guénette, if I understood your opening statement correctly, even though this proposed taxonomy system would not directly impact small businesses, because it's being imposed on the financial system, there is still a great deal of potential to have negative impacts on small businesses. Is that correct?

Mr. Jasmin Guénette: Yes, it's correct. We are particularly concerned because some of these environmental standards would make it harder for SMEs, especially in some sectors like agriculture, to access funds, because they would have to do additional reporting, which would increase the amount of red tape and the cost associated with accounting and accessing funds with financial institutions.

Mr. Michael Kram: What do the members of CFIB think about additional red tape, additional paperwork when you apply for a loan, additional disclosure forms and that sort of thing?

Mr. Jasmin Guénette: When we ask our members what is limiting their sales and growth, often the answer we get from small business owners across Canada, across sectors, is that the level of red tape and the level of taxes make it harder for them to keep their heads above water, especially in the current climate. Any policies that would directly or indirectly impact businesses by adding red tape or costs are not to be pursued, from the point of view of our members.

Mr. Michael Kram: We have had quite a few witnesses at this committee study say that businesses are not doing enough to reduce their environmental impacts, and therefore the government needs to start imposing laws and regulations on small businesses. What do you think the membership of CFIB would think about that approach?

Mr. Jasmin Guénette: They would say that it's not fair to say this statement to a small business owner.

We have done a report on environmental policies. Last year, we released the report. Many of our members say that they care deeply about the environment and that they do everything they can to reduce their environmental footprint. However, it's not by adding red tape or costs to their operation that they would be able to continue what they are doing to reduce their environmental footprint.

Mr. Michael Kram: I believe the report released last year that you referred to is called “Working Together: Developing Environmental Policy with Small Business in Mind”. Is that the report?

Mr. Jasmin Guénette: That's correct.

Mr. Michael Kram: In this report, small businesses said that they have their own environmental priorities. Can you elaborate on what the environmental priorities are?

Mr. Jasmin Guénette: Yes, and I have the report with me. One is to increase recycling, for example. They want to make sure that they recycle as much as they can or reuse as much as they can. Renovating and reducing their electricity consumption, their energy bills, is another measure that they take to reduce their environmental footprint. There is reducing the usage of plastic and buying or renting equipment that is greener. These are the kinds of things that our members are saying they are doing to reduce the environmental footprint of their small businesses.

● (1825)

Mr. Michael Kram: In this report, you identified that one of the major reasons that small businesses are reluctant to reduce their emissions is that they are uncertain if their efforts will make a meaningful impact. Do you feel that this proposed taxonomy system would do anything to alleviate that uncertainty?

Mr. Jasmin Guénette: I'm not sure that it would. We have to understand the reality for small business owners. They run small shops. They are taking care of everything from financing to marketing to HR. Many of them feel that, year after year, they just have to deal with additional red tape and costs, making it more difficult for them to have successful enterprises.

Mr. Michael Kram: In the conclusion of this report, you state, “A small business lens should be applied to all environmental policies to ensure minimal impact on small businesses”. Do you feel that this should be the case with this proposed taxonomy system?

Mr. Jasmin Guénette: Yes.

The Vice-Chair (Mr. Dan Mazier): That's perfect. Mr. Kram is out of time.

Mr. Longfield, you have six minutes.

Mr. Lloyd Longfield: Thank you, Mr. Chair.

I'd like to start my questions with Ms. Taylor. It's great to have a representative from a multinational that's involved in finance, because the harmonization globally is something that we've been looking at within this study.

You made a comment about the harmonization standards between private and public sectors. Could you elaborate on that harmonization between private and public sectors, and possibly on other harmonizations that we're facing?

Ms. Heather Taylor: The harmonization that I'm referring to is under financial reporting standards. Currently, the international standards, as well as the proposed Canadian standards, are all aligned to the private sector. What is going to be released tomorrow—as early as tomorrow—is specific standards that align to those, but they are actually adjusted and tweaked and cater to the public sector—to government, government entities, etc.

It is important that those two standards, in actual fact, are very consistent because, at the end of the day, if we consider who our stakeholders are, they are investors. Ultimately, it's about access to capital and the attraction of investments into Canada, attraction for governments or businesses, and to ensure that investors avoid confusion and that investors are privy to consistent language, information and data. It allows for increased comparability. That actually decreases risks, and that is why I was stating that I felt it was incredibly important that the harmonization be considered.

Mr. Lloyd Longfield: That's great. Thank you for that.

I'd like to expand on that, and then I'll go to Dr. Sarra for the last part of my question.

When we look at programs we have around climate change pricing.... We have a carbon-pricing program within Canada, and there are other carbon-pricing programs globally that, in the international market, have consideration when we're looking at sustainability programs. If we get out of step with the international community with regard to that or these taxonomies, what's the risk that we're then transferring to capital markets?

Ms. Heather Taylor: I just want to clarify that taxonomies and standards are different. The taxonomies are the classifications of information. The standards are the frameworks and the guidelines as to how to report. Those standards, in actual fact, don't take into consideration political policy or what different jurisdictions are doing. It is really about trying to come up with the foundation of how information should be gathered and communicated to capital markets, and that is all to assess risk.

● (1830)

Mr. Lloyd Longfield: However, it's within the language of a taxonomy. I understand that standards are different from taxonomy, but they both work together.

Ms. Heather Taylor: They do complement each other. The foundation starts with the taxonomy, and then standards evolve from that.

You're correct. The language is very important, and it is consistent, but the guidelines that we follow and that the international community is following are really around standards.

Mr. Lloyd Longfield: Great, thank you.

We won't go back and forth on taxonomy, because they're also working on that, and Canada is quite involved with getting the international taxonomy straight.

Dr. Sarra, I was very interested in your comments around the Net-Zero Emissions Accountability Act and how accountability right now is on the public side but not as rigorously applied in the private sector in terms of audits and requirements to meet the goals of 2050. Could you expand on that? Am I reading you right on that?

Dr. Janis Sarra: I'm not sure. I apologize, because I didn't hear the other speakers, but I didn't refer to the net-zero act at all, so I'm not sure about your question. I'm sorry.

Mr. Lloyd Longfield: I made a translation error. You were talking about accountability and auditing every five years and making sure that you're on target—which is the basis of the Net-Zero Emissions Accountability Act, something this committee worked on.

I kind of jumped in mid-conversation for you. I'm sorry.

Dr. Janis Sarra: No, that's wonderful.

It's very similar, in the sense that, in order to have an effective climate transition plan to meet 2050 goals, there should be a stocktaking at least every five years that would ask if you have met the targets and if you are on track for interim targets. That should be part of climate transition plans.

Again, just to emphasize, what we're talking about are the largest corporations in Canada. According to the Forbes Global 2000 list from the summer of this year, 90% of the big companies in Canada by assets and profits are federally regulated.

Mr. Lloyd Longfield: Regulations would be matching, in terms of how we audit ourselves and how business would be audited, so that we match regulations.

Thank you very much.

The Vice-Chair (Mr. Dan Mazier): Thank you, Mr. Longfield.

Madame Pauzé, you have six minutes.

[*Translation*]

Ms. Monique Pauzé: Good morning. I'd like to thank all the people who are here to help us move forward with this study, which isn't simple, but is extremely interesting and important.

Mr. Scott, in May 2024, Canada's National Observer published the results of an investigation into the overlap between bank directors and directors of fossil fuel companies. You yourself specialize in pension funds, among other things.

Can you explain in more detail how having the same people appointed to both the board of directors of a fossil fuel company and the board of a pension fund can create a conflict of interest?

[*English*]

Mr. Adam Scott: Thank you for the question. It's an important one, and it's one we're seeing as a real challenge to governance for large financial institutions in Canada, which are trying to make difficult decisions internally about how to change the way they're operating in light of addressing the climate crisis.

It's a particular blind spot when you have somebody who's appointed as a director for a fossil fuel producer. They have a legal responsibility to the shareholders of that company to maximize profit for that company. If they're sitting simultaneously on the board of, say, a public sector pension fund, which we see in a number of cases right now, the expectation is that in discussions about whether or not the fund is going to adopt net-zero plans, or if they're discussing investment screens, phase-out strategies or any of the subtle details around administering a climate plan, they're likely in a conflict of interest situation and should be recusing themselves.

We don't know if they are stepping out, because board minutes are—

● (1835)

[*Translation*]

Ms. Monique Pauzé: Do you have a very concrete example of that?

[*English*]

Mr. Adam Scott: Yes. A good example would be PSP, the pension provider for federal public employees. They have Miranda Hubbs, who is simultaneously on the board of Imperial Oil. That pension fund has yet to adopt a net-zero target, which is quite surprising in 2024 for an institution of that scale and size. We really do wonder what governance problems exist there, and if this is maybe a factor.

[*Translation*]

Ms. Monique Pauzé: When it comes to climate policy, how do Canadian pension plans compare to their international peers?

[*English*]

Mr. Adam Scott: Canadian pension plans, while we do have some that are leading on climate and that have moved quite far, are still overall lagging behind the leading funds around the world. We're nowhere near the top list of funds. In our own work, we've examined the climate performance of pension funds in Europe, the Netherlands, the U.K., France and the United States. They all have much more ambitious and detailed climate plans, as well as clear fossil fuel finance exclusions going forward. We've seen Canada falling behind generally, perhaps with a few exceptions.

Canada is not leading in any way. We have quite a few pension plans that have not even adopted the full climate commitments, and a number of pension plans that have not adopted credible climate plans to back those up and to achieve them.

[*Translation*]

Ms. Monique Pauzé: I want to come back to the issue of directors.

When it comes to pension funds, for example, since that's your field, are there directors who are knowledgeable about climate-related issues and who could speak out more often to influence their organization?

[*English*]

Mr. Adam Scott: If I've heard the question right, the answer is yes. One thing that's definitely needed in this area generally is to make sure that governance is fit for purpose. The climate crisis represents an existential crisis globally and a very acute financial risk for institutions of this kind. Having some real climate expertise on boards is an essential requirement.

As well, I know that organizations like the Canada Climate Law Initiative have been offering training for all directors to have a baseline knowledge of climate risk. This is something that we're seeing an increasing number of institutions make a requirement, saying that this is one of the board competencies they would like to see, but this is something that can be improved upon through a regulatory [*Technical difficulty—Editor*] sure that these institutions have the expertise they need to thrive in the current environment.

[*Translation*]

Ms. Monique Pauzé: Earlier, I referred to what is being done elsewhere in the world. We know that carbon tariffs have been put in place in France and the United Kingdom. Are you looking at that kind of thing? Are you concerned?

[*English*]

Mr. Adam Scott: It doesn't worry me. It's always been an understanding in the international climate governance world that climate will be enforced through trade in many ways. If a country wants to take reducing emissions seriously, and it puts policies in place domestically, as we've seen in many countries in Europe, it's very logical that they would try to prevent other countries from selling into their market with higher-polluting goods. That makes a lot of sense. We see it in our work with large institutional investors and asset owners. They have offices in Europe, the U.K., Asia and all of these places, and active investments across the global economy. They're already dealing with having to keep track of the completely disparate climate policies that exist around the world.

The comments from Ms. Taylor are well understood: harmonization as much as possible. The standardization of policy is incredibly helpful to make sure that we're actually able to navigate that difficulty. You have jurisdictions that are moving quite quickly. Europe is moving on financial policy and on climate in a number of different areas quite dramatically faster than Canada is. This is an area we're following—

● (1840)

The Vice-Chair (Mr. Dan Mazier): That's it for time, Mr. Scott. I'm sorry.

Mr. Adam Scott: That's okay.

The Vice-Chair (Mr. Dan Mazier): Thank you, Madame Pauzé.

Mr. Bachrach, welcome. You have six minutes.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you very much, Mr. Chair.

Thanks to the committee for allowing me to come back and sit in for my colleague Ms. Collins.

I have some some questions for Mr. Scott.

The taxonomy has been mentioned several times. I understand that the government has announced its framework, but not the taxonomy itself yet. It's long overdue. Based on the framework that has been released, I wonder if I could get your thoughts, and perhaps Dr. Sarra's thoughts, on what the strengths and weaknesses of the framework are.

Mr. Adam Scott: We're strongly supportive of the taxonomy overall. It's an incredibly important and essential tool. The provisions in the "green" part of the label that have been discussed so far, the sort of rough framework, are fairly uncontroversial and aligned well with international standards. I think we're all wondering why it hasn't been implemented yet. It's quite late in the game. We have been having these discussions for some time.

The controversial part of the taxonomy is around trying to insert a transition label. This is still an ongoing area of disagreement among experts. In principle, the idea of transition assets makes a lot of sense. Being able to finance high-carbon companies through the transition is something that we absolutely need to do, and there's a lot more work to do there. However, there's still a risk that we're also going to be allowing inappropriate activities that are not aligned with a science-based transition to receive that label, and that's where there's still quite a bit of controversy and discussion to be had. It's a fairly technical discussion, but fundamentally it comes down to the question of whether the activity aligns with an actual science-based transition on pace to zero emissions. I think that's where we're still having some discussion on the margins.

Overall, I think this is a really important thing, and I'm really glad to see that the process is going forward to get into the details and get it enacted.

Mr. Taylor Bachrach: Thank you.

Dr. Sarra, do you want to comment briefly on the taxonomy framework?

Dr. Janis Sarra: Yes. We're very supportive of the framework itself. I think what's critical now is that the proposed council that would actually make these decisions around "green" and "transition" needs to be put in place, and it needs to include some provincial/federal advisory—in other words, a big tent approach. It needs the scientists, the financial community and civil society to participate, and it needs to do it very expeditiously.

The kinds of issues that Adam just referred to need to be done based on science, based on fulsome discussion—and quickly. That's where I think my concern would be, to just move more quickly. We don't have the beginning yet. We just have the principles and the road map, which are good, but we need to move forward.

Mr. Taylor Bachrach: Shifting to Mr. Scott—pardon the pun—your “2023 Canadian Pension Climate Report Card” highlighted that even the most climate-aligned pensions in Canada are still lagging far behind many of our international peers, including the United States. Why do you think Canada is lagging so far behind when it comes to these pension funds?

Mr. Adam Scott: It's a tough conversation to have in Canada. When you make a net-zero commitment, you're committing to a science-based pathway. It's not just whatever you think that means; it has concrete definitions. There are international experts who have clearly defined what's required for a net-zero commitment from a financial institution to be credible, and that's what we've been assessing for large financial institutions in our work at Shift.

One of the key provisions in there is to stop financing the cause of the climate crisis, which is fossil fuels. That piece has been very challenging in Canada, obviously, because of our entanglement with the oil and gas industry.

It's a challenging discussion to have. It's not meant to be punitive to any individuals, but it's the harsh reality of what climate action requires. That's what's really holding back a lot of Canadians and institutions.

Mr. Taylor Bachrach: Recently, the Ontario Municipal Employees Retirement System and the Healthcare of Ontario Pension Plan released climate strategies. What do these strategies look like?

● (1845)

Mr. Adam Scott: You get a long-term target in place and you say you're going to commit to net zero. The next step is to say, what are our benchmarks? We've been talking about five-year check-ins and plans, so what's the five-year target to make sure that investment decisions made today are made under that framework? You have to make sure that you have a plan to engage the companies that you own to make sure that they're aligning with your goals as well. That's a credible engagement plan. You're looking through and making sure that all of the investment decisions going forward are made through a lens of those details, and you want to make sure you have the expertise on board and you know how to understand this challenge and to have that internally in your organization.

We're also seeing funds allocating more capital towards climate solutions in their plans, and that requires a lot of skill, so that's an area where we're starting to see a lot of funds moving as well.

It's a difficult process, but those are the sorts of details you will see in a credible climate plan for an institution.

Mr. Taylor Bachrach: Thank you, Mr. Scott.

Dr. Sarra, you mentioned small and micro businesses. Our representative from the Canadian Federation of Independent Business is also concerned and preoccupied with their needs, as am I.

In this conversation around sustainable finance, how should small businesses understand this conversation and the impact that it potentially poses on their operations, given that many small businesses don't have a lot of flexibility or a lot of risk tolerance? They're trying to eke out a living in small communities across the country.

Is this conversation really focused on the biggest players in Canada's economy, or should small businesses also be concerned or at least paying attention to the direction this is going?

Dr. Janis Sarra: I think there are two aspects to that answer. Certainly, the CCLI's view is that for some of the big businesses there need to be parameters about what they're required to do, and climate action plans are important. As I mentioned, 98% of businesses would be unaffected by that in this country.

I think for small businesses, the taxonomy will be very helpful if they're trying to do innovative work in clean tech, new mining technology, etc. There's no question. We worked with the mining sector. For example, we had done a mining guide, but then we did another one with several industry organizations to look at really tiny businesses that were doing either just exploration or exploration pre-development, to see what kinds of concrete steps they could take to attract capital and to show that they have a commitment without any sort of big mandatory standards.

I think it's partly a question of.... “Education” is not the right word, but actually building capacity in the small, micro economy by supporting them, as opposed to a top-down kind of thing. I think there are huge possibilities there.

The Vice-Chair (Mr. Dan Mazier): Thank you very much, Mr. Bachrach.

I see we're out of resources and we don't have time for another round, so I will adjourn the meeting.

Thank you to the witnesses for coming out.

Thank you very much.