



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

44th PARLIAMENT, 1st SESSION

---

# Standing Committee on Environment and Sustainable Development

EVIDENCE

**NUMBER 107**

Thursday, May 9, 2024

---

Chair: Mr. Francis Scarpaleggia





# Standing Committee on Environment and Sustainable Development

Thursday, May 9, 2024

• (1535)

[Translation]

**The Chair (Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.)):** Good afternoon, colleagues.

Today we are commencing our study on the environment and climate impacts related to the Canadian financial system.

At the end of the meeting, I will need five minutes to give an update on our invitation to the oil company CEOs. We should be able to resolve that issue fairly quickly if we have everyone's co-operation.

Without further ado, I would like to welcome our first guests. With us are two members of Canada's expert panel on sustainable finance: Andrew Chisholm and Barbara Zvan, who also serves as president and chief executive officer of another organization.

I am told that they want to divide their ten minutes between themselves and that Ms. Zvan will begin.

[English]

**Mr. Andrew Chisholm (Member, Canada's Expert Panel on Sustainable Finance, As an Individual):** That's fine, yes.

[Translation]

**The Chair:** The floor is yours, Ms. Zvan.

[English]

**Ms. Barbara Zvan (Member, Canada's Expert Panel on Sustainable Finance, As an Individual):** Good afternoon, Chair and members.

My name is Barb Zvan. I am, as noted, the president and CEO of the University Pension Plan. I was also a member of the Sustainable Finance Action Council and the chair of the taxonomy technical expert group. In addition, I was one of the members of the expert panel on sustainable finance. As a representative of the finance community, I'm here to talk about the important link between the economy, sustainable finance and the environment.

The Canadian economy is not faring as well as we'd like. In March, the Bank of Canada's deputy governor said it was time to "break the glass" on productivity, warning us that Canada's lagging productivity had reached an emergency level. Against this economic backdrop, the effects of climate change are undeniably upon us. The last 12 months have been the hottest in recorded history. Last winter was 5.2°C warmer than historic norms, and 2023 marked our worst wildfire season.

The economic toll of climate change on Canada's GDP, exports and job losses is foreseeable. The global predictions released a few weeks ago are even more staggering. The 2022 federal budget estimated that Canada needs an additional \$115 billion annually to meet our net-zero commitments. This is an unprecedented investment opportunity that cannot be met by public funding.

Being low carbon is a driver of competitiveness, and Canada is well placed to leverage its expertise in the area of critical minerals, clean energy and green transportation. The market is poised to grow, as evidenced by the rapid growth in the green bond market and in green exports. Canada's low-carbon exports grew by 9.4% between 2012 and 2023, outperforming the rate of growth of all other exports combined.

To benefit from market opportunities that support Canada's net-zero goals, we need to unlock private sector investment potential and bolster the attractiveness of Canada as a net-zero-aligned investment destination. What is holding us back? While there may be a myriad of reasons, let me focus on my area of expertise, which is investments.

When making long-term investments, Canadian and global investors alike look for as much certainty as possible by way of credible information, proactive disclosures aligned with global standards, and confidence that the projects and assets we're investing in will reduce carbon emissions in line with domestic and global commitments. Investors are looking for policy certainty around Canada's net-zero transition priorities and for the right building blocks for mainstream sustainable finance in support of net-zero goals.

In 2018, the expert panel on sustainable finance examined ways to scale and align sustainable finance with Canada's climate and economic goals. We identified the importance of a taxonomy and disclosures as critical building blocks for mainstream sustainable finance and for building market confidence. The recommendations we issued in 2019 included establishing the Sustainable Finance Action Council, or SFAC, to bring together stakeholders to develop Canada's taxonomy.

The SFAC, which included significant representation from Canada's financial industry and regulators, provided its report in September 2022. We included a framework for a made-in-Canada green and transition taxonomy that is aligned with our net-zero goals and economy and is in step with international expectations and other taxonomies. We also provided proposed elements of a good governance model to get this off the ground.

What is a taxonomy? A taxonomy is a classification system. It will help channel capital toward projects that are classified as green and, importantly and uniquely to Canada, will transition projects that will help companies reduce their carbon footprints in a step-wise way. The playbook for this already exists. Globally, there are more than 40 taxonomies already in place or under development. Each is customized to a specific country or region in order to link global capital markets with their respective net-zero pathways. Most G7 countries, many OECD countries, several resource-based economies, including Australia, and many developing countries have taxonomies. Kenya just published their draft taxonomy.

• (1540)

A taxonomy together with climate disclosure standards being developed by the International Sustainability Standards Board, which represents over 164 jurisdictions, would foster investor confidence, support the growth of Canada's sustainable finance market and create an overall more attractive investment climate. This will, in turn, attract funding for Canada's clean-tech sector, provide capex for operating companies' net-zero plans, grow our economy, generate good jobs and catalyze productivity growth.

We have studied this issue extensively. The expert panel and the Sustainable Finance Action Council recommendations were presented in 2019 and 2022, respectively. In the years that have passed, dozens of countries and regions have leapfrogged us, even leveraging our work.

Businesses and investors are prepared to invest now. I urge you to put the building blocks in place needed for Canada to be in the running to attract some of this investment to fund our transition.

Thank you for your time and interest. I look forward to your questions.

**The Chair:** Thank you.

Mr. Chisholm, go ahead, please.

**Mr. Andrew Chisholm:** Good afternoon. Thank you very much for inviting me to participate in the session today.

My name is Andy Chisholm. I was a member of the expert panel with Barb and others.

For 30 years, my career was as an investment banker in New York and London. More recently, however, I have been involved in the sustainable finance arena in various ways. Among other activities, I am an adviser to ArcTern Ventures, one of Canada's leading clean-tech venture capital companies, and I am an investor myself in early-stage private companies that are involved in the clean-tech space. I am also on the board of RBC, and advisory boards of sustainability initiatives at two leading business schools.

My comments or observations today follow from the original work on the panel and represent high-level reflections that are coming, as Barb said, five years later.

My first observation is that the main tenets of the 2019 report still hold true. Specifically, if Canada wishes to succeed in its emissions reduction commitments in a timely manner, at the same time as taking advantage of the economic opportunities that arise from innovation in the face of climate change, it's essential that finance flows in an aligned manner. Furthermore, the amount of investment required to adjust energy systems, materials and industrial processes and to commercialize new technologies is well beyond the reach of the public sector, and in any case ideally would be the purview of private sector actors.

Hence, there is a need to create the conditions for the private sector to act in the context of our market-based economy. These conditions involve implementing new rules, regulations and standards, a number of which Barb has just referred to, in parallel with investing in infrastructure, supporting innovation and timely commercial adjustment, and easing implementation challenges.

My second observation is that approximately five years have passed since we published our report. That period represents something close to half of the available time to the year 2030, which is, as you know, widely used internationally as an important waypoint for measuring progress on emissions reduction.

While there has been significant progress made in sustainable finance on a number of fronts, and investment flows have grown significantly in very recent times, we're still falling well short on delivering emissions reductions. In part, this is because such capital flows and corporate investment are still meaningfully less than commentators suggest is necessary to reach the stated objectives.

Meanwhile, the important foundations for success in sustainable finance, which were outlined in the 2019 report, are still to be finalized in a Canadian context. Most notably, they include adjustments to corporate disclosure guidelines and the taxonomy that Barb referred to, with one aspect of the taxonomy, transition alignment, being something of particular interest to the Canadian economy, which is relatively carbon-intense.

Why are these things so important? Markets operate more efficiently with better, more observable information; consistency and clarity facilitate scale in financial activity; and in the face of uncertainty, many actors develop a go-slow bias, waiting for information to become more clear. It's for this reason that we must make more decisions more quickly, even if they are imperfect at the start.

Success in achieving an orderly path towards a decarbonization of the economy requires sufficient continuous progress; otherwise, the gap widens and available time compresses, thereby increasing the likelihood of a disorderly transition and/or undershooting on the delivery of the original goals and commitments. Within both society and government, it's evident that we do not have a singular point of view. Therefore, a degree of pragmatism will be required to get to decisions faster in the interest of gaining ground and not losing more time. Such decisions should also consider interoperability with provinces, territories and commercial partners, notably the U.S. and Europe.

• (1545)

My third observation is that to date, a high percentage of climate spending has come from government sources. Over time, the vast majority of capital investment activity will need to be initiated by the private sector. The private sector, both domestically and internationally, responds to signals that may intersect with but are not identical to those of government. As a result, to crowd in private market-based finance, especially in the context of the largest and most impactful projects, it's important that the interface between business, private sector finance and government be as efficient and effective as possible to ensure that both public sector and private sector objectives are met.

It's for this reason the relevant government departments would be well served by having a more coordinated approach to the sustainable finance file. Furthermore, it would be beneficial for individuals involved in that file to have strong senior business or market experience and relationships, allowing them to identify when and how best to employ blended finance techniques.

**The Chair:** Mr. Chisholm, we'll have to stop you there to leave time for questions.

**Mr. Andrew Chisholm:** By all means do. Thank you for listening.

**The Chair:** That was very interesting. Thank you for presenting.

Mr. Mazier, you have six minutes.

**Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC):** Thank you, Chair.

Thank you for coming this afternoon. This question is for both of you.

If Canada adopted all 15 recommendations in the final report of the expert panel on sustainable finance, how many emissions would be reduced in Canada as a direct result?

• (1550)

**Ms. Barbara Zvan:** That's difficult math. I would say that finance doesn't solve climate change, but everything that does essentially requires financing. When you think about a company that has to put in CCUS or a building that has to have renovations, all that is backed by financing.

Maybe I will reverse that question. For our emissions target, without financing being aligned, you will not meet the goal.

**Mr. Dan Mazier:** You mentioned CCUS. This is a 65-page report. You must have had some idea of how many emissions would have been reduced if these were implemented.

**Ms. Barbara Zvan:** CCUS is critical—

**Mr. Dan Mazier:** I mean the whole report. If all 15 recommendations has been followed, what was your hope?

**Ms. Barbara Zvan:** Our hope was that we would actually meet our target, because we're enabling finance. Canada has a 2050 net-zero target. That requires significant investment—\$115 billion annually, as estimated by the federal government. That is beyond government budgets.

**Mr. Dan Mazier:** Thank you.

The CEO of the Canada Pension Plan Investment Board called western Canada home to “some of the most responsibly produced conventional energy in the world”. Would you agree with that statement?

**Ms. Barbara Zvan:** Yes. However, they still produce significant—

**Mr. Dan Mazier:** That's good. You gave me a yes.

**Ms. Barbara Zvan:** —scope 1 and scope 3 emissions.

**Mr. Dan Mazier:** Mr. Chisholm.

**Mr. Andrew Chisholm:** It's very clear that as a country, we're economically dependent on a well-functioning energy system.

**Mr. Dan Mazier:** It's a simple yes or no. Would you agree with that statement?

**Mr. Andrew Chisholm:** I am not an expert in that particular field, but we are starting with a more carbon-intense series of processes than other parts of the world are. I understand we have made significant progress over time and should be commended for that progress. I also understand we have a long way to go.

**Mr. Dan Mazier:** Ms. Zvan, you're the CEO of the University Pension Plan of Ontario. The University Pension Plan of Ontario has excluded the mining of thermal coal from its investments. How many emissions have been directly reduced because of this decision?

**Ms. Barbara Zvan:** It's hard to say because part of it is that we're not buying it.

**Mr. Dan Mazier:** What do you mean it's hard to say?

**Ms. Barbara Zvan:** We have sold companies through our external managers that had thermal coal. We are well into reducing our targets. This year we'll be meeting a 16% reduction in our emissions, so we're going to be net zero by 2040. It is part of a larger-scale program.

**Mr. Dan Mazier:** Then you don't know how many emissions are going to be—

**Ms. Barbara Zvan:** I don't have the number off the top of my head, but I'm happy to provide it. I can tell you that this year, with all of our collective policies together, we have reduced about 17% of our emissions. That's in the three years that we've been—

**Mr. Dan Mazier:** Okay, and you would table that document on emissions that have been directly reduced.

**Ms. Barbara Zvan:** Yes, I'm happy to provide that.

**Mr. Dan Mazier:** Okay, good.

Ms. Zvan, in your speaking notes, you mentioned that Canadian GDP and productivity are “trending in the wrong direction with no obvious turnaround in sight.” I agree with you. However, your report recommends more reporting regulations.

Can you provide a specific example of when adding more regulations and disclosure requirements to Canadian businesses directly increased productivity?

**Ms. Barbara Zvan:** In terms of our companies being healthy, attracting financing and being able to create jobs and productivity, reporting is becoming the norm. Let me give you an example. With the ISSB, you will have 164 jurisdictions providing this reporting. Climate Action 100+, which has 700 investors behind it, requires this reporting. Money flows to where it goes the easiest.

If Canadian companies are not providing this reporting, they will not have the attention of investors. Therefore, they will not get financing and they will not be able to do the things they need to do.

**Mr. Dan Mazier:** I guess it wouldn't increase productivity.

**Ms. Barbara Zvan:** No, it would not increase productivity.

**Mr. Dan Mazier:** Thank you.

How much will it cost a company to comply with the climate-related financial disclosure expectations of the Office of the Superintendent of Financial Institutions?

• (1555)

**Ms. Barbara Zvan:** There is a cost, but we're planning to take on the same cost. However, I would note the cost—

**Mr. Dan Mazier:** How much is that cost?

**Ms. Barbara Zvan:** I don't know the cost off the top for those financial institutions. Banks have 90,000 employees. They're significant operations. It would be a significant cost to take those on. However—

**Mr. Dan Mazier:** Is it 1% or 2% of profits?

**Ms. Barbara Zvan:** You would need to ask a bank CEO for that.

However, for them to operate in a global landscape, they need to provide this reporting. Money is not just coming.... This is becoming the norm, so the cost of not providing it means that you are not getting financing from global investors. I think that cost is much bigger.

**Mr. Dan Mazier:** However, we don't know what the cost is of providing it directly.

**Ms. Barbara Zvan:** No, but the cost of not providing it is not getting the financing. A really good example—

**The Chair:** The time is up.

**Mr. Adam van Koevorden (Milton, Lib.):** I have a point of order, Mr. Chair. I waited until my colleague Dan Mazier was finished in order to say this.

I think it's really important that we treat our expert witnesses with dignity and respect, that we allow them to finish their sentences when they've been asked a question directly and that we al-

low them to get their thoughts out before a member starts a new question or demands a yes or no. It's really important that we treat the witnesses who come here on their own time with that level of decorum.

Thank you.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** On that point of order, I'm very pleased to hear a Liberal saying that after what happened two days ago at the other committee. The point is that when we ask a question—

[*Translation*]

**Mr. Adam van Koevorden:** What committee are we talking about?

[*English*]

**Mr. Gérard Deltell:** With all due respect, I will not repeat what your colleague from Glengarry—Prescott—Russell said at the committee.

[*Translation*]

**The Chair:** We are getting a little off topic. There is no point of order.

**Mr. Gérard Deltell:** Mr. Chair, when we ask a question and request a yes or no answer to it, the answer has to be yes or no.

**The Chair:** Personally, that doesn't bother me. I have to say that we have had excellent testimony and excellent answers today, but yes, sometimes when time is limited and a witness decides to speak at length, we have to politely stop them. Things are going very well today, however, and I am very pleased with the pace of the meeting.

So I now give the—

[*English*]

**Mr. Dan Mazier:** Come on, Adam.

[*Translation*]

**The Chair:** Pardon me? We are wasting time.

We are going to continue. I give the floor to Ms. Chatel.

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

I am going to continue in the same—

**Some hon. members:** Oh, oh!

[*English*]

**The Chair:** Comments go through the chair.

[*Translation*]

You may start over, Ms. Chatel.

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

I would like to continue in the same vein.

Both witnesses said something that is very important to consider: What is the price of doing nothing? Canada has a lot to offer to attract investment from all over the world. Unfortunately, I note that we are falling behind in comparison with the European, American and Australian financial markets. So we need to have the tools as soon as possible to create an environment that, as was said, will give investors certainty that they can invest in our economy.

I would like you to give us some more examples of the consequences of Canada doing nothing, but also do a comparison with the other countries. Canada does not exist in isolation. We are competing with the big financial markets.

What is happening in Europe? Why are those countries ahead of us when it comes to taxonomy and disclosure? What can Canada do to speed things up and stay in the race?

I would like to hear Ms. Zvan's answer first and then Mr. Chisholm's.

[English]

**Ms. Barbara Zvan:** Let me start with Europe. They published their report in 2018. They have a fully functioning taxonomy and disclosure regime, broader than that of the ISSB, the International Sustainability Standards Board. They're actually doing dual materiality under the European sustainability reporting standards. It's much more extensive, the reason being that they're trying to funnel money to green opportunities. They very much wanted to make sure that the average person knows how their money is being managed and whether it's being managed in line with climate.

There are funds now very specifically aligned to that taxonomy. That's very much their mindset. They are using that taxonomy to assess a company's capex, so they are able to say that the capex of oil and gas companies, writ large, is aligned to 15%, while the rest of the sector as a whole is only 8%. The oil and gas companies using this framework can demonstrate their greater alignment.

When you look at Canada, what are the implications of not doing this? You have a lack of clarity, so money doesn't come, and you're employing a taxonomy.... The other option is that you're employing a taxonomy from another region. That means the thresholds are not going to be relevant for Canada. Also, Canada will continue to fall behind international expectations. When we compare Canadian high emitters to global ones, not a single Canadian company today can articulate in their disclosures how their capital is aligned to the 1.5 °C scenario, whereas over 40% of the high emitters globally can.

You have to realize that capital will go to where it's easiest. This is a competition where capital goes. The total capital for Canada is \$115 billion. McKinsey estimates that the capital needed globally for the transition in 2030 is \$9 trillion to \$12 trillion. It will go wherever it is easiest to ascertain good-quality investments, along with the clarity that it's aligned to the transition.

The additional—

• (1600)

[Translation]

**Mrs. Sophie Chatel:** I want to point out something extremely important that you mentioned: If Canada does not act now, it will

lose billions of dollars in investments over the next few years. Have I understood that correctly?

[English]

**Ms. Barbara Zvan:** Yes. In terms of other costs, the financial institutions will each make their own taxonomy or bespoke version of it. It will never be as detailed or done with the same level of public consultation. That will contribute to confusion. You will have a lack of green bonds that have credibility. Green bonds issued with a credible taxonomy can save anywhere from one to 10 basis points, so if you issue a \$10-billion bond and you have a savings of four basis points, that means \$4 million each and every year for the life of that bond.

Then you have the ability to leverage OSFI. OSFI would like to align capital, which would align investments from the banks with the climate transition. That would ultimately go back to GDP, enabling investments in Canada.

You will have a continued reputational risk from greenwashing because no investor will be able to know if the investment made by company X is aligned with Canada's transition. You'll also have a lack of ability to be in international dialogues. I can tell you that I get invitations from the World Bank and all sorts of groups to participate for Canada, but I cannot.

Last is ultimately your ability to finance the transition in Canada.

[Translation]

**Mrs. Sophie Chatel:** You spoke just now about the Office of the Superintendent of Financial Institutions of Canada. Do you think that would be the best place for managing our taxonomy, which, I hope, will be coming soon?

[English]

**The Chair:** You have about 20 seconds.

**Ms. Barbara Zvan:** Okay.

In terms of international comparisons, we did a full review. Most taxonomies are overseen by the monetary authorities in different countries. The equivalent in Canada would be OSFI. They have all the powers today to do that. They just need a letter from the Department of Finance.

[Translation]

**The Chair:** Thank you.

Ms. Pauzé, the floor is yours.

**Ms. Monique Pauzé (Repentigny, BQ):** Thanks to the witnesses for being with us to discuss a subject...

Just a moment, I am hearing myself echo, Mr. Chair.

**The Chair:** It is probably because the interpreters are working remotely rather than on site. Sometimes that has an impact on the sound.

**Ms. Monique Pauzé:** In that case, I will ask my questions without the earpiece and then put it back on to hear the answers.

I apologize for the hold-up.

May I start over at zero, Mr. Chair?

**The Chair:** Yes, absolutely.

**Ms. Monique Pauzé:** Thank you.

This is not an easy subject. You are here with us to help us understand it better.

Last year, when you testified before the House of Commons Standing Committee on Finance, you said:

In Canada right now we have 37 Canadian financial institutions engaging with the 40 top emitters for that reason of having a dialogue with the same consistent message of “Think about your long-term strategy, your governance, your targets.”

You then added that you wanted to help them with the transition, so you suggested that they be included in the taxonomy work plan.

Do you not think, though, that it is the role of the government to make laws and regulations, and businesses will then have to adapt to them?

I recall that this is exactly what Lord Deben said when he was on the United Kingdom's climate change committee: We have to make laws, and corporations will follow them.

Would it not be better to do that first, rather than inviting all the major emitters to make their own recommendations for a taxonomy?

• (1605)

[English]

**Ms. Barbara Zvan:** I would say that they're very different tools. You absolutely need all of the different tool kits. You need the regulation. Regulation feeds into taxonomy. It is not the other way around.

Taxonomy governance usually has the official sector monetary authority at the top of the house, which leads it. In Canada's case, we recommended the provinces. We recommended that the financial community take a step back and take a minor portion of that. You also have a secretariat with the skills to do the work, and then you have industry working groups. That is where industry and finance will pull together the recommendations that go to public consultation to be ultimately approved.

Policy regulation feeds into taxonomy, and that feeds into Canada's transition. It's a translation tool.

[Translation]

**Ms. Monique Pauzé:** I want to come back again to the major emitters you spoke about before the Standing Committee on Finance. We know that, in any event, they are going to want to continue what they are doing with no change. What we think is rather that things have to change if we want it to work.

In your speaking notes, you say that investors are looking for policy certainty around Canada's net-zero transition priorities. At present, however, the government has given no legislative or regulatory framework. So that is harmful to investors, is that right?

[English]

**Ms. Barbara Zvan:** Policy certainty would absolutely be very helpful for seeing what the transition priorities are. We put that in the expert panel, and Andy can take a turn in answering. That was the first recommendation of the expert panel. That work has not necessarily been done by the federal government. It would be nice to have.

I agree that it would make it a lot easier to do the taxonomies, but taxonomies are ultimately aligned with 1.5°C scenarios. That is the work, and it will take Canada's regulatory framework.

[Translation]

**Ms. Monique Pauzé:** Could you tell us what the government should be requiring in order to make up for that?

Are there particular things that you could suggest?

[English]

**Ms. Barbara Zvan:** I'm going to look at Andy.

Do you want to take that one?

**Mr. Andrew Chisholm:** From my perspective, I think there are a number of things there.

First of all, making sure that the disclosure regulations in play right now get nailed down will be very important.

Number two is the taxonomy we talked about. Taxonomy is not a silver bullet, but it is part of the systems change that can be useful.

A third aspect, which we have not spent enough time on and the country has not spent enough time on, has to do with data and being able to have much-improved data systems for measurement and transmission. How we use environment data together with business data on a sectoral basis can be strategically important and feed in very well—

[Translation]

**Ms. Monique Pauzé:** I apologize for interrupting you, but there are things you are saying that are in the recommendations in the final report of the expert panel on sustainable finance. Is that right?

[English]

**Mr. Andrew Chisholm:** Yes.

[Translation]

**Ms. Monique Pauzé:** I am going to ask you a question about recommendation 12 in your expert panel's report, very specifically, which proposes building export pipelines.

What connection do you make between the rules of sustainable finance and projects that are so specific?

[English]

**Mr. Andrew Chisholm:** First of all, if there is a transition plan on a country level, if there is a transition plan on a sectoral level or if there is a transition plan on a company level, they will involve actions that, to the extent that they align with Paris-based objectives and science-based targets, will need financing. Some of the gas that we all talk about may well be useful in the context of a transition for some period of time as a potential displacement of certain other much more harmful fossil fuels.

• (1610)

**The Chair:** We have to stop there, unfortunately. The time is up.

Go ahead, Ms. Collins.

**Ms. Laurel Collins (Victoria, NDP):** That's okay. I think I will pick up on exactly that point.

You were talking about gas. I think many climate experts and folks from civil society and indigenous groups would contest whether natural gas is an effective transition fuel and say we need to leapfrog.

The recommendation specifically mentions oil. You are advocating for oil export pipelines, which to me is shocking for an expert panel on sustainable finance. One thing that caught my eye was at the end of that recommendation: "a clear pledge from industry".

Given that we've seen industry fail time and time again, green-wash, make climate commitments and then roll those back while making record profits, how are we supposed to trust oil and gas companies and the financial institutions that profit off them to recommend a pathway forward when we're facing a climate emergency?

**Ms. Barbara Zvan:** At the Sustainable Finance Action Council, we focused on oil and gas. If you look at the report, what is included is the decarbonization of the oil and gas sector. Why did we do that? About 30% of the emissions today are from the oil and gas sector. We will not meet our targets if we do not deal with this sector while we need to use their product. That is why we do it. It does not include the production of oil and gas. It includes decarbonization activities, such as methane, CCUS and those sorts of things. The provisos put in the report—

**Ms. Laurel Collins:** I have some questions about those as well, but I think the issue I'm trying to get to is that the recommendation is in support of specific export pipelines—to build them. I think what you're talking about is decarbonizing the production. We know that once the oil and gas are shipped overseas, they will be burned, which will increase emissions.

I'm curious to know if that played a role in your decision-making around recommending support for building oil export pipelines.

**Mr. Andrew Chisholm:** The comments that I would make have to do with, simply, a practical reality, which was even more true in 2019 than today. Roughly 80% of global energy needs currently come from fossil fuels. It's important that we have an orderly transition.

On the expert panel, we're strong advocates of the notion of transitioning and meeting our Paris-aligned goals in a science-based way, but recognizing, in doing that, that there needs to be a glide

path. There needs to be a pathway so that we do not end up with a disorderly transition that can involve price shocks and a lack of supply, which would act in a counterproductive manner in our ability to bring society along the kind of direction and glide path we need.

**Ms. Laurel Collins:** I hear that, but the language used in the report is about Canada's "cleaner, more responsibly produced oil and gas". Canada is home to the oil sands, which is producing some of the highest-cost and highest-emitting energy. It's the farthest from clean energy that I can imagine. Is that what your report—

• (1615)

**Mr. Andrew Chisholm:** We certainly concurred with some of what you just mentioned. In order for Canada to continue to be in a legitimate position to produce and export its fossil fuel-based product, it will be essential over time that we strive to be among the very lowest in terms of emissions intensity and cost.

**Ms. Laurel Collins:** Chair, how much longer do I have?

**The Chair:** You have more than a minute.

**Ms. Laurel Collins:** Great. Maybe I will switch to some questions about the taxonomy itself.

You've already captured some of the reasons it might be different from the EU taxonomy, and while that taxonomy isn't perfect, the key difference that I see is the difference between what is considered a transition fuel and transition.... It appears to me that the EU is really looking for us not to lock in carbon-intensive assets, whereas the made-in-Canada one seems to have put in a bunch of loopholes that allow for that carbon lock-in.

**Ms. Barbara Zvan:** I wouldn't agree that there are loopholes. Remember that the taxonomy recommendation says that it has to be aligned with 1.5°C; it cannot extend the current lifespan of production; no new production is included; and it only includes the financing of decarbonizing the existing production. That's because right now the sector produces 30% of Canada's emissions and that's growing, so if we don't deal with decarbonizing the sector while we use it, doing everything else will be harder. That is why we included it.

The EU took a certain approach, but I can tell you that Australia is running with our approach. You have the Asian region doing transition. You have Japan doing transition through model cases, and you have New Zealand doing transition—

**The Chair:** We'll have to stop there, unfortunately.

We'll start our second round, which is a five-minute round, with Mr. Deltell.

[Translation]

**Mr. Gérard Deltell:** Thank you, Mr. Chair.

To our witnesses, welcome to your House of Commons committee.

Ms. Zvan, the nub of your argument relates to the taxonomy, which is a system of classification to help in directing capital to projects that are considered to be green or other projects that are considered to be less green.

To give you a very concrete example, I am going to tell you about a situation we are currently experiencing in Quebec. As we know, nothing is all black or all white; there are always grey zones. I am going to tell you about the Northvolt project, a \$7 billion investment project for the battery industry. I have to come out of the closet and state my conflict of interest: I drive an entirely electric vehicle. That being said, the Northvolt project is an emotionally charged one in Quebec, unfortunately even for criminals: some thugs recently placed incendiary devices on the site of the Northvolt project. Obviously, that was denounced by everyone, starting with us.

Some say this project is excellent for the environment because we need batteries for electric cars. Others urge caution since the plant will be located on wetlands, or say the SOLO car is not necessarily the best solution from the environmental perspective, or believe there have been no consultations worthy of the name done for this project.

To summarize: On one side, some people think it is a good project; on the other, some people think it is not.

Ms. Zvan, do you think the project should be at the top, in the middle or at the bottom of the list?

[English]

**Ms. Barbara Zvan:** I don't know enough about the project to put it on the list, but the point of having a taxonomy would be for financiers to know if that project meets a certain level of specification scientifically, and then for us to ask whether it meets those requirements and have clarity on whether it's aligned. Right now, we don't have clarity at all. It's exactly that confusion and debate that slow down investors from being in those sorts of projects.

[Translation]

**Mr. Gérard Deltell:** I am going to give you another example. As my party's environment and climate change critic, I meet with dozens of groups every week or every month, including people from the manufacturing sector, who want to improve their environmental footprint. Recently, I met with people from the packaging industry who told me that in order to achieve the targets set by the government, packaging would have to be bigger and thicker. That means that in order to achieve the target set by scientists, more will have to be produced. In other words, the gain in efficiency that we think will be made by achieving the target is wiped out because something bigger has to be produced.

Do you think it is a good idea to continue to invest in a company that has realized that being required to follow the rules made by the government will result in it having a bigger environmental footprint, since production will call for having a thicker product, a

product that is more complicated to produce and thus pollutes more? On the other hand, if it made a thinner product that still met the targets, its environmental footprint would unfortunately be considered to be too high.

What is your view on this? Do you see the situation as being positive, average or negative?

• (1620)

[English]

**Ms. Barbara Zvan:** When investors work with those sorts of companies, if we look at the engagement initiative, we would expect to see disclosure, how their capital is aligned and a transition plan.

Investors are very understanding if government puts in rules that say you have to do certain things, but we want to know what their long-term plan is for how they are going to meet the 2050 goals. It's different by industry, and we assess them differently by industry. If it's a government-imposed thing, investors take that into account. The problem is that we don't have companies articulating what their decarbonization strategies are at all.

**Mr. Gérard Deltell:** Who will call the shots?

[Translation]

I would like to know who is going to determine what will be at the top of the taxonomy list and what will be at the bottom.

[English]

**Ms. Barbara Zvan:** The governance around taxonomies usually involves a council at the top, so think of it as a board. It's usually chaired by the monetary authority, with significant representation from the monetary officials sector, like the Bank of Canada and OSFI. Those groups would be equivalent here. They oversee the initiative. In the middle, there's usually a secretariat that the council picks to do the day-to-day work, which hires experts from different sectors to develop technical specifications. Those specifications are shared with industry and finance for feedback, and then they go to public consultation.

**Mr. Gérard Deltell:** Who should pay for that?

**Ms. Barbara Zvan:** That is typically funded by the government, because investors want to see the government backing these things. It's about \$4 million to do four sectors a year. That is easily recouped by a \$10-billion bond issuance.

**The Chair:** Thank you.

Go ahead, Mr. Longfield.

**Mr. Lloyd Longfield (Guelph, Lib.):** I feel compelled to ask you to finish your sentence, because you haven't had a chance to finish some of them today. Are you finished with that sentence?

**Ms. Barbara Zvan:** If the Government of Canada can issue credible green bonds, there is literature and research out there that say you can save on the cost of capital. They estimate, if you have a credible issuance, that it's somewhere between one and nine basis points. That means for a \$10-billion issuance, you save, on average, about \$4.5 million a year.

It comes back to investors, but it has to be credible. It is not credible without a taxonomy.

**Mr. Lloyd Longfield:** Great. Thank you for the work you've done on the taxonomy.

I remember having a few conversations with Kathy Bardswick, who was chairing the action council. That was an area we really needed to get across the line. There were many complications internationally, and through business and the different levels of government in Canada.

Ms. Zvan, can you speak to the remaining challenges? I'm thinking of Alberta politically moving away from clean technology, and what that might do to investor confidence or what it might do to the taxonomy. Is the taxonomy pretty well set now?

**Ms. Barbara Zvan:** Globally, about 40 taxonomies are now done or are being developed. The question is whether Canada does one and follows the pattern. These are recommendations that come from the World Bank, the OECD and the Coalition of Finance Ministers for Climate Action. This is not new. Alberta can do whatever. It's about whether Canada puts this in place. That's the question.

**Mr. Lloyd Longfield:** Mr. Chisholm, to see your professionalism and the membership list.... This was the who's who in financial markets. These are the people who, like you, look objectively at this and say that capital will find a place. If you don't send the right signals, open the right doors and make sure things are being followed through on, capital will just pass you by and go into another region.

**Mr. Andrew Chisholm:** I think that is a very strong point, and we're already seeing it to a degree. We're seeing countries like China, ironically, much maligned for their coal use, dominating solar, wind, EVs, batteries, battery materials and electric transmission.

We have an outsized opportunity in Canada, for a lot of reasons, to participate in some of the change and take advantage of it, and ultimately end up with a bigger slice of the pie than what we have right now economically around the world. However, we have to be early, we have to be thoughtful and we have to be aggressive.

I see in my clean-tech work that already some young companies that have potential are moving to the U.S. for various reasons. We run big risks here.

• (1625)

**Mr. Lloyd Longfield:** It's not fair to ask witnesses to weigh in on the political discussions of the day. I think capital is one of those fortunate—or unfortunate—areas where politics almost doesn't matter; it's the markets that decide. China is an example showing that even a regime that's not democratic and that doesn't respect human rights can still attract capital.

Could you comment on the importance, though, of having a stable political climate where we are working together on climate

change versus one where we're all going to axe the tax and walk away from any financial incentives?

**Mr. Andrew Chisholm:** There's no question that in a democracy you'll always have differences of opinion, and that's a good thing, and ebbs and flows in political leadership will occur. Stability can be useful, but democracy has its own aspects to it.

The kind of stability that's essential is long-term planning around what expectations are going to be, around market functions and around rule bases. As we said at the expert panel, as an example, we thought having a price on carbon was important. It is important that there is a price on carbon that one can rely on for some period of time. However—

**The Chair:** Thank you. Okay—

**Mr. Lloyd Longfield:** But clearly that's not a—

**Mr. Andrew Chisholm:** —how you do it is up for debate, and a lot of people can have different opinions.

**The Chair:** We'll have to go—

**Mr. Lloyd Longfield:** It's not a political statement; it's a capital—

**The Chair:** We'll have to go to Madam Paupé now. I know this is a passionate discussion.

**Mr. Lloyd Longfield:** Thank you. I'm sorry to talk over you.

**The Chair:** It's a very interesting discussion.

[*Translation*]

**Ms. Monique Paupé:** We have touched a hot topic.

**The Chair:** Ms. Paupé, you have two and a half minutes.

**Ms. Monique Paupé:** Okay, thank you.

I am going to talk to you about what is happening south of our border in the United States.

Last month, for example, the United States Senate budget committee and House of Representatives oversight committee released a report that, broadly speaking, said that the companies' massive public campaigns depict carbon capture and storage as a viable, available solution to address the rise in greenhouse gas emissions. However, the companies admit internally that they do not plan to deploy the technology needed to solve the global warming crisis. The report also says that the industry's real objective is to extend the use of fossil fuels unabated and perhaps indefinitely.

I would also like to tell you that on May 1, Capital Power Corporation in the United States announced that it was pulling the plug on its carbon capture and storage project, the value of which had been pegged at \$2.4 billion. What justification did it give? It said the project was not economically feasible. In other words, the project would not generate profits for the investors. This is also absolutely not a good thing for achieving our targets under the Paris Accord.

So why is the financial sector supporting the proposal to include carbon capture and storage in the next taxonomy?

[English]

**Ms. Barbara Zvan:** CCUS is not just for oil and gas; it's also for heavy industry. We said that it should be explored and that people with technical expertise should put specifications around it. Companies will decide if it's economically viable, but as investors have said, for many industries—not just oil and gas—CCUS is a reality for meeting their net-zero commitments.

On the point about companies and their net-zero transitions, I'll give you a good case in point of what we're starting to see. Woodside, which is a big LNG producer in Australia, recently had their climate plan turned down by investors by 58%. That means investors told the company, "We don't believe in your climate plan. It's not aggressive enough. Go back and redo it." Typically, that is the first step, and if investors don't see a change, they start voting off the directors. That is the power of investors. However, how do we know whether it's credible or not? It's because there's disclosure and there's a taxonomy that helps form the analysis of what is credible.

• (1630)

**The Chair:** Thank you.

[Translation]

**Ms. Monique Pauzé:** In fact—

**The Chair:** Ms. Pauzé, your speaking time is up.

**Ms. Monique Pauzé:** Okay, thanks.

**The Chair:** Ms. Collins, the floor is yours.

[English]

**Ms. Laurel Collins:** I'm going to pick up from there.

A February 2024 report showed that some publicly traded companies that are among the world's largest corporate GHG emitters, including some in the Pathways Alliance, aren't actually disclosing the most basic and accessible data, like "relevant quantitative assumptions and estimates (inputs) used in financial reporting." The report finds that the members of the Pathways Alliance failed in their financial statements to demonstrate "how material climate-related matters are incorporated" into their financial statements, failed to be "consistent with the company's other reporting" and failed to "disclose...climate-related assumptions".

How are investors going to navigate this without the key information they need to assess the risks in their portfolio?

**Mr. Andrew Chisholm:** That is exactly what we're after.

**Ms. Barbara Zvan:** It's the problem.

**Mr. Andrew Chisholm:** It's transparency, information, proper data and deciding whether things fall within an acceptable framework.

It all starts with transparency, measuring the data and communicating the data.

**Ms. Laurel Collins:** Specifically with CCUS, I think having CCUS for heavy-emitting things like cement and steel makes sense, but why would we not exclude the fossil fuel industry, which is hiding data and clearly increasing its emissions year after year?

**Ms. Barbara Zvan:** I'll go back to what SFAC today is asking in finance. Finance is the sector. What they're trying to say is that we should help them get disclosure and scientific information through a taxonomy so they can do the proper evaluation of these companies. I think we're saying the same thing. Everyone is using this, but the tools we have to measure the quality of their transition plans are not in place. Other global investors will not find them in place.

You're asking for clarity on CCUS and so are we, but without those tools, we will not have clarity and we will not have credible transition plans.

**The Chair:** You have 10 seconds left, so we'll go to Mr. Kram.

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

Thank you to the witnesses for being here today.

Ms. Zvan, I was particularly interested in the PowerPoint presentation that you provided to us prior to the meeting. I wouldn't mind starting off with slide number 17, which has the categories of green activities. You listed SMRs as a green activity.

Can you elaborate a bit on why SMRs and nuclear energy should be considered green activities? How can nuclear energy in general be beneficial to a green economy?

**Ms. Barbara Zvan:** As most of nuclear has low emissions or no emissions, in the report we said that the key part of nuclear, including with small modular reactors, not just the big nuclear plants that we think about, is the need to work through "do no significant harm". "Do no significant harm" is an element of all taxonomies. You cannot compromise other objectives to reduce emissions. That would be part and parcel of its inclusion. The technical expertise has to say what the standard is, from an environmental point of view, of "do no significant harm" in an industry before it meets the qualifications.

**Mr. Michael Kram:** You're of the view then that nuclear energy is not harmful to a green economy.

**Ms. Barbara Zvan:** Nuclear plays a role because there are no emissions. Think of using SMRs to replace diesel in the north.

The challenge we have is the waste product. That is the part that needs to be solved and where people need to tell the finance industry what good looks like. It's not for us to say what good looks like.

**Mr. Michael Kram:** Do you have any particular recommendations for the committee when it comes to nuclear energy and how we can increase investment in nuclear energy, besides the taxonomy, of course?

**Ms. Barbara Zvan:** Andy, please go ahead.

**Mr. Andrew Chisholm:** I would say two things.

One is that obviously it is going to have a very elongated process of evaluation, licensing and accreditation, and it should. Having said that, we should be introspective as to whether there is a way to do that in a faster manner, because the time frames are 10-plus years and that's hard.

Beyond that, assuming we can get through the safety part, the accreditation and the proper process of evaluation, it's about identifying where these solutions can best operate, and helping to facilitate the procurement, installation and execution of some of these projects.

• (1635)

**Mr. Michael Kram:** For something like nuclear energy, why is a system of taxonomy necessary or beneficial? Doesn't everybody already know that nuclear energy doesn't produce greenhouse gases?

**Ms. Barbara Zvan:** Not everybody understands what this good, environmental, "do no significant harm" element is. A company that's trying to issue green bonds has to follow something called the International Capital Market Association's green bond principles, or ICMA principles. The first step is to say what taxonomy they are referring to. There is no taxonomy today that a Canadian nuclear company can point to and say that it meets those thresholds. They are not seen as credible and they could be subject to greenwashing complaints.

It is about the bridge between understanding what the scientists and environmentalists say good looks like and helping the finance community actually issue green bonds or say they are aligned with the transition.

**Mr. Michael Kram:** I would like to come back to the final report from the expert panel that we were talking about a few minutes ago. When it comes to Canadian oil and gas exports, it's my understanding that they can play a vital role in displacing the burning of coal in other countries, most notably China.

Is the displacement of greenhouse gas emissions in other countries a consideration in the taxonomy system being proposed?

**Ms. Barbara Zvan:** The taxonomy deals with the region we are in and the requirements for this region. The requirements for another region are developed by that country. They will ask what good looks like. If Canada can provide the solution, there's article 6—which is a whole other issue—to get credits for those emissions reductions, but we would not, as part of the taxonomy, be specifying what their emissions reductions would look like.

**The Chair:** Thank you.

We'll go to Mr. van Koeverden.

**Mr. Adam van Koeverden:** Thank you, Mr. Chair.

Thank you to our witnesses for being here.

Ms. Zvan, I will ask my questions of you. I think you've done a great job of pointing to your colleague whenever it's necessary, so I will let you be the quarterback.

First, something that I know my colleagues across the way and everybody here will agree with is that I am not an expert on sustainable finance by any stretch of the imagination. The first time I heard the word "taxonomy" in this context, I thought we were talking about putting large stuffed trout and ducks on the wall. Then I realized there's a difference between taxidermy and taxonomy. That was news to me at the time.

Now that I understand that we're talking about definitions and terminologies for new categories of sustainable finance that didn't exist 25 years ago, I'm starting to understand it a bit. What I know is that the grass grows where you water it, and businesses grow where you invest. With a pension fund or any large financial operation, you control a lot of money, and you have the ability—to put it into an agricultural context—to control the sunlight and the water and control where things grow.

I try to make it simple for myself. I recognize that when you deprive certain sectors or industries of money that they've relied on for a long time, you might be able to force them to grow less quickly. If it's an industry that's super emissions-intensive, with oil and gas or cement production, you're actually forcing them to innovate, and that's super powerful.

Am I getting this right?

**Ms. Barbara Zvan:** The first step for investors is to engage with companies. Climate Action 100+ has 700 investors. The Canadian equivalent has 46, at \$6 trillion. We ask for very clear things. We want governance on climate. We want a strategy on climate. We want metrics that are sector-relevant. We want your lobbying to be aligned with Canada's net-zero goals. We measure all of those things and we make that public.

We also do voting. As with Woodside, we will vote against companies on their climate plans. We will vote against directors. The last step, when we don't see change, is divestment, which then increases the cost of capital for a company.

That is the typical progression. Investors are in different stages of that for oil and gas companies.

• (1640)

**Mr. Adam van Koeverden:** Thank you. That's super helpful.

Do pension funds and banks take a similar approach?

**Ms. Barbara Zvan:** Banks typically help companies underwrite debt that eventually gets to different asset owners. Some asset owners, like pension plans, buy more equity. Insurance companies buy more debt. They will often help facilitate the underwriting of debt to go out to other companies. They will help underwrite loans to get loans and provide those loans. They are required to keep capital against those loans.

That's where I turn to Andy as a bank director. He can talk to banks. I can talk to the pension world.

**Mr. Andrew Chisholm:** One of the important points in this realm is that banks can be a very constructive force. They are much less so in the context of inclusion or exclusion and much more so in the context of helping clients devise their transition plans and finance them once they have devised credible transition plans. They have scads of clients who are going to need help.

**Mr. Adam van Koevorden:** Thank you for that.

I know that all five of Canada's big banks control a lot of funds. They buy a lot of assets for mutual funds and different types of assets for folks, and they have all committed to achieving net zero by 2050.

I'd like to have some confidence that these institutions are living up to some of those commitments. There have been a lot of concerns and allegations about greenwashing and about convincing folks that if they want a green bank, they can count on those institutions to invest in places that will deprive organizations of water and sunlight if they are doing more harm than good, are not forcing innovation or are not talking about transition or encouraging that conversation.

Is there good evidence to suggest that some banks are doing a bit more greenwashing than others?

**Mr. Andrew Chisholm:** First of all, banks are doing a lot. Second of all, banks need to do a lot more. The third thing is that the Canadian banks signed on, largely, to the net-zero banking alliance, which was concentric with the Glasgow COP at the end of 2021. It was at that point, at the end of 2021, that they were making their commitments to align, so we are relatively early in that journey of dealing with clients and changing processes, systems and orientation.

[Translation]

**The Chair:** Thank you.

This ends the testimony from this panel, which was very interesting. I thank the witnesses for helping us break the ice in our study of the financial system.

We are going to take a short break. In fact, we are going to hear from the Commissioner of the Environment and Sustainable Development again in the second hour.

Thanks again to the witnesses. You have made us exercise our brains a bit.

• (1640) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1640)

**The Chair:** We will resume.

Since we're running a bit late, we have no time to waste.

We now welcome Mr. DeMarco, commissioner of the environment and sustainable development. He is joined by Mathieu Lequain, whom we know well, and Jean-François Nadeau.

We have to wrap up at 5:45 p.m. at the latest. I will need 5 to 10 minutes at the end to hear feedback from committee members regarding the meeting with the oil company CEOs.

Without further ado, I turn the floor over to the commissioner for 10 minutes.

• (1645)

[English]

**Mr. Jerry V. DeMarco (Commissioner of the Environment and Sustainable Development, Office of the Auditor General):**

Mr. Chair, I'm pleased to be here today to contribute to the committee's study on environment and climate impacts related to the Canadian financial system.

I acknowledge that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinabe people.

Joining me today are Mathieu Lequain and Jean-François Nadeau, who are, respectively, principal and director in our office.

My remarks today are based on three reports we published in recent years on this matter. These are our 2021 "Lessons Learned from Canada's Record on Climate Change"; our 2022 "Research Paper on Climate-related Financial Disclosures"; and our 2023 report "Supervision of Climate-Related Financial Risks—Office of the Superintendent of Financial Institutions Canada", also known as OSFI.

First, our 2021 "Lessons Learned from Canada's Record on Climate Change" clearly illustrated the cost associated with weather-related events in Canada, which were equivalent to 5% to 6% of annual gross domestic product growth. These costs have real consequences for households and business owners. For example, a major lender recently announced that it would no longer accept new mortgages for homes in high-risk flood zones. The consequences of such decisions on the value of residential housing, which for many households is the main asset, could prove quite dire.

[Translation]

Our “Lessons Learned” report indicated that financial decisions in Canada must take climate change into account if climate risks are to be mitigated. To do so, it is important for households, companies and governments to be able to understand their exposure to such risks and develop plans to manage them.

Climate-related financial disclosures are necessary stepping stones toward that goal. Our 2022 Research Paper on Climate-related Financial Disclosures looked at the state of various initiatives that were under way in Canada to improve the disclosure of climate-related financial information.

We mentioned that despite the decentralized nature of the regulatory frameworks for financial disclosures more generally—with the provinces and territories responsible for securities regulations within their own jurisdictions—Canada must address the lack of transparency, inconsistencies, and the quality of climate-related financial disclosures.

Finally, financial regulators must ensure that financial institutions, as stewards of the savings of Canadians, are managing climate-related financial risks appropriately. Our 2023 report on OSFI’s Supervision of Climate-related Financial Risks examined whether the office incorporated climate-related financial risks into its risk management systems and frameworks for federally regulated financial institutions and pension plans.

[English]

In our audit, we found that OSFI made meaningful progress towards integrating climate risks into its supervisory framework, but that full implementation was still years away. We also highlighted an opportunity for OSFI to consider how to adapt its role to further Canada’s whole-of-government approach to climate change and sustainable development.

Since we released that audit, we have noted some positive developments. For example, OSFI has created an information page entirely dedicated to climate risks and expanded its outreach to stakeholders by creating the climate risk forum. The development of the forum is in line with one of our audit recommendations. It also launched a public consultation on the standardized collection of climate-related emissions and exposure data. Finally, OSFI tabled its first departmental sustainable development strategy.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

• (1650)

**The Chair:** Thank you, Commissioner.

As I mentioned to the committee before, I need a good five to 10 minutes at the end, so I’m going to make the first round a five-minute round and the second round a four-minute round, and then we should land on time.

Mr. Mazier.

**Mr. Dan Mazier:** Thank you, Chair.

It’s nice to see you again, Commissioner.

Commissioner, you work in the Office of the Auditor General. Is that correct?

**Mr. Jerry V. DeMarco:** That’s an easy one: yes.

Are they all going to be that easy today?

**Mr. Dan Mazier:** We’ll see.

You have the powers to audit and investigate government programs. Is that correct?

**Mr. Jerry V. DeMarco:** Yes.

**Mr. Dan Mazier:** Last week, you confirmed that you’ve never seen the government’s entire carbon tax emissions model.

I sent you a letter this week. Did you receive it?

**Mr. Jerry V. DeMarco:** Yes, I received it, and our team is in the process of drafting a response today.

**Mr. Dan Mazier:** Perfect. Thank you. I look forward to seeing that response.

Now that Canada’s emissions have gone up again, will you launch an audit and compel the government to hand over the entire carbon tax emission model?

[Translation]

**Mrs. Sophie Chatel:** On a point of order, Mr. Chair.

**The Chair:** I’ll stop the clock.

Go ahead, Ms. Chatel.

**Mrs. Sophie Chatel:** We’ve just learned that we urgently need to take action on green finance. Consequently, I find it hard to understand how the questions that Mr. Mazier is asking are relevant.

[English]

**The Chair:** It seems we’re going off on a bit of a tangent, Mr. Mazier.

I don’t know if you can relate it to this study.

**Mr. Dan Mazier:** They talked about transparency and being able to have credible data. This has to be based on something, and we need a model, so—

**The Chair:** Keep in mind that we’re on the edge there.

**Mr. Dan Mazier:** Yes, but they need data.

**The Chair:** Go ahead. Let’s go.

**Mr. Dan Mazier:** Thank you.

Here's the question. Now that Canada's emissions have gone up again, will you launch an audit and compel the government to hand over the entire carbon tax emissions model?

**Mr. Jerry V. DeMarco:** I have committed to do more than the bare minimum under the newish net-zero act, which required a report on Canada's performance in mitigating climate change at least every five years. We issued our first one last year, and we will issue another one this fall. In the course of that audit, if we determine that we need all of that information, we will request it. We're still halfway through that audit, so I can't commit yet as to exactly what the nature of our information requests will be, but we do have an audit ongoing regarding Canada's mitigation measures and the effectiveness thereof.

**Mr. Dan Mazier:** Thank you.

This study is examining private and public funding mechanisms to achieve emissions reductions. Last week, you exposed the Liberal government's \$8-billion net-zero accelerator fund. You revealed that the government signed off on the majority of funding agreements without any commitments to reducing emissions. What companies have received money through the net-zero accelerator without a commitment to reduce emissions?

**Mr. Jerry V. DeMarco:** I don't have those reports with me this week, because I was here last week speaking about them, but if memory serves correctly, 12 of the 17 did not have commitments to emissions reduction. I believe the department committed to giving this committee a list of the 17 last week, if I recall correctly. I don't have that information available, but I do believe the department is going to forward that, based on my recollection of the proceedings last week.

**Mr. Dan Mazier:** That would include the ones without a commitment to reduce emissions.

**Mr. Jerry V. DeMarco:** It should be 12 of those 17, yes.

**Mr. Dan Mazier:** Okay. Thank you.

How much time and money does it cost a federally regulated financial institution to comply with the annual climate-related financial disclosure expectations of the Office of the Superintendent of Financial Institutions?

**Mr. Jerry V. DeMarco:** Climate risks are one of the newer of the many risks that OSFI requires federally regulated institutions to comply with. Have they broken down the cost of compliance for the climate risks specifically among all the other risks? I do not know. I'm not sure if the committee is going to invite OSFI as part of this study, but that would be a question you could pose to them to see if they have parsed it out. There's a whole range of risks that institutions have to manage under OSFI guidelines, climate being one of the newer ones.

**Mr. Dan Mazier:** Were there any assessments conducted on how much money, paperwork and time it would take for a company to meet these disclosure guidelines?

• (1655)

**Mr. Jerry V. DeMarco:** At the time of our audit, I don't recall OSFI having provided any estimate that, as I said, parsed out guideline B-15 specifically. I think that's what you're speaking about. I

don't think I've seen it. As to whether it exists, you'd have to ask OSFI if they have that.

**Mr. Dan Mazier:** Thank you.

I'll go back to my other question about the companies that received money from the accelerator fund without the commitment to reduce emissions. There were 12 companies you mentioned that did not comply. Is that right?

**Mr. Jerry V. DeMarco:** Seventeen received funding; five had commitments for quantifiable emission reductions, and 12 did not.

**Mr. Dan Mazier:** Are we going to get a list of those 12 as well?

**Mr. Jerry V. DeMarco:** That's my understanding from the undertaking from the department last week.

**Mr. Dan Mazier:** Okay, thank you very much. Thanks for that clarification.

**The Chair:** Time is up.

We'll go to Ms. Taylor Roy.

**Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.):** Thank you very much, Mr. Chair.

Thank you to the commissioner for joining us once again at our committee and talking about the very important issue of sustainable finance.

I want to go back to a question that's been raised about the cost of reporting, the disclosures and guidelines, and what companies would have to do to provide the transparency needed to assure investors that they are not greenwashing and they are in fact part of this sustainable transition.

Do you feel there's any merit to the concern that the reporting requirements would somehow outweigh the benefit that Canada would receive from actually being able to represent that we are confident these companies are indeed not greenwashing and that they meet the requirements of the international board?

**Mr. Jerry V. DeMarco:** Well, as I mentioned before, I haven't seen any specific costing related to firms having to undertake the data collection analysis and reporting for climate-related disclosures. They are already doing a lot of disclosures relating to the traditional risks, so this would be on top of that, but I don't know what the incremental amount would be.

There is always some cost to adding a new accountability and transparency mechanism. There's a cost for accountability bodies such as this committee to run. There's a cost for our office, which is an accountability mechanism, to run. There's a cost associated with an accountability measure such as climate-related disclosures, but I don't know whether OSFI has attempted to quantify that in terms of the average cost to each firm.

**Ms. Leah Taylor Roy:** Given that they haven't quantified that, do you have any major concerns that we should not be moving in this direction because of the possible cost of disclosure versus the benefit that Canada would get from actually having this transparency and this accountability?

**Mr. Jerry V. DeMarco:** In the course of our research paper in 2022 and in the course of our audit in 2023, we did not hear of any major concerns that the costs of compliance with climate-related disclosures would outweigh the benefits thereof.

**Ms. Leah Taylor Roy:** Thank you.

In terms of the emissions report, I think the member said earlier that we're at our highest level now. I was wondering if you could comment on the level that we reached, the 708 megatonnes, which was actually 44 megatonnes less than pre-COVID. Do you see it as concerning that it's gone up slightly from COVID, or do you see this as going in the right direction?

**Mr. Jerry V. DeMarco:** Going in the right direction would be year-over-year decreases in total emissions. Recall that for 2026 Canada is just trying to get back to approximately where it started in 1990, when it ostensibly began getting serious about fighting climate change, along with its partners across the world. I would be satisfied if we were seeing year-over-year decreases that roughly match the graph line that would get us to the 2026 objective and the 2030 target of 40% to 45%.

Right now, we're still above 1990 levels. I'd like to see us at least returning to 1990 levels by 2026 and down by 40% to 45% by 2030.

To answer your question, no, we're not quite on a year-over-year steady decrease. We're seeing some major drops associated with two severe economic events, the last one being COVID. It was not just an economic event, but it certainly had an impact on emissions. I would like to see year-over-year decreases from here to 2030, and then thereafter to 2050.

• (1700)

**Ms. Leah Taylor Roy:** Sure, from here going forward, but the estimates I've seen were that actually the expectations of the increase from the COVID pandemic years and the economic hit we took were greater than what we've seen. If you compare them to the 14.2 megatonnes forecast by the Canadian Climate Institute, we actually did much better. Would you say that those years—2020 and 2021—were aberrations?

**The Chair:** Unfortunately, we have to move on to Madame Pauzé.

**Ms. Leah Taylor Roy:** Thank you.

**The Chair:** Ms. Taylor Roy, I think you articulated the point.

[Translation]

Ms. Pauzé, go ahead for five minutes.

**Ms. Monique Pauzé:** Commissioner, thank you for being with us again. Thanks as well to the members of your team.

We discussed greenwashing at length with the first witness panel in the first hour of this meeting, and we've talked about it again in this second hour. This past January, a group of sustainable finance

experts filed a complaint with Ontario and Quebec regulatory agencies regarding more than \$10 billion in sustainability-related loans that had been granted to companies in the fossil fuel industry. Despite their commitments, those companies were actively increasing production.

This isn't the first time I've heard you say that there's no transparency or accountability, that there's a lack of information and that we can't rely on current data.

What will we do if we fall short in what we're doing and those companies can simply circumvent the regulations because there's no binding legislative or regulatory framework?

**Mr. Jerry V. DeMarco:** We also have concerns about greenwashing among federal financial institutions, such as banks.

That was one of the recommendations we made in our OSFI report a year ago.

Our recommendation 4.63 reads as follows:

To strengthen regulated institutions' accountability for transition to a net zero emission economy and to avoid greenwashing, the Office of the Superintendent of Financial Institutions Canada should set clearer guidance about the information reported in the institutions' transition plans.

So we discussed federally regulated institutions such as banks, but the provinces also need to take action to prevent greenwashing within the limits of their areas of jurisdiction.

**Ms. Monique Pauzé:** It gets complicated if we don't have any reliable data. If the company provides us with its own data, we know we definitely can't rely on it.

The European directive on corporate sustainability reports requires that businesses report both climate-related risks and impacts on environmental and social factors. This is what the European Union calls double materiality.

Wouldn't that also help Canada achieve its climate goals and financial resilience?

I'm talking about investments that promote activities targeting both the environment and social commitments. I'm thinking of health and everything related thereto, which ultimately means environmental and climate change issues.

**Mr. Jerry V. DeMarco:** Yes, that would definitely help.

As commissioner of the environment and sustainable development—and sustainable development includes the environment, the economy and the social aspect—I entirely agree that we have to examine all factors as a whole. You don't just consider aspects related to the environment or climate. We have to examine the three factors in an integrated manner. That's the vision associated with the concept of sustainable development.

• (1705)

**Ms. Monique Pauzé:** How does Canada currently compare with its peers regarding the financial sector's alignment with sustainable development goals?

What governments are leaders in climate-related financial disclosure?

I ask you those two brief questions in quick succession because we have only 30 seconds left.

**Mr. Jerry V. DeMarco:** I think the answer to your first question lies in lesson 4 from our 2021 report, which reads as follows: "Canada risks falling behind other countries on investing in a climate-resilient future."

Lesson 4 absolutely answers that question.

**The Chair:** Thank you.

Go ahead, Ms. Collins.

[English]

**Ms. Laurel Collins:** Thank you, Mr. Chair.

I want to thank the commissioner for being with us today.

In last year's report on the emissions reduction plan, you said, "The federal government is not on track to meet the 2030 target to reduce greenhouse gas emissions by at least 40% below the 2005 level by 2030." Do you consider that statement still factual?

**Mr. Jerry V. DeMarco:** We'll have more to say on that with our fall report, which will be our second report under the net-zero act.

I haven't seen anything yet from the government that has shown it has bridged the gap between its own estimation and the measures it had in place that were mid-30%. The gap between that and 40%-45% is its target. We also had concerns that even its calculations of getting to mid-30%, whether it was 34% or 36%, were overly optimistic assumptions. We weren't even sure that 34% or 36% was bankable, especially regarding the fact that we've had 30 years of plans and targets, and not one of them has been met.

As I said last week, that may be cause for the government to go for something a little bit more than 40%, knowing that each time it's aimed for a target in the past, it's come up well short. Even the last target, which happened to fall within COVID, was not met, despite the related emissions reductions associated with the economic downturn.

I haven't seen anything yet to indicate it has bridged the gap with measures that will add up to 40%-45%, based on reasonable assumptions. We'll have more to say about that in the fall with our second net-zero act report.

**Ms. Laurel Collins:** Thanks so much.

What I'm going to take from that is that the federal government is not on track to meet our 2030 target.

Now, in this report, you talk about how the Office of the Superintendent of Financial Institutions is a key supervisor of Canada's financial institutions. You mention in your report that it should consider whether it's appropriate to look beyond our current approach to find ways to advance Canada's broader climate goals. Now, some

governments, like the U.K. and the EU, have aligned financial supervisors' mandates with sustainability objectives.

Can you talk a little bit about the impact of Canada not doing this?

**Mr. Jerry V. DeMarco:** Canada has set out what's called a whole-of-government approach to tackling climate change. Another analogy is "all hands on deck". It's open to Canada, as responsible for meeting its own target, to determine which institutions are going to be involved in that whole-of-government approach to meeting the target.

Most recently, the list of institutions subject to Canada's Federal Sustainable Development Act moved from only 20-something to approximately 100. The OSFI is now within that 100, and our own office is now within that 100. We all have a potential part to play in meeting whole-of-government targets or objectives, like the climate target of 40% to 45%.

We do point out in our report that, thus far, the OSFI has taken a narrow view of its mandate and stuck to the stability of the financial system, while other countries have chosen to have their equivalents of the OSFI take a more active role in contributing to climate change mitigation efforts. It's a policy question that's open to the government to answer.

• (1710)

**Ms. Laurel Collins:** You talk about how action is overdue and is now urgent. To what extent do our current financial systems and the lack of climate alignment play a role in our overall greenhouse gas emissions?

**Mr. Jerry V. DeMarco:** Canada's overall trend in greenhouse gas emissions has not been positive, as we just spoke about. It's up from 1990 to now, whereas the other G7 countries have decreased their emissions.

As for how much of that is attributable to the lack of climate-related disclosures, I haven't seen any analysis that's been able to pair those two variables in terms of figuring out what the contribution is. I wouldn't know how much of Canada's historical failures to meet targets can be attributed to its relatively slow pace of change on climate-related disclosures.

**The Chair:** Thank you.

We'll go to Mr. Deltell now.

[Translation]

**Mr. Gérard Deltell:** Thank you very much, Mr. Chair.

Commissioner, gentlemen, I'm very pleased to see you again so soon. Your comments are always appropriate, and we thank you for that.

I'd like to ask you a very simple question: How do you define greenwashing?

**Mr. Jerry V. DeMarco:** I believe we used the definition of that term in both the recommendation I just referred to and in our report.

I'll ask my colleague to find it, which he should be able to do quite quickly.

**Mr. Gérard Deltell:** I just asked you that question to show how greenwashing can be used to mean many things.

That's why I'm asking the most neutral authority there is in Canada, the commissioner of the environment and sustainable development, for his definition.

Personally, I think we engage in greenwashing when we take a plane, when we travel a lot and then buy credits. It leaves us with a clear conscience, and we then speechify about it, but the reality is that we're polluting. So I'd like to know your exact definition of greenwashing.

In addition, how do we determine what constitutes greenwashing? How can we know whether an investment we want to make in a business is right and whether or not that business is engaged in greenwashing?

**Mr. Jerry V. DeMarco:** The definition appears on page 17 of our 2023 Report 4, which is entitled, "Supervision of Climate-Related Financial Risks—Office of the Superintendent of Financial Institutions Canada".

We used the following definition: "Greenwashing—The process where a company or a project inaccurately or misleadingly claims to represent a green investment. It is also sometimes called sustainability washing."

**Mr. Gérard Deltell:** I want to thank you and to commend you once again for your intelligent manner in handling a question.

The word very much invites scrutiny and, especially, is highly subjective. What, in the eyes of some, may be greenwashing in certain instances may not be so for others. Earlier I mentioned the Quebec project that's highly controversial but that also enjoys considerable support. Some people are absolutely opposed to it, others absolutely in favour.

How do you think greenwashing can be accurately assessed?

**Mr. Jerry V. DeMarco:** I heard only the last part of the first hour of your meeting today, but I believe you heard some experts discussing taxonomies. They are a method, an approach, that provides a framework within which to determine whether something is green or not, and to what degree.

It's not up to us at the Office of the Auditor General of Canada to decide what's green and what isn't. If an institution like the Office of the Superintendent of Financial Institutions decides to do so, that will be good for everyone. We can then simply look and see if it's in column 1, which means it's green, or in column 2, which means it isn't.

We need that or else it will be hard for the public and investors to decide what's green and what's not.

• (1715)

**Mr. Gérard Deltell:** Let's hope you're consulted, if necessary.

Thank you very much, Mr. DeMarco.

**The Chair:** Thank you.

Go ahead, Ms. Chatel.

**Mrs. Sophie Chatel:** Thank you very much, Mr. Chair.

Welcome to the committee, gentlemen.

Our witnesses in the first hour told us that we urgently need taxonomies and financial disclosure for the climate. I looked at the statistics and the latest data, and 250 financial institutions should soon be releasing transition plans that are consistent with the framework of the Glasgow Financial Alliance for Net Zero.

In addition, the world's leading economies are a year ahead of us, perhaps even two, in developing requirements for their financial institutions designed to establish a regulatory framework that provides certainty and promotes investment. The United Kingdom, the United States, the European Union and even Australia still produce oil. Then there's Japan, Hong Kong, Singapore and Switzerland. Canada will significantly lag behind in these areas if it doesn't act now.

I'm trying to understand what's slowing us down. I know we have a resource-based economy, but that kind of economy hasn't prevented Australia from evolving. British Petroleum is investing \$65 billion in the U.K.'s transition. What's holding us back? Is it Conservatives and other voices telling us we need to hang on to our old economy and not evolve?

If we don't evolve, billions of dollars in investments will pass us by. For the moment, they're going to China, which is investing in its battery sector, motor vehicles and clean energy, for example.

What can we do to take quick action?

**Mr. Jerry V. DeMarco:** It's really a matter of will because we can move faster. One of the reasons we decided that the Office of the Superintendent of Financial Institutions would be audited was that, in the report we released in the previous year, we said that Canada risked falling behind other countries on investing in a climate-resilient future. So it's a matter of will.

I would even say that our lesson 1 is related to the question you raised. More effective leadership and coordination are needed to advance commitments respecting the fight against climate change. We need more leadership and more coordination, and we need the will to act. This isn't just about acknowledging that there's a climate crisis; we also have to act in a manner consistent with that crisis. It's easy to say there's a crisis, but it's harder to act promptly and diligently enough to handle the situation in a manner consistent with that crisis.

**Mrs. Sophie Chatel:** I don't understand why Europe is in the process of achieving carbon neutrality. It's changing its economy and financial system, and also becoming more attractive to investors. What does Europe have that Canada doesn't? I know it's hard for the western provinces such as Alberta, for example, where the Prime Minister has a very strong voice and the Conservatives say they don't want to go in that direction.

**The Chair:** That's a big question, Ms. Chatel, but you've exceeded your speaking time. Someone else will have to ask that question and get an answer from the commissioner.

Ms. Pauzé, you now have the floor for two minutes.

• (1720)

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

Mr. DeMarco, I'd like to go back to what we discussed earlier regarding the fact that we also need to consider the environmental and social impact, not just the financial impact. Thanks to our analysts, we've learned that the Hon. Joe Oliver told the Financial Post on February 14 that the Office of the Superintendent of Financial Institutions should go back to its field and focus on finance instead of climate politics. So his view of the situation is diametrically opposed to yours. I share yours.

What risks are associated with separating the financial system from consideration of climate change risks?

**Mr. Jerry V. DeMarco:** It's up to the government and Parliament to decide whether the Office of the Superintendent of Financial Institutions will play that role or not, and whether amendments must be made to its enabling statute.

To answer your question, the risk is that the policies of the various federal organizations may be inconsistent. If we consider a horizontal approach, as we say at the federal level, and certain players don't help, that could undermine efforts to reach the goal. If there are inconsistencies, there's a risk we may not meet the goal, since not all organizations will be headed in the same direction.

**The Chair:** Thank you, Ms. Pauzé.

Ms. Collins, the floor is yours for two minutes.

[English]

**Ms. Laurel Collins:** Thank you, Mr. Chair, and thanks again to the commissioner for being here.

I'm curious. Would you agree with the statement that OSFI is compelling firms to quantify and disclose their climate risks without actually taking action to limit the sources of that risk in the first place?

**Mr. Jerry V. DeMarco:** We haven't done a follow-up audit yet on how they've implemented our recommendations. I've been given a summary of the steps they've taken, which I summarized very briefly in my opening statement, but I would be hesitant to answer what their current approach is based on the steps they took in response to our audit without having done that follow-up work. I can't say that I can answer that question directly.

**Ms. Laurel Collins:** Would that statement have been fair when you did your audit?

**Mr. Jerry V. DeMarco:** Can you say the statement again just to make sure?

**Ms. Laurel Collins:** Would it be fair to say that OSFI is compelling firms to quantify and disclose their climate risks without actually taking action to limit the sources of that risk in the first place?

**Mr. Jerry V. DeMarco:** At the time of our audit, the guideline was still a draft, I think, so they weren't compelling anything new on climate. Climate was always a regular material risk that could be considered under the regular list of risks, so I would say the answer is that they likely were not compelling as of the date of our audit.

I wish I could tell you exactly where they are at now, but I think it would be better to hear it directly from OSFI if they can tell you what progress they've made since two years ago or a year and a half ago.

**Ms. Laurel Collins:** Thanks so much.

**The Chair:** Thank you.

We'll go to Mr. Kram for four minutes, please.

**Mr. Michael Kram:** Thank you, Mr. Chair.

Thank you to the witnesses for joining us yet again this week. You're some of our best and most reliable customers, if I can put it that way.

I want to make sure we're on the same page when it comes to some of the terms we're using. Mr. DeMarco, in your opening statement, you used the term "climate risks". What's the definition of a climate risk?

**Mr. Jerry V. DeMarco:** The question is not long enough for me to shuffle through all of my pages to find the definition, but I'll do something easier. We have the two risks, physical risks and transition risks, summarized in our report, and Monsieur Lequain can probably elaborate on that.

• (1725)

**Mr. Mathieu Lequain (Principal, Office of the Auditor General):** Physical risk is when, due to a weather event or a climate-related event, there is a disruption in a business model or a disruption in stock, which has an impact because the capability of this company to pay back, for example, its financial commitment, could be jeopardized. This is, really, due to the physical impact of a climate.

There is also what we call the transition risk, which is that, when there is emerging new technology, usually what's happening in the marketplace is there is repricing of some assets. For example, now you see that solar is becoming cheaper, so it's becoming a competitor, in some instances, in producing electricity as compared to a more traditional way of producing electricity. That has an impact on the business model of some companies and, again, it can impact their capability of paying back their financial commitment.

**Mr. Michael Kram:** Okay, so if you have a business that's at physical risk of an extreme weather event, which is what we're talking about here, is that something...? I think that any investor doing their due diligence would do that, regardless of any environmental policies. If there are checks and balances in place before you build a building that's in an earthquake zone, isn't that already being done by private sector investors, independently of government policies?

**Mr. Jerry V. DeMarco:** A self-interested actor is supposed to take in all of those risks, factor them in and make rational decisions. If that always worked, we wouldn't have the tragedy of the commons and we wouldn't have government regulators. OSFI wouldn't be there for any of the traditional risks because they would already be factored in. However, we do have market failures, such as externalities that occur, and usually a regulator or a self-regulating body will come in to try to address those sorts of things. OSFI has been doing that for years, obviously, because banks are important to Canada's economy and we don't want to see them fail, so they're there to stabilize the macroprudential framework.

Climate is just the most recent identifiable risk, along with other things, like cybersecurity and so on, that have surfaced and have to be factored in. Will the market factor them in perfectly efficiently and avoid market failures without a regulator like OSFI? That's an interesting question. You'd have to ask an economist about that, an expert in the field.

**Mr. Michael Kram:** We're talking about climate-related emissions and exposure data. If you have a company that is going to offer up its climate exposure data, that implies they must have an understanding of how much they're at risk from, say, an extreme weather event. Is that true?

**The Chair:** Be brief, please, Commissioner.

**Mr. Jerry V. DeMarco:** They would want to disclose their risks associated with physical risks, such as a flood or a storm, and their risks associated with transitional risks in terms of market changes, as Monsieur Lequain just explained.

**The Chair:** Thank you.

Go ahead, Mr. van Koeverden.

**Mr. Adam van Koeverden:** Thank you.

Welcome back to committee. We appreciate, gentlemen, your returning and providing all of your insights, perspectives and expertise.

I have a really brief question about greenwashing because I'm interested in it as well. My friend and colleague Monsieur Deltell talked about carbon credits. I've purchased carbon credits before. I don't feel like I'm greenwashing. I don't know if they're necessarily a form of greenwashing as much as when a bank suggests that their mutual funds or bonds are so much greener than another's, when they're clearly not.

Can you explain to me the difference, or the definition, between greenwashing on the side of a consumer choosing to offset versus a business tricking consumers?

**Mr. Jerry V. DeMarco:** Yes. A poorly constructed carbon offset could be a form of greenwashing if it doesn't have the attributes of additionality and permanence. Not all offsets lack those things, but

some do. It could be argued that those that do not have those attributes of additionality and permanence are de facto greenwashing. If you design the offset well, then no, it wouldn't be greenwashing.

**Mr. Adam van Koeverden:** Cool. That's super helpful. Thank you.

I have another question about bonds. Government debt is something that I think a lot of Canadians are concerned about, and rightfully so. They ought to be. They ought to have questions about government debt. I count myself among them. However, I also know that when government creates debt, it sells bonds to people. Oftentimes folks will say, "Oh, the payments that governments make on debt go off into the wind", as if we're shooting interest into the sun or something like that. It doesn't disappear. It goes into people's portfolios. It goes into mutual funds.

I don't know how green bonds really work in that context. I've heard people talk about Canada's new green bonds in the context of our new \$5-billion bond. I'd love to hear your reflections on how a green bond works in the economy and how more inclusions, or perhaps more exclusiveness, in the bond would make it more effective.

• (1730)

**Mr. Jerry V. DeMarco:** Yes. This relates to taxonomies in terms of what's eligible for a green bond and whether it's affecting the change that you were hoping for in terms of it financing public transit or tree planting or whatever the case may be.

We haven't done a performance audit of the green bond system at the federal level, so I wouldn't be able to conclude how well it's going in the initial stages from a performance audit point of view. Obviously, we have the financial side in terms of whether the numbers add up and so on, but we haven't done any performance auditing of that new system. I can't tell you how well it's designed or how well it's being implemented in the early stage, but it's becoming more and more common across the world, as you know.

**Mr. Adam van Koeverden:** Would you say that our step to take on a green bond program as an approach, as we did with the 7.5-year \$5-billion green bond, was a good step in the right direction or a good start?

**Mr. Jerry V. DeMarco:** That was a policy choice of the government. Not having done any audit of the design of it, I'd be hesitant to say yea or nay on that.

**Mr. Adam van Koeverden:** How long would it need to be active in order to provide you with good enough data? I presume that after a year or two of a 7.5-year bond yield, it wouldn't necessarily provide enough data, or am I wrong?

**Mr. Jerry V. DeMarco:** It depends on what the bond is being used for. If it's going towards very long-term projects where no results are available, then you would have to wait quite a while for it to be ripe enough to audit from a performance and result-oriented perspective.

We could audit it early on from a design perspective, which we've done with some other areas. It all depends on which performance indicators we want to look at, design ones or implementation ones.

**The Chair:** Thank you very much. We're out of time.

I want to thank the commissioner again for coming to see us. He always leaves us with a deeper understanding of the challenges we face on the environmental front.

Thank you again, Commissioner. We look forward to seeing you soon enough.

Before we break, colleagues, I want to give you an update on the meeting we're having with oil company CEOs. I'm pleased to report that we can get four of the five on the same date, which, from an organizational point of view, has benefits. The only CEO who cannot come on June 6 is the CEO of Enbridge. It's for scheduling reasons. They don't object to appearing. They could send somebody from the next level down to appear, in which case we'd have five out of five in one meeting. Otherwise, we would have to have Enbridge come by themselves for an hour some other time, which would probably eat into other things we're doing.

Are we all right with having a vice-president or whomever come on behalf of Enbridge and join the four CEOs of oil companies?

I'll go to Ms. Collins because it's her motion.

**Ms. Laurel Collins:** Can I reserve judgment? Can we decide that we're going forward with the four on the date that we can secure them on, and come back after just a bit of time to reflect on the fifth?

**The Chair:** I'll ask the question again at the next meeting, but the advantage is that we could get this done in two hours. Otherwise, we do two hours, and another hour some other time for Enbridge. I don't know when we can get them, and so on.

I'll ask the question again at the next meeting. We'll all have had a chance to think about it, I guess.

Go ahead, Mr. Deltell.

• (1735)

[*Translation*]

**Mr. Gérard Deltell:** As I remember, the initial motion called for inviting five CEOs to a single meeting, didn't it?

**The Chair:** Yes.

**Mr. Gérard Deltell:** That single meeting was to last two hours, wasn't it?

**The Chair:** Yes, it was supposed to take at least two hours.

So far, four out of the five CEOs can attend the meeting on June 6. Enbridge is the only one that can't send its CEO, who will

be detained by a board meeting that day, or something like that. However, Enbridge could send a senior executive instead.

**Mr. Gérard Deltell:** Did you say a senior executive? With all due respect to that spokesperson, we would need at least a first vice-president.

**The Chair:** Yes. Incidentally, I spoke to an Enbridge representative and emphasized that the committee would want someone who's closely involved in the company's operations, not a public relations officer.

**Mr. Gérard Deltell:** Then I agree.

**The Chair:** The Conservatives agree, and the Bloc Québécois agrees as well.

Mr. van Koeverden, go ahead.

[*English*]

**Mr. Adam van Koeverden:** We agree, tentatively. As Mr. Deltell said, it would be of the utmost importance that we not just hear "government relations speak" but that we get somebody who is accountable.

**The Chair:** That's what I've asked for.

Ms. Collins, everyone seems to agree that if we get somebody who's—

**Ms. Laurel Collins:** A vice-president, and not a PR person—

**The Chair:** No, we don't want a press secretary.

**Ms. Laurel Collins:** I'm open to this. Just to confirm—

**The Chair:** We have a lot of respect for press secretaries, but in this case, we want to hear from somebody who's in operations.

Go ahead, Ms. Collins.

**Ms. Laurel Collins:** Just to confirm, from the previous correspondence, I understood that Imperial Oil Limited originally had said that it was only available on June 4, along with Enbridge.

**The Chair:** It's all changed.

**Ms. Laurel Collins:** I just wanted to clarify that.

**The Chair:** Everybody's coming on June 6.

**Ms. Laurel Collins:** Okay.

**The Chair:** Enbridge is, as well, if we can agree to have someone other than the president, but someone who is a top decision-maker.

Does that sound good?

**Ms. Laurel Collins:** That sounds reasonable.

**The Chair:** That's great. We have a plan.

**Ms. Laurel Collins:** Mr. Chair, is there any way to ask the witnesses to appear in person?

**The Chair:** I don't know if we can actually summons them to appear in person. I don't think they will, to be honest with you. They will be virtual. I don't think we can force them to appear in person, honestly.

**Ms. Laurel Collins:** As our chair, would you mind encouraging them to attend in person?

**The Chair:** I would love to do that. I will do that.

**Ms. Laurel Collins:** Thank you.

**The Chair:** At the last meeting, we asked parties to submit a list of co-operatives they would like to hear from in the context of this study on finance. Please send to the clerk by May 14 the names of any co-operatives you would like to potentially invite. That would give us enough time.

I also want to confirm that you agree to have the bank CEOs for two hours. The motion to summons them, I think, is having its impact.

[*Translation*]

Since there are five CEOs, it will take us at least two hours to question them properly.

[*English*]

Are we good?

[*Translation*]

All right.

Have a good weekend, everyone. See you again in about 10 days. Thank you.

The meeting is adjourned.

---





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :  
<https://www.noscommunes.ca>