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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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• (1105)  
[English]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** Welcome to meeting number 79 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted on Tuesday, March 7, 2023, the committee is meeting to discuss the current state of play on green finance. We'll do that over the next hour.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking.

As to interpretation, for those on Zoom, you have the choice at the bottom of your screen of floor, English or French. For those in the room, you can use the earpiece and select the desired channel. I would remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

I'd now like to welcome our witnesses. Thank you for coming before the committee on such short notice. We look forward to hearing from you.

From the Department of Finance, we have Robert Sample, director general of financial stability and capital markets, and Matthew Boldt, director of markets and securities policy, financial sector policy branch.

We look forward to hearing your opening statements and then getting to members' questions. The floor is yours.

**Mr. Robert Sample (Director General, Financial Stability and Capital Markets Division, Financial Sector Policy Branch, Department of Finance):** Thank you very much, Chair.

Thank you for having us here today to appear as witnesses. Both Matt and I are very pleased to be with you to support your study on

green finance, an important and timely topic in the context of building Canada's net-zero economy.

In keeping with my responsibilities, I will focus my remarks on the Government of Canada's efforts to develop the foundational market infrastructure needed to scale up Canada's sustainable finance market. This work is about promoting market transparency—for example, by enhancing climate disclosures, defining green and transition investments, and improving climate data—to ensure that climate considerations can be properly incorporated into business and investment decisions. As the public sector alone cannot fund the net-zero transition, getting the foundational market infrastructure right in a timely manner is vital to mobilizing the private sector capital needed over time to realize Canada's climate objectives.

Recognizing the importance of engaging with Canada's financial sector on these market infrastructure matters, the Government of Canada established the sustainable finance action council, or the SFAC, in May 2021 to help lead Canada's financial sector towards integrating sustainable finance into standard industry practice. The SFAC is chaired by Kathy Bardswick and comprises 25 Canadian deposit-taking institutions, insurance companies and pension funds, with combined assets of over \$10 trillion.

The SFAC's terms of reference call on it to provide financial sector input to the Government of Canada on the development of foundational market infrastructure, including enhancing climate disclosure, defining green and transition investment, and improving climate data and analytics. More recently, in budget 2022, the Government of Canada asked the SFAC to develop and report on strategies for aligning private sector capital with the net-zero transition, with support from the Canadian Climate Institute and in collaboration with the net-zero advisory body.

The SFAC has played an important role in convening representatives from Canada's financial sector to engage on market infrastructure issues and provide its expert advice to the Government of Canada. In the course of its work, it has engaged with a range of domestic and international stakeholders on sustainable finance to exchange views and ensure that its advice is comprehensive and consistent with best practices.

At the Government of Canada's request, the SFAC has prioritized work on climate disclosures. Soon after launch, the SFAC provided initial perspectives on how to enhance climate disclosures, and then provided a submission to the International Sustainability Standards Board, or the ISSB, setting out its views on the ISSB's draft global disclosure standards on climate and sustainability reporting. More recently, the SFAC has prepared advice on how to effectively implement the Government of Canada's commitment to move towards mandating climate disclosures across a broad spectrum of the Canadian economy.

The SFAC has also prioritized work on taxonomy, and late last year submitted the "Taxonomy Roadmap Report" to the Government of Canada, which sets out the SFAC advice on the design, governance and implementation of a Canadian green and transition finance taxonomy. The report was published on the Government of Canada's website as SFAC advice. The Government of Canada is studying the report's advice, and there will be continued collaboration with the SFAC and other financial sector leaders on taxonomy.

I'll say a few words on climate disclosure.

I would highlight that the Government of Canada is making important progress in meeting its budget 2022 commitment to move towards mandatory climate reporting across a broad spectrum of the Canadian economy. For example, the Office of the Superintendent of Financial Institutions, OSFI, earlier this week published its final climate risk management and disclosure guidance for federally regulated financial institutions. This is an important development, since it will make climate disclosures mandatory for more than 350 banks and insurers. Canada's federal Crown corporations have been asked to adopt TCFD, or equivalently rigorous standards applicable to the public sector, as an element of their corporate reporting. Implementation is under way.

Finally and importantly, provincial and territorial securities regulators are also acting in this area. They have published a draft climate disclosure rule for public companies.

We would be pleased to take any questions from members of the committee. Thank you.

• (1110)

**The Chair:** Thank you for your opening remarks.

We're going to get to the members' questions. Members, we'll look to get through two rounds. In the opening round, each party will have up to six minutes for questions.

We're starting with the Conservatives and MP Morantz, please.

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Sample and Mr. Boldt, for being here and for your opening remarks.

I want to take a bit of a step back from your opening remarks because I think this is a new concept for many Canadians. Here in the Ottawa bubble, we may be somewhat familiar with this. I know Ms. Chatel is very familiar with it, but the average Canadian watching this meeting today might not understand or even know what green finance is.

I'm wondering if you could step back from the bureaucratese, if you will, and just tell us from a layman's perspective what it means.

**Mr. Robert Sample:** Thank you very much for your question.

Particularly for a country like Canada, it really involves two aspects, one being green finance. That's about capital markets, financial activity and investment into low-emitting or zero-emitting economic activities. Particularly for a country like Canada, transition finance is also important, and that is about financing the decarbonization of emission-intensive activities that are critical for sectoral transformation.

In a broad sense, I would leave it with those two definitions, if that's helpful.

**Mr. Marty Morantz:** Who provides this financing? Is it the government? Is it financial institutions? Is it a joint venture between governments and financial institutions?

If someone wanted to get financing to build a wind farm, for example, where would they go for this type of financing? Also, could you comment on whether the terms of that loan might be better than an ordinary loan? Would the interest rates be lower? Would the placement fees be lower? Would the amortization on those loans be more generous? What differentiates this kind of financing from ordinary market financing?

**Mr. Robert Sample:** There are a variety of financing mechanisms, and likely more will be elaborated on over the coming years and decades. There is public sector funding at federal and provincial levels for this type of activity and investment. However, because of the amount of investment required, these activities cannot rely solely on public sector funding, and there is a ramping up of private sector capital mobilization in these types of green and transition activities. From a capital markets perspective, it could be support with debt financing. It could also be loans to companies and other types of financial instruments.

**Mr. Marty Morantz:** Would the terms be more favourable, though, than for an ordinary market loan because it's a green project?

**Mr. Robert Sample:** I can't speak to specific terms.

**Mr. Marty Morantz:** Okay. What kind of project would qualify for green finance? I think a wind farm might be, but there are certain grey areas in my mind. For example, LNG could substantially reduce greenhouse gas emissions all over the world, even though it's a fossil fuel, because it could supplant oil or coal-fired plants. Nuclear would also be a good example. Would something like that qualify for a green financing loan? What about mining operations that mine the precious metals used to create batteries in electric vehicles, for example?

I think there might be some areas where it's not completely clear what would qualify for green financing. I guess my question is this. Is my analysis around that correct, and secondly, who would decide whether or not a project would qualify for this type of loan?

**Mr. Robert Sample:** There are a couple of elements to tease out there. First, some types of projects or economic activities are green, so they're low-emitting, but importantly, as I think you're pointing to, a number of transition activities that require decarbonization will be critical factors in economic prosperity for Canada.

In terms of the second part of your question about who determines things, currently there is no public sector determination of what is "green" or what is "transition". As I noted in my opening remarks, the sustainable finance action council has submitted its advice to government, and the government is reviewing it and what's called a taxonomy. This could provide some additional granularity as to the criteria of what is "green" and "transition", but there are no decisions or opinions from the government at this time on that report.

• (1115)

**Mr. Marty Morantz:** Is this a future area of regulation for government where they might actually stipulate how banks can decide which projects qualify and which projects don't? Is that where this is going?

**Mr. Robert Sample:** I can't speculate at this time on future areas of policy work or decisions by the government.

**Mr. Marty Morantz:** Okay.

**The Chair:** That's your time, MP Morantz.

**Mr. Marty Morantz:** I had 10 seconds left.

**The Chair:** Yes, 10 seconds.

We will move over to the Liberals with MP Chatel, please.

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

Thank you, Mr. Boldt and Mr. Sample, for being with us today.

Clearly, the role of our government, of any responsible government, is to empower and protect. Not just Canada but the world is moving towards a market infrastructure where investments will need to be green. Our businesses will need to meet those challenges and those criteria in order to be successful. Our role is to invest in their success.

That's why this study is very important to us. A bit like MP Morantz said, we want to know about, and be able to explain to regular businesses, the challenges they will be facing as the world is transitioning towards a green market infrastructure.

One of the keys issues you mentioned earlier is about what is meant by "green". For example, if we have big collective investment vehicles and they need to have green portfolios to meet the criteria for investment, what would it mean to be green in those portfolios? What investments will be considered green?

I know there's a lot of work being done. There's a G20 sustainable finance group, and a road map that has key actions. Action number two is to try to identify countries, financial markets and institutions, and help them define the international standards around what it means to be green, as well as brown, because there are some products or investment products that will not necessarily be green but will be helping the transition towards a green economy.

I'm hoping you can tell us a bit more about two things. What work is there at the international level on green finance, and what are countries doing together? I know Europe is ahead of many countries, many regions, as is the U.K. Can you explain where the world stands right now in terms of green finance? What does it mean here for Canadian businesses?

**Mr. Robert Sample:** The G20 has been actively doing work that is similar in theme to the work Canada is doing domestically on what's called "sustainable finance". There is a G20 group that reports to ministers and leaders and is trying to elaborate and share information on disclosure regimes—climate disclosure regimes—and other types of market infrastructure elements and on data challenges and opportunities.

As to the part of your question on where Canada sits with regard to the other jurisdictions, I think Europe would definitely consider itself a leader in terms of the steps it has taken, as would the United Kingdom. The G20 does have a website that reports on the progress countries are making against its road map on disclosure and other climate-related regulatory activities. That gives a bit of a sense of the work going on at the international level at the G20.

A really important development has been the standing up of the International Sustainability Standards Board, to which the Government of Canada, along with other governments and the private sector, provided seed funding for a satellite office in Montreal. In international fora and in Canada, we see the global baseline standard-setting by the International Sustainability Standards Board to be of critical importance. That's because of globalization. We have many companies in Canada that work across borders, have clients across borders and have different regulatory impacts across borders. If the ISSB can help to support some harmony across standards and across jurisdictions, I think that would be helpful.

I think that's an important aspect for your final question around what it will mean for Canadian businesses. Indeed, there's a regulatory burden or harmony that they'll need to manoeuvre, but there are also the expectations of various jurisdictions on what their products are deemed as from an economic, a green or a transition perspective.

• (1120)

**The Chair:** Thank you, Ms. Chatel. The time does go fast.

We have MP Garon with us today for the Bloc.

Welcome. You have six minutes, please.

[*Translation*]

**Mr. Jean-Denis Garon (Mirabel, BQ):** Thank you, Mr. Chair.

Gentlemen, thank you for being here today.

You mentioned the Sustainable Finance Action Council, SFAC, which has been given a lot of work and asked to design a plan to ultimately transition to a net-zero emissions economy.

If I have understood correctly, SFAC members are primarily from the financial sector—banks, insurers and large managers. These are institutions that don't have a very rosy history in climate innovation.

Isn't there a transparency problem here? A sector that has historically been rogue in many ways is being asked to submit a roadmap to government behind closed doors.

Should we trust the banks so much in this process?

**Mr. Robert Sample:** Thank you very much for your question, Mr. Garon.

I'm sorry, but I will answer in English.

[*English*]

It's a good question. I would say there are a number of different aspects to a government taking a decision on a policy. The sustainable finance action council comprises 25 private sector financial institutions and has a mandated work plan. That is one piece of the puzzle, I would say. It has four expert groups on data, climate disclosures, taxonomy and net-zero capital allocation, and they engage regularly with a variety of stakeholders. Some of that engagement is listed on the Government of Canada's website, which notes who the sustainable finance action council has engaged with and has brought in inputs from.

As I mentioned in my opening remarks, something like taxonomy or advice that the government receives on disclosure is one input. As the government is considering any policy actions—the pros and cons and the considerations—it does its own consultation as well, in addition to what the SFAC might have done, with a variety of stakeholders. I just wanted to outline that as well.

Further—

• (1125)

[*Translation*]

**Mr. Jean-Denis Garon:** I have to interrupt you. Let me explain the nature of my concern.

Over the past 25 or 30 years, banks have acted increasingly in their own short-term interest. They have been lending less and less to SMEs and more and more to consumers, and an increasing share of their profits comes from user fees. The banker is no longer the respected village person who used to make investments with savers' money. He is someone who charges us \$4 in fees at the ATM.

From the public's perspective, are we right to have some concerns about the fact that these people were asked in 2022 to design a strategy to achieve a net-zero emissions economy? Perhaps members of the public are right to be concerned and to ask the Department of Finance, which is led by an elected official, to be more involved.

Is this a valid concern?

[*English*]

**Mr. Robert Sample:** It's important to have a variety of stakeholder perspectives when government policy is being considered. The SFAC, as I mentioned, brings in 25 private sector financial institutions. That's one perspective on advice that comes to the government, and they have consulted on all of their activities.

In terms of your questions on banks specifically, another way to consider this is that there are two regulators attaching rules to federally regulated banks and some provincially regulated institutions. With the Canadian Securities Administrators for public trade entities, it's done in consultation with the institutions it regulates, and public consultation receives input from a variety of stakeholders on those proposed disclosure rules. Similarly, with the Office of the Superintendent of Financial Institutions—and I hope you have a chance to speak with them—I believe that on their—

[*Translation*]

**Mr. Jean-Denis Garon:** I must interrupt you, again. You're skirting the issue a little bit, which is totally fine. You are doing your job.

The Sustainable Finance Action Council, or SFAC, has very strong advisory authority. It files documents directly with the department. We understand that it will be taken extremely seriously.

Did the department consider giving a similar mandate to a citizen advisory council, where environmental groups, among others, would have the same advisory power and the same receptiveness from the department and would be made up of people who do not have a strong interest in maintaining investments in the oil sector, for example?

[*English*]

**Mr. Matthew Boldt (Director, Markets and Securities Policy, Financial Sector Policy Branch, Department of Finance):** I can respond to that quickly.

There's one example I would point to that addresses some of what you mentioned in your question. The net-zero advisory body is another body stood up by the minister responsible for environment and climate change. I think they have a broader mandate, which is to look at the transition and the economic pathways for how Canada can get to net zero to meet its climate goals. It's a much broader mandate. We're not directly responsible for that initiative, but I'd point you to that as an area you might want to look at. The SFAC, in contrast, has a much narrower mandate. It's to focus on what the financial sector can do to incorporate sustainable finance into its standard industry practices. That's one piece of the puzzle, and that net-zero advisory body has a much broader mandate.

[*Translation*]

**The Chair:** Thank you, Mr. Garon.

[*English*]

Now we'll go to the NDP with MP Blaikie, for six minutes.

Go ahead, please.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

To start, because this is the first meeting we're having on this study, I want to come back to Mr. Morantz's question, which I think is a really important question. I think it's the question that animates the reason for the study, and it's important for the committee to get it right conceptually from the beginning so we know what it is we're studying and the kinds of questions we're asking. As I understand it, there's a great debate to be had—and I'm a partisan in that debate—about the role of government in delivering on a decarbonized economy and what that means for Canadians in terms of the infrastructure they have and the electricity they use, and what it means for workers in terms of where they fit into that picture. That's a whole debate we can have about the role of government, and I think it's an important one.

My understanding is that the study we're embarking upon right now is to say notwithstanding that debate, we understand that a lot of folks in financial markets and financial institutions are coming to understand that this is important, despite their legacy of not having done a good job, which Monsieur Garon has rightly pointed out. I think there's cause for some ongoing suspicion, and that's part of what we're looking at today. They want to respond to investors and consumers who are demanding more environmental responsibility from the companies they fund. They're recognizing the serious warnings that have been issued about economic disruption and the very real costs to those very same financial institutions in the event of environmental calamity, and I think they have some sense that they should probably do something about that. Welcome to the party, I say to them. It's been a long time coming, and yes, they absolutely do have something to do with that.

I think they're also trying to position themselves in what they rightly see as the economy of the future. The economy is changing, and they don't want to be left behind in that. That's all well within the market view that many parties around this table espouse and is nevertheless important, even for those of us who think there is more of a role for the public sector to play in leading the charge and be-

ing quite prescriptive towards these organizations and how they should play a role.

That's why I think this is important. It's why certain important market players are finally figuring out that they need to be there. It's a combination of largely different forms of self-interest, but they're coming to the table in any event. I take us to be looking at the kinds of infrastructure that has to be in place. It's not for them to do that, because they can do that on their own; they can finance projects if they want. But they're looking for some guidance, because the traditional models of economic and financial analysis for projects they fund have tended, as Monsieur Garon also pointed out, to exclude environmental projects. They're seen as high risk, partly because we don't have historical economic data to make empirical predictions about the performance of these types of investments, or at least that's what they would say. I'm not sure that's actually true, but that's what they would say. So they're trying to develop models to evaluate the long-term success of investments in these kinds of projects.

I think even more importantly for our purposes—because a lot of the large investors have access to privileged information and can have some level of confidence in the economic or financial viability of an investment—the question is how you produce that for your more run-of-the-mill Canadian investor who has some RRSPs, who's looking to invest in different kinds of funds, who wants to have a sense of ownership over where their money goes and have their money support things they think, in the long term, are good things and who tries not to support things they think in the long term are detrimental either to the environment or to other things. That's why we talk about standards of transparency and accountability. How do we develop metrics for your typical Canadian investor-consumer to evaluate, if they're investing in certain kinds of things, whether they can have some confidence that companies are acting in good faith to try to lower their emissions over time? How do we measure that?

That's part of what I take us to be studying here. That's part of the project, and I think there is obviously a role for government to play in laying out reporting requirements and developing metrics so that Canadians are comparing apples to apples when they're considering where to put their money. That may not be the entirety of what we're doing, but it's certainly an important part of what I take us to be doing.

I hope that's a bit of a supplementary answer to Mr. Morantz's question on what we're doing. It's not just about government coming in and setting up these definitions. Actually, it's pretty much the Wild West right now. It's about trying to figure out, for both the public interest and even within the context of the market, how financial actors who are currently saying they want to do a better job can do a better job and can be seen to be doing a better job, and how we can measure that. I think those are all important things to be able to do.

• (1130)

You've indicated a bit about the development of certain standards for reporting, but it seems to me that a few different areas are important to the new lower-carbon economy that's emerging. There's primary resource extraction, and there's the development of clean tech and the intellectual property that comes with that. Once you have those components, there's the manufacturing of components for a lower-carbon economy, and then there's critical infrastructure around the electrification, for instance, of various industries in Canada and items for personal use, such as cars. There are four categories, and they presumably may have some different reporting requirements.

What is your taxonomy of the different categories of work and investment that go into the new lower-carbon economy? What is the discussion around the different kinds of metrics we need to have companies be transparent about?

• (1135)

**The Chair:** MP Blaikie, you're well over the six minutes already.

**Mr. Daniel Blaikie:** I thought I had a six-minute preamble and then five minutes of questions.

**Voices:** Oh, oh!

**Mr. Daniel Blaikie:** That's not how it works.

**The Chair:** I hear you. Maybe the witnesses could get to those questions in the second round, because we want to get through a full second round, as I mentioned to members.

We have to move to the second round. We're starting with the Conservatives and MP Chambers for five minutes.

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you, Mr. Chair.

Welcome. It's nice to have both of you here with us today.

I'm not looking for specifics, just generalities. From a high level, has there been any work done on quantifying some of the costs associated with moving to net zero? What's it going to cost Canada to move to net zero? Has that number been looked into, or is there a broad range? I've heard that globally it's \$3.5 trillion or \$4 trillion. What does that look like for Canada?

**Mr. Robert Sample:** I would say that's a bit out of the ambit of our expertise from a financial sector policy perspective. That might be a question better placed with another ministry.

**Mr. Adam Chambers:** Okay. From the financial sector policy perspective, then, what about the disclosure requirements? What costs associated with that can market participants expect to have to incur?

**Mr. Robert Sample:** That's a good question. I don't have an empirical number on the cost of the burden, whether it is for provincial securities commissions or OSFI, and how much will go into that. In the context of OSFI, they would look at it as risks to the institution that the institution should be mindful of and proactively monitoring and mitigating. Reporting is part of the transparency they put into their guideline that was passed earlier this week.

**Mr. Adam Chambers:** You mentioned OSFI. Is OSFI consulting with Finance on changing capital requirements for borrowers in high-emitting sectors?

**Mr. Robert Sample:** The Office of the Superintendent of Financial Institutions is an independent agency that regulates federally regulated financial institutions. As OSFI does develop and elaborate on guidelines, it has a committee with the Bank of Canada, the Department of Finance, the deposit insurer and the consumer affairs commissioner where feedback can be provided.

I believe what OSFI's guideline, which was published earlier this week, elaborated on the most was governance and disclosure. I think perhaps there's more work to come on capital. That's best pointed in the direction of OSFI for an answer.

**Mr. Adam Chambers:** In OSFI's mandate, are they getting at this on a risk basis? I mean, realistically, what does OSFI have to do with telling a financial institution that they have to hold more capital against a borrower in a particular industry?

**Mr. Robert Sample:** That's a good question. Again, that would likely be best positioned with a representative from OSFI. They have opined on that publicly in terms of how they see climate risk impacting financial institutions. They see it as a stability issue to be assessed, monitored and mitigated with financial institutions. They do have public material on that.

• (1140)

**Mr. Adam Chambers:** Mr. Chair, I think it would be of benefit if we had OSFI here. They've come up a number of times. Perhaps they could be put on the list as a takeaway for later.

**Mrs. Sophie Chatel:** They are.

**Mr. Adam Chambers:** That's excellent.

What's China doing in this space?

**Mr. Robert Sample:** In green transition—

**Mr. Adam Chambers:** I mean in green finance. Are they doing any of this?

**Mr. Robert Sample:** I don't have the specifics on hand with me today, although they are a member of the G20 and will be reporting on their progress publicly against a road map that a G20 group has set out on disclosure and other elements of market infrastructure.

**Mr. Adam Chambers:** If they choose to do their own thing or not participate in some of the global standards, it's not going to matter what Canada does from a pollution perspective or getting to net zero. If they and other large emitters, like Russia, Brazil... Canada is going to incur a lot of costs, potentially, for not really doing much work on pollution reduction.

**The Chair:** Thank you, MP Chambers. That's the time.

We're moving to the Liberals and MP Baker.



**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thanks very much. I will cede my time to Madame Chatel.

**The Chair:** Go ahead, Madame Chatel.

[Translation]

**Mrs. Sophie Chatel:** Thank you very much.

Mr. Chambers' question is important. However, I see its opposite side, in a way. In fact, the G20 and all the finance ministers who are part of it have made it clear that it is only a matter of time. At some point, we are all going to require financial institutions to make their portfolios net zero. In Europe, some banks have already made that transition or have an action plan to do so.

In this world, the G20 world, financial institutions in Europe, China and other countries are saying they are going to have a net-zero portfolio. What would be the consequences for Canada of not having worked, as you are, to put the infrastructure, information and standards in place to be ready to deal with this issue and succeed in this economy and financial market?

[English]

**Mr. Robert Sample:** I think I'll answer it in a slightly different way. I believe that in the guideline OSFI released earlier this week, a transition plan is a requirement of a financial institution. I can't speak to whether that's similar to or dissimilar from what the expectation would be in Europe, but that is already occurring. Factually, that will be a requirement of federally regulated financial institutions.

[Translation]

**Mrs. Sophie Chatel:** So this is already happening. I thought we had more time, but you are saying that we do not. The requirement to have a transition plan to a net-zero portfolio is already being established. We are following Europe, China and the G20 countries.

To answer my Conservative colleagues, I could say that the cost to be considered is not the cost of putting all of this in place, but the cost of doing nothing, which would be catastrophic for Canada. That is my understanding.

You pointed out earlier that the 2022 budget included new funding for the Montreal office of the International Sustainability Standards Board. That's a major development. So there is a centre in Canada—in this case in Montreal—that is working to create international standards to define what sustainable finance is.

We were talking about taxonomy earlier. What is important is to have an international standard.

Why is it so important?

• (1145)

[English]

**Mr. Robert Sample:** One element—and I think I've mentioned this already—is that having a global baseline that countries can look to and adapt or tailor with their specific jurisdictional considerations is very helpful, particularly for multinational companies that might have regulatory requirements across more than just Canada, the United States, Europe or Asia. With such a global baseline, there can be harmonization, to the extent possible, of disclosure standards, for example.

Just to clarify, my understanding at present with the ISSB is that it's focused on climate disclosure reporting. I think that's what the initial focus is on. It's going to be publishing the final global baseline or benchmark for reporting standards later on in 2023.

[Translation]

**Mrs. Sophie Chatel:** Did you know that the Desjardins Group is already moving forward with an action plan to achieve net-zero emissions?

What impact will the decisions of the G20, countries and major banks of international institutions have on Canadian small and medium-sized businesses with respect to the transition to new net-zero portfolios?

[English]

**The Chair:** Please give us a very short answer.

**Mr. Robert Sample:** Generally speaking, the requirements require scope 1, scope 2 and scope 3 reporting. There's a value chain dimension to scope 3 reporting such that if you're one who inputs into the production of various economic activities or products, that's important to take into account.

As it's being set out, there will be a need for smaller and medium-sized industry to report that type of information. I think there is a recognition, however, that for smaller and medium-sized entities to report that information, they'd need to be on the same scale as a large company or financial institution, so there will need to be some tailoring of those regulatory standards.

**The Chair:** Thank you, MP Chatel.

We will go over to the Bloc. I see that MP Ste-Marie is here, but MP Garon for the Bloc has some questions.

Go ahead, for two and a half minutes.

[Translation]

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

I very much appreciated my colleague Ms. Chatel's pointing out that Montreal today occupies an important place in setting international standards. However, she forgot to say that, once Quebec becomes independent, it will obviously be Quebec that can shine internationally by providing a tremendous amount of expertise.

In the meantime, I have another question on another topic.

In 2020, the Bank for International Settlements, in one of its studies, reported a significant concentration of so-called “zombie” firms, which are declining in the mining and fossil fuel sectors. However, banks may be inclined to inject more and more capital into these firms to avoid having to get them off the books, to avoid having loss provisions. I know this is complex, but it may be a behaviour that we would potentially want to regulate.

Is the Department of Finance carrying out an assessment here in Canada on the significance of this phenomenon—that is, the amount of resources that are being reinvested by banks in these firms and the risk that the concentration of zombie firms in the oil or mining sector may pose to our financial system?

Have you worked on this? Do you know what the state of the Canadian situation is in this regard?

If the answer is yes, could you submit to the committee information on what has been done in the department?

• (1150)

[English]

**Mr. Robert Sample:** Neither Matt nor I has personally worked on that type of analysis. I might point you to the Office of the Superintendent of Financial Institutions and the Bank of Canada from two perspectives. One, they have done some pilot work on climate risk scenario analysis, something that's there to help build out how institutions model and assess risk—

[Translation]

**Mr. Jean-Denis Garon:** I am aware of that. My question was about the concentration of zombie firms.

[English]

**Mr. Robert Sample:** On the second part, another reason I point you in the direction of OSFI is that understanding client risk and counterparty risk will be very important for financial institutions, banks, insurance companies and so on. I imagine it would be part of the risk analysis that OSFI will be expecting for financial institutions.

**The Chair:** Thank you, MP Garon.

We will move now to the NDP.

MP Blaikie, you have two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Historically, the financial sector doesn't have a great track record of prioritizing decarbonization projects. They're not experts in decarbonization. They are experts in finance.

In terms of the advisory bodies for the minister, or for OSFI for that matter, they will provide advice on the metrics and the transparency requirements for financial institutions and companies to report on to evaluate whether they have a net-zero portfolio. Who sits on the advisory committees that are outside the financial sector and have expertise on the science of decarbonization?

**Mr. Matthew Boldt:** The SFAC has consulted. I hear the point you're making that this is the financial sector and it is composed of financial institutions, but they have done outreach with groups outside the financial sector. You can see—

**Mr. Daniel Blaikie:** I do hear that, but it seems to me that it's a different level of engagement—and frankly a different level of opportunity for education on the part of those in the financial sector who are going to be providing advice on this—to have people at the table who, as part of their deliberations and the decision-making process, will have input on what those standards ultimately are.

It seems to be a big miss not to have some voices at the table who have that as their background. It's not because the financial expertise isn't required, but it seems odd to me that people with only financial expertise would be the decision-makers and that there wouldn't be other voices welcomed into that decision-making process.

**Mr. Matthew Boldt:** I understand that members of the SFAC may be called to this committee, so they could elaborate on this. The taxonomy report that we spoke about earlier has been published on the Government of Canada website. The SFAC submitted it to the ministers, and they had a lot of input from the Canadian Climate Institute in developing that report. The Canadian Climate Institute provided some of the scientific expertise that I think you are referencing.

I think it's a very important point. In their recommendations, I think they are trying to put out there that if a taxonomy were implemented, there would need to be other people in the governance of that structure. It could not be just FIs. I think that is one of their recommendations, but they could elaborate on that.

**The Chair:** Thank you, MP Blaikie.

We will now go to the Conservatives.

MP Hallan, you have five minutes.

**Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC):** Thank you, Mr. Chair.

I want to use my time, before I pass it over to Mr. Chambers, to give a notice of motion at the public meeting of the finance committee. It reads as follows:

That given interest rates are at the highest levels since the 2008 recession and mortgages have significantly increased since 2015, the Standing Committee on Finance undertake a study on the impact of inflation and interest rates on mortgages in Canada. And that the study includes, but is not limited to, the increase in the number of mortgages hitting their trigger rate and the number of mortgages that have had their amortization period increased beyond 25 years. That the committee include in its witness list the Canadian Mortgage and Housing Corporation, the Office of the Superintendent of Financial Institutions, and representatives from the "Big 6" Canadian banks. That the committee take no less than 4 meetings for this study, and that the Committee report its findings to the House.

I think this study is very important given the climate of the economy today. We have seen how housing and mortgages have become more unaffordable than ever for Canadians. I hear first-hand from Canadians about the pain they are facing because of rising interest rates and inflation brought on by out-of-control spending by the government, with single mothers unable to make rising mortgage payments, first-time homeowners having their mortgages hitting their trigger rates and the dream of home ownership out of reach for so many young people. We see people making tough decisions on whether they pay for shelter or for food. One in five Canadians is starting to skip meals.

Recently, we also heard from banks such as RBC and CIBC that 20% of their mortgages are at a point where the borrowers' monthly payments are not even covering interest costs. We also know now that mortgages are being extended beyond 25-year amortization periods, with questions about the effect this will have on borrowers and the mortgage market.

All of this is concerning for homeowners and future homeowners. That is why I'm giving notice of this important motion today.

Thank you.

● (1155)

**The Chair:** Thank you, MP Hallan.

You still have three minutes left. They go to MP Chambers.

**Mr. Adam Chambers:** Thank you, Mr. Chair.

I wanted to talk about nomenclature. In the G20 discussions, is there talk about defining ESG and the certifications? It's an unregulated moniker that's tossed around a lot. Is there international discussion about how to get control over the term "ESG" or what it means to be green?

**Mr. Matthew Boldt:** I can take a quick stab at that and say that the G20 sustainable finance working group has been primarily focused on climate over the last couple of years. That group is co-chaired by the U.S. Treasury and by the People's Bank of China. It has been elevated to a working group since 2020. It's been focused on climate.

India has the presidency of the G20 right now. They are interested in broadening the discussion to be a bit less specifically focused on climate and more focused on some of the other sustainable development goals.

I don't know if that directly answers your question. That is the direction the G20 is going in right now.

**Mr. Adam Chambers:** Thank you.

I think the challenge people have is this notion that greenwashing happens. You slap the ESG moniker on something....

BlackRock introduced what I think they call a U.S. carbon transition readiness ETF product. They called it "ESG" and raised \$1.25 billion in a single day, which is a record. Guess what the top three holdings are of that fund. They're ExxonMobil, Chevron and ConocoPhillips. For the top ESG fund managers in the year 2020-21 in the U.K., the top financial fund managers who manage ESG assets, guess what the top fund managers' top holdings were. They were ExxonMobil, ConocoPhillips, Valiant and Shell.

There is zero consistency or regulation with respect to using the terms "green" and "sustainable". In some cases, they're used much more as a marketing scheme than they are realistically.... That's something else I'm interested in.

I think that's my time, Mr. Chair.

**The Chair:** Thank you, MP Chambers.

We are going now to MP Dzerowicz, who is with us virtually.

MP Dzerowicz, you have five minutes, please. You'll be our last questioner.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thank you so much.

I want to say a huge thank you to Mr. Sample and Mr. Boldt for joining us today and for being part of the first part of this very important study.

The creation of the Canadian sustainable finance action council was one of the 15 recommendations made in the sustainable finance report that was put out in 2019 and is part of recommendation number 3. What it indicated was that there should be a Canadian sustainable finance action council created "to advise and assist the federal government in implementing the Panel's recommendations".

I know you've indicated that SFAC is helping to create the framework around a mandatory climate reporting. I want to know what role, if any, SFAC will have in implementing any of the other 14 recommendations?

● (1200)

**Mr. Matthew Boldt:** I think you're referring to the expert panel on sustainable finance, which had delivered a report to the Minister of Finance and the Minister of Environment and Climate Change in 2019.

**Ms. Julie Dzerowicz:** Yes.

**Mr. Matthew Boldt:** You're correct that the report included a wide range of recommendations. I think there were 15 recommendations, and you're correct that one recommendation was to create a sustainable finance action council.

There were a number of other recommendations in there that related to what we've been talking about here today: the creation of financial market infrastructure to support the growth of a sustainable finance market. Climate disclosures, green and transition investment standards, climate data—those were areas on which the expert panel had recommendations. Those are areas that are in the core mandate of the sustainable finance action council.

I would add that some of the other expert panel recommendations went beyond financial market infrastructure and went into what I might call sectoral policy areas such as infrastructure, electricity and clean technology. Those areas, I think Robert and I would say, are a bit beyond our expertise. Those are getting into broader economic policy.

In budget 2022, the government did add an element to SFAC's mandate, which is to look at net-zero capital allocation strategies. I think in doing this work, the SFAC is going to look at some of those financial sectors and ask how they can mobilize capital into infrastructure and how they can mobilize capital into electricity. It will get into that a bit, but some of those expert panel recommendations are a bit broader.

I think the expert panel also recommended that Canada map its economic plan to net zero. That was a very broad recommendation that is probably more in the ambit of the net-zero advisory body I mentioned a bit earlier.

**Ms. Julie Dzerowicz:** I appreciate that. I was actually going to go there next, Mr. Boldt.

We're going to move forward on this topic, so I'd be grateful, just for written purposes since I don't have time to go to each recommendation, if you could submit to this committee which of the 15 recommendations are actually being implemented by SFAC or the finance team broadly. That would be helpful.

The first recommendation I was going to get to—and you ended on it—was about mapping Canada's long-term path to a low-emissions climate-smart economy sector by sector, with an associated capital plan. Is anyone within government looking at that and doing that? It might not be your department, but do you know of anyone who's taken that on?

**Mr. Matthew Boldt:** I think that question on the broad economic plan, the sector-by-sector plan to net zero, would be best addressed to the environment and climate change ministry.

**Ms. Julie Dzerowicz:** Okay. Thank you so much.

I think I have 10 seconds left, so I just want to say thank you so much for your excellent contribution today.

**The Chair:** Thank you, MP Dzerowicz.

We want to thank our officials. Thank you for your testimony and for appearing before the committee for this study, Mr. Boldt and Mr. Sample. We really appreciate it.

Members, you will have received members' budgets for this committee. I just want to see if we can have approval for those.

● (1205)

**Mr. Adam Chambers:** Is there travel in them?

**The Chair:** There's no travel, MP Chambers.

(Motion agreed to [*See Minutes of Proceedings*])

**The Chair:** Thank you, everybody. We're going to adjourn the meeting at this time.

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