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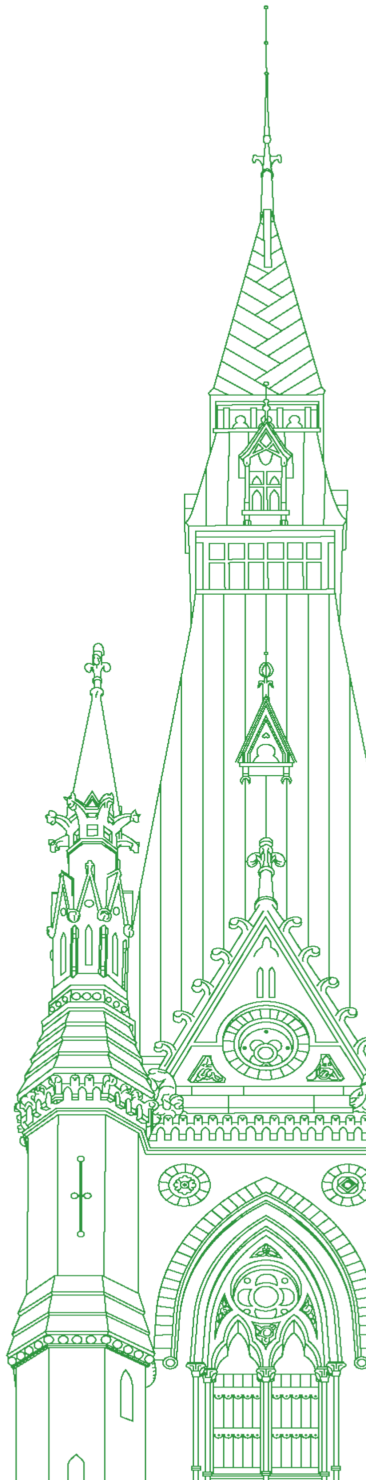

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Tuesday, June 13, 2023

• (1100)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 96 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, March 7, 2023, the committee is meeting to discuss the current state of play on green finance, green investment, transition finance and transparency, standards and taxonomy.

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'd 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, and please mute your mike when you are not speaking.

With regard to interpretation for those on Zoom, there is the choice at the bottom of your screen of floor, English or French. Those in the room can use the earpiece and select the desired channel.

I will remind you that all comments should be addressed through the chair. Members in the room, if you wish to speak, please raise your hand. Members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

I'd like to welcome our witnesses.

With us today, we have, as an individual, the president and chief executive officer of University Pension Plan Ontario, Barbara Zvan.

From Environmental Defence Canada, we have Julie Segal, senior program manager, climate finance.

From Greenpeace Canada, we have with us Keith Stewart, senior energy strategist.

From the Sustainable Finance Action Council, we have the chair, Kathy Bardswick, with us.

Finally, from RealClear Foundation, we have Rupert Darwall, senior fellow.

Welcome to all our witnesses. We are going to start off by allowing you to provide your opening remarks to the members before we move to questions.

We'll start with Ms. Barbara Zvan, please.

Ms. Barbara Zvan (President and Chief Executive Officer, University Pension Plan, Ontario, As an Individual): Hello, everyone. My name is Barb Zvan. I'm the president and CEO of University Pension Plan. I chair the Sustainable Finance Action Council's taxonomy technical experts group and I was a member of Canada's Expert Panel on Sustainable Finance.

I previously appeared before this committee to speak about your February 2020 report, “Canadian Ideas: Leveraging our Strengths”, which contained 92 recommendations, the first of which was: “Adopt the recommendations of the Expert Panel on Sustainable Finance that are within federal jurisdiction and support other jurisdictions and the private sector to do the same.”

The expert panel's recommendations included establishing the Sustainable Finance Action Council and bringing together key stakeholders to develop Canadian green and transition taxonomies. As we noted in 2019, without the essential building blocks “market development and investment in this field will continue to lag, and sustainable finance will remain an add-on to mainstream capital market activities.”

Today, I'm here as a representative of the finance community to talk about the urgent need for Canada to implement a green and transition taxonomy and the immense economic risk of failing to finance the transition to a resilient, net-zero world.

I want to start off with a big number: $115 billion. That is the size of the annual investment gap that Canada has to fill in order to deliver on its net-zero transition commitments, according to data provided by the Sustainable Finance Action Council secretariat and confirmed in last year's budget.

So where do we find $115 billion each year? The government alone cannot meet this need. Domestic financial players cannot do it alone. We need to attract private investors from within Canada and from abroad who are eager to fund projects that are compatible with net-zero goals.

The interest and the demand is there, as evidenced by the growth of products like green bonds, but we must provide urgent clarity and guidance about Canada's transition in order to accelerate the flow of capital to support it and in turn create new, well-paying jobs and grow Canada's economy.

Now the playbook for this already exists. Around the world there are more than 30 taxonomies already in place or under development, generally focused solely on green activities, each customized to a specific country or region in order to link global capital markets with their respective net-zero pathway. A Canadian taxonomy would foster investor confidence and support the growth of Canada's sustainable finance market. This is critical to ensuring Canadian companies have access to a reliable source of capital over time to support credible net-zero transition plans and new economic opportunities.

The federal government has had the Sustainable Finance Action Council's green and transition taxonomy road map report since November 2022. The report not only provides guidance on standardizing classification of green activities, an important step to mitigate greenwashing, but unique to Canada, it also includes a transition classification, which is crucial for decarbonizing emission-intensive activities and securing Canada's economic competitiveness in a global low-carbon transition.

This transition category includes decarbonizing fossil fuel production in a credible and impactful way. Inclusion of the transition category has received global attention with nations like Australia following suit, and Sean Kidney, CEO of the Climate Bonds Initiative, an international NGO working to mobilize capital for climate action, described SFAC's proposal of a transition category as an example for other nations.

As other nations move forward with the frameworks to mobilize capital, Canada is being left behind. Businesses and investors are prepared to invest now in whichever country or region offers not only the best opportunities but also clarity that the investment will be aligned with the country's net-zero transition. Canada cannot afford to be left behind. Canada cannot afford to have other regions define transition without us or for us.

I thank the committee for its time and look forward to answering your questions.

● (1105)

The Chair: Thank you, Ms. Zvan.

Now we'll move to Ms. Julie Segal, please.

Ms. Julie Segal (Senior Manager, Climate Finance, Environmental Defence Canada): Good morning. Thank you for inviting me to appear.

My name is Julie Segal and I lead a climate finance policy program at Environmental Defence Canada. I am an author of a policy road map to a sustainable financial system in Canada, which we published last November. I also contributed key public input about the draft sustainable taxonomy and on the climate-aligned finance act that is currently in the Senate.

Thousands of companies, banks and pension funds, including all of Canada's big banks and about 60% of the largest companies globally, have committed voluntarily to reaching net-zero emissions. Of that group, only 4% have delivered basic requirements for meeting their own commitments, like publishing a plan or setting short-term, interim targets. This means the majority of groups are not showing progress on their own commitments to reduce emissions. They recognize that the action is important, but they have not demonstrated action.

If groups have promised to do something important but the majority are not delivering on it, green finance policy should come in to set it on track.

For consistency with Canadian climate commitments under the Canadian Net-Zero Emissions Accountability Act and under the global Paris Agreement, rules to align the financial sector with climate commitments are important. Other sectors of the Canadian economy are under rules to reduce emissions. Complementary direction is needed for the financial sector, above just the existing incentives, to mobilize green investment.

Climate finance rules are also important to remain consistent with global allies. I would invite you to focus on the U.K. and the EU, which have mandates for a net-zero financial system and have rules in place directly for the financial sector to advance action on climate commitments. The EU sustainable finance laws already affect over 1,300 Canadian companies, so getting in line with the global trajectory makes sense for Canada. That requires specific climate finance policy.

Recognizing this, I'm very glad to see the finance committee hosting this study. The recent motion that was tabled stating that the government should use all legislative and regulatory tools at its disposal to align Canada's financial system with the Paris Agreement is a step very much in the right direction. That was tabled in the House. I'm thrilled by the multi-party support for this motion and commend many of you and your colleagues who seconded it.

I'll outline a few specific policy measures this Parliament can take to deliver on that motion.

First, a sustainable finance taxonomy should be brought into law. Its categories and parameters must be based on what's scientifically required to keep global warming below 1.5°C. We support the next step of a much broader consultation for a taxonomy, with input from climate experts, including civil society. Most importantly we support bringing the final product into regulation and linking it to disclosure requirements, like in the EU.

A transition definition is a tricky endeavour. We support introducing one. Sectors like steel and cement have high emissions today, but create materials that are important for a low-emissions economy. I would highlight that carbon capture for oil and gas activities should not fall under the sustainable transition label.

Second, we suggest requiring credible climate transition plans for all federally regulated financial institutions, companies and Crown corporations. A credible climate transition plan means following the pathway of what is scientifically required to keep warming below 1.5°C, which means ensuring that each institution's emissions peak by 2025 and decline by half by 2030. That's the requirement for a credible climate transition plan.

Regulation can deliver these credible climate transition plan requirements across the Canadian economy. Corporate transition plans can be required through the Canada Business Corporations Act. The Crown corporations can be directed under the Canadian Net-Zero Emissions Accountability Act. For federally regulated financial institutions, we have had positive conversations with OSFI in an ongoing working relationship. It is our opinion that they can advance credible climate transition plans for federally regulated financial institutions.

Canada experienced over $5 trillion in insurable losses in the past two years. Looking forward, over $100 billion of Canadian assets are at risk of nosediving in value due to financial institutions moving too slowly on the climate transition.

● (1110)

The best way to reduce these climate-related financial losses is to reduce climate change. Requiring credible climate transition plans across the financial sector is a very important way to do that. To build an affordable economy for people across Canada and a climate that is safe from disasters like the wildfires currently happening in every single one of our provinces, a climate-aligned financial system is key.

I encourage all of you to enact policies that ensure that federally regulated financial institutions reduce emissions and build resilience to climate change.

The Chair: Thank you, Ms. Segal.

Now we'll hear from Greenpeace Canada and Mr. Keith Stewart, please.

Mr. Keith Stewart (Senior Energy Strategist, Greenpeace Canada): Thank you for the opportunity to speak with you today.

My name is Keith Stewart, and I'm a senior energy strategist with Greenpeace Canada. I'm also a sessional lecturer at the University of Toronto, where I teach a course on energy and environmental policy.

While green finance and taxonomies may seem like particularly arcane areas of policy, they are incredibly important in the current moment. Finance is the lifeblood of the fossil fuel industry, and where there is this kind of money and power in play, there are going to be politics. That's the way the world works.

In my time today, I would like to highlight how we cannot understand the current state of play of green finance independently of some those politics.

Last week, Greenpeace Canada published a report entitled "What to do about Canadian banks 'quiet quitting' their climate commitments?" Copies have been circulated to the committee.

When I first started working on it, it was focused on how Canada's big five banks weren't meeting the UN's science-based net-zero criteria. This was in spite of the fact that they are members of the Glasgow Financial Alliance for Net Zero, whose membership criteria were set by the United Nations. They have a program called Race to Zero, which sets criteria for a number of these types of voluntary initiatives by municipalities, corporations, banks and investors. Those criteria included an immediate end to the funding of fossil fuel expansion projects and cutting financed emissions in half by 2030.

That is a steep hill for Canadian banks to climb. Their support for fossil fuels has, in fact, been growing since the Paris Agreement was signed. Last year, RBC was the largest funder among global banks of fossil fuels in the entire world. The other four big banks all made it into the top 15 of global banks. Collectively, Canada's big five banks' share of fossil fuel funding among the 60 largest banks in the world went from 14% in 2016 to over 20% in 2022. In fact, we're playing a bigger role globally in the funding of fossil fuels than we used to.

The UN was taking a hard line against this kind of what it called greenwashing and gave GFANZ members until June 15, 2023—two days from now—to meet the UN criteria or risk getting kicked out of the Race to Zero initiative, so the banks quit quietly.

Last October, GFANZ changed its membership criteria from "all GFANZ members must align with the Race to Zero criteria" to they must "take note of the advice and guidance of...the Race to Zero." In other words, big-money players can now do whatever they want and call it net zero without an overarching bar they have to meet.

The rationale for this change was the threat from Republican politicians and some state governments in the United States to sue GFANZ members under antitrust legislation for colluding against fossil fuels. To be clear, these politicians aren't using antitrust laws to go after the tech giants or drug manufacturers for abusing market power, but they are targeting banks and investment managers for potentially dialling back their investments in fossil fuels.

There may be a temptation to say, "Oh, this is just those crazy American culture wars." That would be naive.

When the New York Times reviewed over 10,000 pages of documents and emails related to the rise of the anti-ESG movement, they found that it was the oil, coal and gas companies and their industry associations that had weaponized—a New York Times word, not mine—Republican state treasurers against fossil fuel divestment. In many cases, it was the same organizations, like the Heartland Institute, that were at the core of earlier climate denial campaigns and are now leading the charge against ESG and green finance.

Indeed, the campaign against green finance is best understood as the latest incarnation of climate denial. It is a well-funded, coordinated campaign to defend the interests and profits of the fossil fuel industry by delaying the transition to clean energy. We should not, however, fall for this particular bag of tricks again.

I would like to suggest to you that in painting voluntary net-zero commitments as collusion, the fossil fuel lobby has overplayed its hand. It's laid bare the limitations of industry self-regulation.

● (1115)

If an initiative like GFANZ actually changes "business as usual" in a significant way, members will be sued for collusion—half the insurance companies that are members of GFANZ have quit over these concerns—and yet you can't be accused of collusion for meeting regulatory requirements. The only viable path forward at this moment is for governments to set and enforce clear rules that will align private finance with our climate commitments. The banks won't like it, but the public does. According to polling undertaken by Greenpeace Canada, 70% of Canadians support regulation to align finance with our climate commitments.

In our recent report, we point to the work of my colleague, Julie Segal, from Environmental Defence on how to begin that process under existing legislation. We also point to how we can deepen it via legislation like that proposed by Senator Rosa Galvez.

The Chair: Mr. Stewart, you have to wrap up, please.

Mr. Keith Stewart: Okay.

We were particularly heartened to see the recent cross-party support for using every legislative and regulatory tool at its disposal. We hope we can get on with the job.

Thank you.

The Chair: Thank you, Mr. Stewart. There will be a lot of time to expand on that during questions from members.

We move now to the Sustainable Finance Action Council and Kathy Bardswick, please.

● (1120)

Ms. Kathy Bardswick (Chair, Sustainable Finance Action Council): Thank you for this opportunity to present.

I'm speaking today in my capacity as chair of the Sustainable Finance Action Council, which I will refer to as SFAC going forward. I have almost 40 years of experience working in both the domestic and international insurance industry helping individuals, businesses and governments assess and manage risk. It's through this lens that I have come to appreciate the undeniable challenges and opportunities the changing climate is creating.

I applaud this committee for its consideration of the state of sustainable finance in Canada, with, I anticipate, a resulting commitment to take additional action where warranted. I also applaud the federal government for implementing a key recommendation from the expert panel report on sustainable finance in establishing SFAC. I trust that these two actions are indications of our shared desire to execute a vision for Canada that defines the prosperous role our country has played and will continue to play as the world decarbonizes, recognizing that the successful execution of that vision now demands collaboration and levels of co-operation not seen previously.

SFAC is one such collaboration. First, it formally brought together 25 financial institutions representing investors, lenders and insurers, a unique opportunity to align perspectives across subsectors of the private financial system. This has proven to be invaluable in aligning an understanding of and support for critically important roles that private finance must play to achieve Canada's economic objectives.

Second, it brought together federal, provincial and territorial finance leadership to a shared table, working alongside SFAC through the official sector coordinating group, allowing mutually beneficial understanding and support of each other's objectives.

Third, it has provided extensive opportunities to engage a much larger list of stakeholders, in both Canada and internationally, as SFAC works to fulfill its mandate. This list includes industry, civil society and academia in addition to the international outreach and collaborations that we have been leveraging.

Finally, the work we have delivered to date is impactful, strongly endorsed by a very significant share of the private financial system in this country and deserving of further action.

You heard from my colleague, Barbara Zvan, whose comments were focused on a more in-depth review of the critically important role of taxonomies in economies around the world and the critical importance of establishing and implementing a taxonomy in Canada. You have also heard from international voices outlining a call to action for Canada to continue, and in some respects increase, its influence in global discourse.

SFAC's other work streams have outlined the additional need for progress on climate disclosure within the public and private markets, aligned with international developments, in a report delivered to government in early February. Our current work includes identifying how to increase the flow of private capital to Canadian transition investment through a series of case studies focused on selected sectors and designed to identify high-priority recommendations to remove barriers. We expect to complete this report by the end of the year.

All of this and more is needed if we want to strengthen Canada's sustainable finance capacity and ensure that we attract the necessary increased levels of domestic and international capital to continue to prosper economically as the world transitions. It is truly gratifying to witness the commitment and contribution from our SFAC members these past two years towards a shared goal of helping Canada prosper in the years ahead. Council members have provided significant leadership, time and resources to the tasks at hand. It is my sincere hope that these efforts will be met by a continued high level of collaboration from policy-makers to advance this essential work.

Thank you, Mr. Chair.

The Chair: Thank you, Ms. Bardswick.

Now we go to the Realclear Foundation. We have Mr. Rupert Darwall.

Mr. Rupert Darwall (Senior Fellow, Realclear Foundation): I'm Rupert Darwall from the Realclear Foundation. [*Technical difficulty—Editor*]

The Chair: Mr. Darwall, I think you just froze on us.

We will try to bring him back. We're going to reach out to Mr. Darwall to see if we can take care of this quickly.

Right now, members, not to lose any time with our great witnesses we have, we're going to move right to the rounds of questions.

In the first round—

● (1125)

Mr. Rupert Darwall: Mr. Chair, I'm sorry. Zoom just collapsed on me. If you have a moment, can I—

The Chair: Can you hear us?

Mr. Rupert Darwall: Yes, I can hear you rather clearly, Mr. Chairman.

The Chair: Okay, the floor is yours. Go ahead, Mr. Darwall.

Mr. Rupert Darwall: Thank you very much, sir.

Financing the energy transition can be broken down into two capital flows: increased capital into renewable energy generation and capital outflows from sharply reduced investment in the oil and gas sector. Much of the purpose of transparency and disclosure of climate-related metrics is with a view to influencing these two flows. As Mr. Mark Carney has put it, "What gets measured gets managed. That's why reporting climate-related financial info is critical if we are to achieve #netzero."

Although the inflow of capital into renewable energy does not depend on the outflow of capital from the oil and gas sector, this capital outflow is seen by many as a key component of the energy transition.

If I may, I'd like to confine my comments to the second of these; that is, the curtailing of investment in oil and gas output.

This view was given added authority in May 2021 when the International Energy Agency published "Net Zero by 2050: A Roadmap for the Global Energy Sector". Its headline statement was "no fossil fuel exploration is required [in the net-zero scenario] and no new oil and...gas fields are required beyond those that have already been approved for development."

The timing of this statement was strategic in that it occurred in the run-up to the delayed Glasgow COP26 climate conference. If that conference was about anything, it was about finance. That conference, as we know, saw the formation of the Glasgow Financial Alliance for Net Zero. As Rishi Sunak, who was then chancellor of the exchequer, explained, the Glasgow Financial Alliance for Net Zero is about bringing together "financial...assets worth over $130 trillion of capital". He went on to say, "So our third action is to rewire the entire global financial system for net zero."

This raises an important philosophical or, perhaps, ideological question, as it implies the socialization of private savings and the deployment of private capital for public policy ends. One way around this has been to claim there is no conflict or tension between delivering public policy goals and fiduciaries' duties to maximize risk-adjusted returns for beneficiaries, because ESG investing delivers higher returns. As Wall Street has it, "doing well by doing good".

However nice-sounding this might be, it does, however, conflict with modern portfolio theory; and earlier this year it was rejected by Tim Buckley, the chief executive of Vanguard, the world's second-largest asset manager. Buckley's words were matched by action. Vanguard also quit the net-zero asset managers initiative, part of GFANZ.

In the case of ESG investors taking up the IEA's view of no investment in new oil and gas fields, we don't have to decide that philosophical question, for the reason I will now explain.

The first thing to understand is that the IEA's view on no investment in new oil and gas fields derives from its assumption that the superiority of renewable energy reduces the demand for oil and natural gas. This assumption is reflected in the IEA's net-zero forecast of low and falling oil and gas prices. To be clear, the IEA did not advocate a path to net zero based on constraining the output of oil and gas and destroying demand through stratospheric price increases. Yet, data in the IEA net-zero pathway demonstrates the inferiority and the inefficiency of renewable energy as substitutes for oil and gas.

By 2030, the IEA says the energy transition will be employing nearly 25 million more workers and using an extra $16.5 trillion of capital to produce 7% less energy. The inefficiency of the energy transition implies a fall of 33% in energy output per employee in the energy sector—more land, labour and capital to produce less. This is the antithesis of growth economics. Indeed, the IEA's own analysis contradicts its presumption of the economic superiority of renewable energy.

● (1130)

In 2022, the IEA issued a warning in its "World Energy Outlook" that cutting the supply of oil and gas is not a substitute for cutting demand. It says:

> Reducing fossil fuel investment in advance of, or instead of, policy action and clean energy investment to reduce energy demand would not lead to the same outcomes as in the NZE Scenario. If supply were to transition faster than demand, with a drop in fossil fuel investment preceding a surge in clean energy technologies, this would lead to much higher prices—possibly for a prolonged period—

The Chair: Mr. Darwall, you'll have to wrap up.

Mr. Rupert Darwall: Yes.

This leaves, I would suggest, very little for ESG investors with respect to oil and gas companies, as their only lever is to embargo capital investment in new oil and gas fields.

Thank you for your indulgence.

The Chair: Thank you, Mr. Darwall.

Thank you to all our witnesses for their opening remarks.

We're going now to members' questions. In the first round of questions, each party will have up to six minutes to ask you questions. We're starting with the Conservatives.

MP Morantz, you have six minutes, please.

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

Thank you to all the witnesses who are here today. We've had a number of meetings on the issue of green finance. It's been very, very interesting, I have to say.

I want to direct my first question to you, Ms. Zvan. You are the president and the CEO of the Ontario University Pension Plan. On your website, it says that the stated purpose of the UPP is investing in economic activities that contribute substantially to reducing greenhouse gas emissions or adapting to climate change.

I guess what I'm trying to get straight in my mind is that, in terms of a person who is managing a pension fund, normally your main goal is to maximize returns for the investors in that plan. After all, this is their pension. What I'm wondering about is if you have any data with respect to the economic activities you're investing in as to whether or not they provide an equivalent return on investment to assets that wouldn't be defined in that way.

Ms. Barbara Zvan: If we back up for the purpose of UPP, we provide pensions. We are a fiduciary to our members, including probably Keith here. Our goal is to provide return on a risk-adjusted basis to meet our pension liabilities. It is with that lens that we view many factors, including environmental, social and governance. There is well-stated documentation and research out of Stern School of Business, Harvard and Oxford, that when you include material ESG elements—not immaterial but material ESG elements—they improve your risk-return outcomes. It's that lens we bring to the university pension plan's portfolio.

We believe that it makes us better investors and better risk managers, and it leads us to think forward, since we are, really, generational investors. We are investing for 80 years, from a time a member joins our plan to the time we make their last pension cheque.

Mr. Marty Morantz: Aside from those studies, has it been borne out in practice that these investments are equivalent to or better than investments that don't meet the definition?

Ms. Barbara Zvan: I have about 25 years, prior to my role at the University Pension Plan, at the Ontario Teachers' Pension Plan as the chief risk and strategy officer. I probably participated in every investment committee during my career there. It is a factor in many investments when you think about the duration for which you invest in private assets, particularly long-term ones. They are factors that you consider going in, environmental, social and governance.

I will point you to some of the latest news that are public in terms of Blackstone and its investment in using child labour in the U.S.—

Mr. Marty Morantz: I'm sorry. I have fairly limited time. It should be a fairly straightforward answer.

I just want to know if the investments in the activities that you describe as economic activities that contribute substantially to reducing greenhouse gas emissions have a return on investment similar to or greater than investments that don't. Just a very quick answer, and—

● (1135)

Ms. Barbara Zvan: Absolutely.

Mr. Marty Morantz: —if you don't know, you can say so. If it's yes, you can say yes.

Ms. Barbara Zvan: Yes, absolutely.

Mr. Marty Morantz: Mr. Darwall, you seem to have, I think, a different perspective on this. In your article from last year, December 2022, you called 2022 the year that brought "ESG investing down to earth" and pointed out major sectoral losses. Do you concur with Ms. Zvan's experience when she says these investments have equal to or greater return, or is the empirical evidence different from that?

Mr. Rupert Darwall: I would just say that her qualification of what is material is doing a lot of work because material is something that shifts over time.

I would also point the committee to Tim Buckley, chief executive officer of Vanguard, who expressly rejected the view now being advanced by your colleague.

Mr. Marty Morantz: You went on to say that by restricting investment and production of oil and gas in western producers, ESG increases the market power of non-western producers, enabling Putin's weaponization of energy supplies. Net zero has turned out to be Putin's ally.

Could you elaborate on that statement. It sounds very concerning.

Mr. Rupert Darwall: Certainly, sir. If you look at the IEA's net-zero road map for the energy sector, it forecasts that by the end of a period, OPEC will have a 52% share of the oil market. If you then assume that western oil companies, the west, conforms with net zero but the rest of the world doesn't, that market share rises to 82%. Essentially, if you're restricting investment by western oil companies in oil and gas, you're not displacing demand; you're just pushing supply to very fragmented regions of the world and to bad actors like Russia.

Mr. Marty Morantz: Thank you, Mr. Chair. Those are my questions for now.

The Chair: Thank you, Mr. Morantz.

Now we go to the Liberals and MP Chatel, please.

[*Translation*]

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

Thank you to the fine witnesses we have with us today.

I would especially like to thank Ms. Bardswick and Ms. Zvan for their excellent work on developing a taxonomy road map. I read your report and sound recommendations with much interest. You did a tremendous job, and you took into account developments happening around the world. The work being done by the European Union comes to mind.

I also appreciated what Ms. Zvan said. She made two points that struck me. First, if we don't act now, Canada could be left behind, and other countries could end up defining finance transition for us, which we don't want. We want to have a say in what that transition looks like. Changes are coming. This year, the EU's sustainable finance and green finance standards came into effect. The G20 has its own road map, as you know. You mentioned 30 countries.

Which of your 10 recommendations should the Canadian government implement this year or as soon as possible?

Also, what implementation barriers do you foresee?

[*English*]

Ms. Kathy Bardswick: I believe you are directing the question to me, but with your indulgence, Mr. Chair, given that Barbara has been driving the taxonomy work stream for SFAC, perhaps I can ask Barbara to elaborate on the ten recommendations that her work team has been addressing.

Ms. Barbara Zvan: We've laid out in the report the next phase. If you think of the work that we did, it was really to create the road map. We have not developed the hardware to develop the taxonomy and the detail.

There are two parts to that. One is to set up the governance structure. Our recommendation is to broaden out the representation on that governance structure to be more government, to be minority in the financial sector, civil society and indigenous rights holders. That is key to getting the oversight of the taxonomy to be credible so that this is internationally recognized.

The second is to set up the custodian, who is really the taxonomy developer, and those need to be with people with the climate and environmental knowledge who can also work with technical expert groups that bring in industry, bring in the financial sector, to put in the details. Without this detail, without the clarity that this detail provides and the consistency this provides, it will not draw in the capital related to where the parts that we need it are. Canada has a particularly challenging transition and without providing clarity we will not get the capital from international markets.

Those would be the two immediate priorities.

● (1140)

[*Translation*]

Mrs. Sophie Chatel: Thank you.

I had a quick look at Bill S-243, which is at second reading in the Senate.

Have you had a chance to look at the bill to see how it fits into your road map?

[*English*]

Ms. Kathy Bardswick: I have a taken a close look at the bill. I think the bill's focus is more broadly based than the taxonomy recommendations that are specific to the implementation of a taxonomy framework for the country, whereas the bill in the Senate is looking at broader engagement and a legislative regime that would more extensively call into play the regulatory and legislative requirements associated with the broader workings of the financial industry.

I would make a very clear distinction between what we are suggesting is a taxonomy framework that would be implemented versus the much broader and more inclusive expectations that the bill would require.

[*Translation*]

Mrs. Sophie Chatel: Thank you very much.

We finally passed the budget implementation bill just recently, and that was no small feat.

Two specific measures were announced in the budget. The first requires federally regulated institutions—including federally regulated pension plans—to submit climate-related disclosure reports. The second relates to the funding for the Montreal office of the International Sustainability Standards Board.

I'd like you to comment on those two measures.

[*English*]

Ms. Kathy Bardswick: Those two measures speak very directly to a series of recommendations that SFAC tabled with the federal Ministry of Finance and ECCC, the two sponsoring ministries of SFAC. We recommended that we accept, embrace and move toward a much more inclusive and mandatory disclosure regime for the country, ensuring that not only is it directed to the financial institutions and the role they play, but that it is inclusive of a broad, economy-based strategy. This is given that, at the end of the day, financial institutions' effective capacity to put transition targets in place is highly dependent on how well they're able to measure and track the economic activities of the customer base they serve.

In order to have the financial institutions complying on a more regular basis or a more effective basis, including filing the appropriate targets and interim transition plans, it's highly dependent on the extent to which we're able to move the whole-of-economy strategies forward vis-à-vis disclosure.

The Chair: Thank you.

Thank you, MP Chatel.

Welcome, MP Garon, to our committee. The floor is yours for six minutes.

[*Translation*]

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

Thank you to the witnesses.

My first question is for Ms. Zvan.

To start, good morning, Ms. Zvan. I'm interested in your taxonomy road map.

In the preliminary documents that were released and provided to the committee, you refer to what are called transition activities. They include the use of carbon capture to reduce the intensity of greenhouse gas, or GHG, emissions per barrel of oil. Consequently, small modular nuclear reactors could produce more oil with lower per-barrel emissions, and that would be considered a transition activity.

Unless I'm mistaken, it seems to me that if we reduce GHG emissions by 10% per barrel while increasing oil production by 30%, we are actually increasing GHG emissions, since Canada's targets are based on total emissions. The planet doesn't care about emissions per barrel because total emissions are what matter.

Isn't that sort of taxonomy akin to greenwashing, in that it makes people think a transition is under way, when we are actually increasing our GHG emissions significantly?

● (1145)

[*English*]

Ms. Barbara Zvan: Thank you for the question.

Maybe I'll provide a bit more detail around the transition category. This tries to acknowledge that we need to address high-emitting GHG activities. To qualify for the transition label, a project must meet three strict criteria that are aligned with science for a 1.5°C scenario—significant emission reductions; limited lifespan aligned with a net-zero pathway; and avoiding what's known or referred to as carbon lock-in, so preventing other investments. Any project that supports the expansion of oil or gas via new extraction projects was seen as not viable due to the multiple climate scenarios out there that do not align with that. The thresholds for this transition category will evolve over time, so what's acceptable in 2025 will not necessarily be acceptable in 2035.

If we take items like CCUS, the taxonomy is meant to be applied on a project-by-project basis, not as a red or green light for a whole category of activities. If a CCUS project can meet those three strict criteria that are developed by the custodian and approved by the council, then it will be included. If it cannot, it will not.

I think the upshot also is that it sends a very clear message to the industry and the markets about what truly is a transitional CCUS project. I think there's a vast amount of lack of clarity in this area, and taxonomy can bring the clarity it needs. I would also note that in the IEA report, one of the top five emission reduction items for 2050 includes CCUS.

[*Translation*]

Mr. Jean-Denis Garon: Thank you.

Now I'm going to turn to Mr. Stewart, of Greenpeace Canada.

An awful lot of hope is being pinned on carbon capture, it seems. As I see it, we have two options. Carbon capture technology can provide some hope once we're near the finish line and we have just a few really troublesome tonnes to go. The other option, which seems to be the one Canada has chosen, is to adopt carbon capture as an industrial policy that will allow us not to change the industry, not to undertake a transition, while making it look as though a transition is under way.

I understand all the nuances, and I truly commend the taxonomy work that's been done. However, the ambiguity around that taxonomy could strengthen Canada's approach of increasing oil production while making people think emissions are being reduced.

Do you think that's the wrong approach?

Mr. Keith Stewart: Thank you for your question.

I'm going to answer in English, because I'm not familiar with all the technical jargon in French.

[*English*]

This is a very complicated issue around transition finance. Canada is the only country that has introduced such a category. The key question, I think, from Greenpeace's perspective is whether or not it locks in emissions. That's a very difficult thing to define. I think one of our concerns is around whether it's viewed as “CCS is automatically a green light”. If you read carefully, it doesn't say that, but I think a number of people are interpreting it that way. There will be a lot of fights over exactly how this gets interpreted.

There are some areas where I think CCS is quite viable. As my colleague, Ms. Segal, mentioned, there are some areas, such as cement and certain aspects of steelmaking—although green steel is advancing by leaps and bounds technologically—where it looks like, okay, we're going to need CCS. I think the question in Canada is that the debate has been so dominated by the oil sands, where CCS can, at best, get you a 10% reduction in total life-cycle emissions. The question is this: If you're going to deploy CCS there, is it in fact truly giving an extended lease on life?

One of the projects we're looking at, for instance, is that Cenovus has proposed extending the lifespan of the largest in situ oil sands facility until 2079. They've also studied, although they haven't released the details, using CCS on that project. We would say that if you use putting in CCS as a reason to extend the life from 2023 right now until 2079, that is not fitting those criteria.

There are ways in which it definitely can be used as a justification of business as usual. There's also a concern about having a green label slapped on that. We've seen a lot of trouble in the ESG field around people loosely interpreting what is considered green or not to make a buck. People are going to work every angle and use every subclause to get the money that they can. I expect that. I don't think that's surprising. That's why you have to set very clear rules.

I would say that, for us, the application to particularly a high-carbon energy source like oil is very problematic. By the time you could actually deploy it, other options could be coming online at the same time. When you look at the pathways right now for electric vehicles compared with where we thought they would be even five years ago, it's night and day. We're light years ahead of where we thought we would be—

● (1150)

The Chair: Thank you, Mr. Stewart.

[*Translation*]

Thank you, Mr. Garon.

[*English*]

Now we go to the NDP and MP Blaikie.

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

Ms. Segal, earlier you mentioned that a majority of financial institutions that have voluntarily committed to climate goals aren't acting and that this creates a space and indeed a justification for public regulation in the space.

I want to take that insight and ask you to give your thoughts on a slightly different angle on the same idea. It seems to me that it's a little bit of a stronger case for public relations in that when we talk about the kind of certainty—I think Ms. Zvan referenced this as well—that investors are looking for, that policy actually has to come first. It has to be there as a basis upon which investors can make decisions. Not only does the lack of action justify public intervention, but in fact those actors are waiting on public intervention as a condition for the investments.

I just wondered if you could speak to that interaction between the fact that we have these voluntary commitments where we're not seeing the action and the role that public regulation would play in this space.

Ms. Julie Segal: Absolutely. Thank you for the question, MP Blaikie.

I'll start maybe by expanding on that information I provided. It was from Oxford net-zero tracker, which does a study about net zero commitments globally. They were the ones that highlighted that only 4% of global commitments from companies are backed up by action.

I appreciate the perspective that regulatory certainty would make it easier for investors who are moving in the inevitable direction of the green transition. I think that's certainly demonstrated by the momentum behind the Sustainable Finance Action Council and my colleagues here on the floor who are advocating for a green transition taxonomy, saying that would be very important to bring certainty to investors and clarity to a market on what a green investment constitutes.

I think one reason that regulations make so much sense for the sector is that climate change as it applies to finance is very complicated. Setting rules overall for what defines credible investment does provide certainty for institutions and also helps organizations ensure they're moving in the right direction.

I think the other point that's relevant here is what my colleague, Mr. Stewart, raised about how individual organizations are concerned about a response from moving in a particular direction. Regulation would make it clear that is the direction of travel and that moving towards reduced emissions and climate resilience is in fact what's expected of them and of course in their best interest.

From an opportunity cost perspective, I think this is very important for Canada to be able to attract investment ongoing, which is of course important in order to build up ongoing industries in the green transition and provide jobs for Canadians across the country. Providing regulatory certainty like other governments have done in the U.K. and the EU would help attract capital for the burgeoning green economic sectors.

Mr. Daniel Blaikie: Thank you.

Ms. Zvan, in the last budget and in the last fall economic statement, we saw the government announce a suite of investment tax credits that are meant to incent private investment in the new energy economy, except that we're in a place where Canada doesn't have a legislated and clear taxonomy.

I'm wondering how important you think it is for the government to move on a properly implemented taxonomy, hand in hand with the regulations and guidance that they say they will publish on the investment tax credits in the near future, so that we don't end up in a scenario where there is kind of a bespoke set of criteria for the ITCs that may or may not align with whatever ultimately that taxonomy is. What does it mean for investors to have an open question as to whether the ITC taxonomy and definitions are going to, in the end, align with the green taxonomy that some of us around this table hope to see soon?

● (1155)

Ms. Barbara Zvan: Thank you for that question.

I'll just start. A taxonomy is a tool, but it's an incomplete tool. It is a tool that is part of the foundation that you need to really implement climate change.

IMF calls it the climate architecture data disclosure and it's a taxonomy. All other rules and requirements would be built from that. Earlier, the U.K. and EU were mentioned. Those are built from their data disclosure and taxonomy.

Without that clarity and without the credibility of it being overseen and aligned with science, clarity plus consistency brings capital. Without those two key elements, you will not draw in the foreign direct investment and the domestic players in the way that you need to.

I would talk about green bonds, for example. In 2018, green bonds were 3% of the bond market. Today, I believe it's over 18%. There is demand for this type of investment that you can draw in. I think having that clarity and consistency is the core foundation for any other program working, or regulation.

Mr. Daniel Blaikie: Would you agree that as the government defines these investment tax credits, this is an opportune moment to get clear on a larger taxonomy so that investors know that the preparations they're making or that their clients are making as they move ahead with new energy projects are going to be consistent with whatever the green finance taxonomy ends up being? This is instead of leaving that an open question and potentially having investors or their clients prepare for one set of rules and then find out that actually there's a different set that came down the pipe, so to speak.

The Chair: A short answer, please, Ms. Zvan.

Ms. Barbara Zvan: Yes.

How's that?

Voices: Oh, oh!

Ms. Barbara Zvan: Yes, absolutely.

The Chair: There you go. That's as short as it can get. Thank you very much.

Members and witnesses, we're moving into our second round of questions, and we're starting with the Conservatives for five minutes.

MP Lawrence, please.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Mr. Chair.

I'll address most of my questions to Mr. Darwall.

I believe that the academic evidence would show that Canada is facing a productivity crisis and an economic growth crisis. Over the last 10 years, our economic growth has been 0.8% per capita, and that's the lowest since the Great Depression. The reason for this is relatively clear and well known, although sometimes lacking media attention. I believe we lack for capital investment. We don't have a framework that's workable with respect to innovation. Quite frankly, despite having the hardest-working, smartest people in the world here in Canada, we are lacking for productivity

The Canadian energy sector has a GDP per capita 10 times that of our average, and I have yet to see, and would love for any one of you to table what the GDP per capita is in the green industry, because I suspect it's far less than in the energy sector.

Mr. Darwall, I thought you spoke very intelligently when you talked about the difference between reducing supply and reducing demand. If in fact we reduce supply dramatically and cap it artificially through government regulation or otherwise, it's my heartfelt belief that this will hurt Canadians who are the most vulnerable. We've seen the impact over the last eight years of these Liberal economic policies, which have doubled the number of people at food banks and created an affordability crisis, the likes of which we have not seen for decades.

Mr. Darwall, whether we want to make the transition or not is another discussion, but don't you believe that this transition, if not done eloquently and over a sufficient amount of time, could have a significant impact on our productivity and our GDP per capita, worsening an already precarious situation?

● (1200)

Mr. Rupert Darwall: Thank you very much.

The IEA in its “World Energy Outlook 2022 ” would completely agree with you on the point that demand reduction has to proceed faster than reductions in supply. If you don't do that, you will have higher prices. It's obviously a serious problem at the moment across western economies.

The other point the IEA is very clear on is that the energy transition is regressive in terms of productivity. You need 25 million more people. You need $16.5 trillion more in capital.

I hear a lot about winning races and so forth and Europe. Europe is not an economy you want to emulate. I would give that very strong advice. That's the other point I'd make.

Mr. Philip Lawrence: Thank you very much.

Just to reiterate some of the things that you said perhaps in a little bit simpler terms, in order to make the economy go, we need workers; we need money, and we need to be able to produce things efficiently and effectively. From the IEA's study, to produce the same amount of energy, or I believe you said 6% or 7% less, it will require significantly more money and significantly more human resources at a time when Canada is facing both capital and labour shortages to be less productive. Is that a fair summary or simplification of your comments?

Mr. Rupert Darwall: That's correct. I'd also add that it inevitably involves having lower wages. The wages in the hydrocarbon sector are higher than in the renewable sector. It's as simple as that.

Mr. Philip Lawrence: Just to reiterate a bit of what you said there as well, I mentioned earlier that GDP per capita was over $600 per worker per hour. The Canadian average is, I believe, just over $50, so it's more than 10 times that.

Productivity, of course, is the ability of a country to deliver services and to make goods. That's the real value. We can print money, but that's just artificial and fake and results in exactly where we are today.

Is it a fair summary—and please disagree—that transition, especially if not done eloquently and if we're focused on reducing the supply as opposed to managing the demand, stands likely to make Canada a poorer nation?

Mr. Rupert Darwall: Yes, it will make Canadians poorer. There are also big macroeconomic impacts from the energy transition of a big structural cost-push impact on inflation.

If, again, you're looking eastward across the Atlantic, the one country, I think, that Canadians should look for inspiration is Norway. Norway is like Canada, rich in natural resources. The one thing they are not giving up on is oil and gas. They say that their oil and gas is necessary for the energy transition. The energy transition is extremely energy intensive and materials intensive.

The Chair: Thank you, Mr. Darwall.

Thank you, MP Lawrence.

Now we go to the Liberals and MP Dzerowicz, please.

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

I want to thank all of our witnesses today.

I think this is an extraordinarily important study. I'm going to start off with two comments.

I'm glad that our Conservative colleagues care about productivity. I will say that I hope maybe they'll consider taking for our next study reducing interprovincial trade barriers, as that will lead to economic growth and increased productivity.

Maybe this comment is just in general. I'm a passionate climate activist. I care about green finance. I read the sustainable report the minute it came out a few years ago. I will tell you, though, that every single time we do the study, I always have to familiarize myself with the terms.

I find that we use a language that is not easy for the common person to understand. I say this as a general comment. I'm constantly trying to figure out how I can relay back to my constituents what I'm doing and what I'm discussing. I don't find the language necessarily very easy to translate. Taxonomy, I'm sort of like, oh, my gosh, is that tools? Is it more than tools? It's now architecture. They are three separate parts. It's not an easy thing.

I just say to all of us that the more we use language that is easy, I think the better it is for us to bring people along.

My first question is for Ms. Bardswick.

As chair of SFAC, you've talked about bringing 21 financial institutions together, three levels of government and engagement of domestic and international stakeholders. From your perspective, is there a common understanding of what needs to happen, and is there common agreement between these stakeholders?

● (1205)

Ms. Kathy Bardswick: Before I answer that question, Mr. Chair, I would like to add to the previous question's response with the fact that the oil sands production in this country from 2014 to 2021 increased 27%, yet employment in the same sector decreased by 20%. In 2022, that employment number decreased another 6%, so I would suggest there is not necessarily a direct tie-in to reduced production generating reduced employment, but rather increased production is also generating reduced employment.

I just wanted to add that perspective to the previous question.

Regarding the question associated with alignment, I think what really encouraged me to agree to chair the Sustainable Finance Action Council was the unique opportunity to, first and foremost, bring the three subsectors of the private financial system together and ensure there was alignment within that group. This is because there isn't necessarily—there hasn't necessarily historically been—alignment on a number of these issues when you look at the banking industry versus the investment or pension industry and then the life and property and casualty insurance industry. It has really served, first and foremost, to bring these folks into the same room at the same time dealing with the same issues and ensuring that alignment, and we do not send a report out to our government ministry sponsors without that agreement and that sign-off, that support.

Secondarily, when we work alongside the Official Sector Coordinating Group, the intent there is really to ensure that we at least understand and can incorporate into our thinking the positions and the areas of focus and the priorities that those organizations are bringing, that the public sector is bringing. There isn't necessarily a requirement for alignment from A through to Z, but it's really important that we at least, out of the gate, have an appreciation for and listen to each other's perspectives as we take on our respective mandates.

I will say on reflection over the last couple of years there has been, in my view and in my experience, an opportunity for us to do better work within each of our respective areas because we do have that increased level of understanding, appreciation and listening.

Ms. Julie Dzerowicz: Thank you. I'll also thank you for responding, too, on the oil and gas side.

My next question is for Ms. Zvan.

In answer to the question around the clean economy tax credits, you said that we need to be able to get data disclosure of alignment to science and I think clarity around regulations.

Can you talk a little bit about data disclosure? Can you dig down? Where are we at? Do we have data gaps? How well are we doing on that? What more do we need to do?

The Chair: Ms. Zvan, I'll need a quick answer on this one.

Ms. Barbara Zvan: I'll just refer to the SFAC work as well. There is a data work stream and many sources of data gaps have been identified both in the physical risk adaption side as well as in climate mitigation around emissions. That's really the alignment for ISSB with both adopting what was SASB, the Sustainability Accounting Standards Board, which I would highlight actually came from investors asking for that to be done to a total of $85 trillion, as well as the TCFD. I think those are two critical pillars and why they were core elements of the expert panel and core elements of the SFAC work.

The Chair: Thank you, MP Dzerowicz.

We'll go back to MP Garon.

[*Translation*]

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

My question is for Ms. Segal.

The fact that it's so hard for countries to work together in a coordinated way has often been a major enabler for inaction. We saw that happen in the case of tax evasion. At the time, countries argued that if they did something, the capital would move elsewhere. Ultimately, some countries took individual measures, leading to the Organisation for Economic Co-operation and Development's blacklist of jurisdictions, among other things. The realization was that there is value in leadership. Isn't the climate finance situation somewhat similar? We keep waiting for the next country to do something, and ultimately there's a lot of inaction.

Here is my question: Could Canada show more leadership when it comes to climate finance?

I know that you support Senator Galvez's bill, as does the Bloc Québécois, by the way. I'd like you to take this opportunity to tell us which aspects of the bill could help Canada become a leader and serve as a model to some of our trading partners.

● (1210)

Ms. Julie Segal: Thank you for your question, Mr. Garon.

[*English*]

We are certainly at a time when policy leadership is an opportunity on climate finance. I mentioned a number of other jurisdictions that are moving in this direction, including most of Canada's largest trading partners.

An important piece here would be to recognize that Canada is currently behind other countries when it comes to setting climate finance rules and regulations. OSFI, the main federal financial regulator, put in place guideline B-15 a few months ago, which requires disclosure, essentially reporting on emissions, from large, federally regulated financial institutions. When they came out with that, they recognized that the first piece of infrastructure in climate finance regulation put us about three to five years behind other countries when it comes to financial supervision on climate change.

OSFI is very much looking at this from the risk perspective. What are the risks from climate change to financial institutions? They recognize that moving that forward, which was quite a significant effort for them, put us where other jurisdictions were three to five years ago. If we want to move into a position of leadership, if Canada wants to attract capital for the green transition and be recognized as a leader, we have quite a bit of work to be done, and we've outlined a few of those, me and other colleagues in our testimony here today.

I will point to the proposed climate-aligned finance act. That bill is a very comprehensive piece of policy legislation for what is required to bring Canada's financial system, our banks' pension funds, in line with Canada's existing commitments under the Paris Agreement. Senator Galvez, when drafting that bill—

Pardon me. Is my audio coming through all right?

[*Translation*]

Again, I'd like to thank the member for his question.

[*English*]

The Chair: Yes, but time is up, Ms. Segal. Maybe you can expand on another member's question to get back to this.

Ms. Julie Segal: Sure, thank you.

The Chair: Now we have MP Blaikie, please, for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

Ms. Bardswick, I want to come back to something that you said, because I think that a lot of Canadians who just listen to the political debate around the oil and gas sector would think that, as we hear from certain corners of the House, you can't get an oil and gas project approved in Canada and that nobody wants to invest in oil and gas in Canada anymore because it has become too difficult.

I've heard that Canadian banks are investing more than ever in oil and gas and are representing a larger share of global investment in oil and gas and that extraction of oil and gas is increasing even as employment decreases. Have I gathered those facts correctly from today's conversation? Is there anything more that you would like to add on that theme about the current state of the oil and gas sector in Canada?

Ms. Kathy Bardswick: No, I wouldn't refute anything that you have outlined.

Mr. Daniel Blaikie: Well, thank you very much. I think that's something that often gets missed in the political debate that has happened, and it's interesting to know that folks who are paying attention to the actual facts and figures and the money are seeing a very different picture than what is communicated to Canadians through debate in the House of Commons.

Mr. Stewart, I wanted to come back to what you were saying about the accusations of collusion against the fossil fuel industry. Are there any examples where the finance community, if we could use that term, have adopted certain kinds of goals other than the strict maximization of profit and mobilized in order to have certain kinds of outcomes, whether those are productivity gains or other things that aren't the direct pursuit of short-term profit, and were those accused of collusion?

● (1215)

Mr. Keith Stewart: I'm afraid I don't know the answer. I would say that many experts think that these cases wouldn't likely succeed, but it's a threat, and just getting tied up in court is a concern.

The European Commission issued a clarification of their interpretation of the law, saying that they don't think this would breach the law, but it's kind of like an opinion. They're not writing those laws, but there is enough concern that the European Commission felt the need to come out and say that they don't think, under these types of conditions, that this would constitute collusion, but it is that question of having rules around what finance is supposed to do in our society. I think, in light of the climate emergency, that we need to update those rules so that finance is unequivocally part of that solution and becomes part of our societal project in the way that providing a decent quality of life is part of it now.

The Chair: Thank you, MP Blaikie.

We go now to MP Chambers.

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

Now that I have the floor, I won't take up much time on this business, but I wanted to publicly move my study motion, which was provided to the members in advance. I won't read it all out here, but I would like the committee to consider studying open banking and real payments as a way to reduce inflation and cost for consumers.

I'll turn to my questions now.

Ms. Zvan, I'm looking at the top 10 companies, by weighting, in the S&P's ESG index—

The Chair: MP Chambers, to clarify, were you moving it or were you giving notice?

Mr. Adam Chambers: I'm sorry. It's just public notice, so it can be attached to the minutes of the meeting.

The Chair: Thank you.

Mr. Adam Chambers: I'm looking at the top 10 holdings of S&P's ESG index. I'm very surprised to see ExxonMobil as one of the top holdings. In fact, it's eighth.

Can you explain to me why a company like ExxonMobil would be considered an ESG leader?

Ms. Barbara Zvan: I can't comment specifically on what the S&P work was, but in terms of the taxonomy effort, we have tried very hard to recognize that the high-emitting sectors are a part of the transition, and they need to decarbonize. That divestment is problematic, because it removes your voice from the table.

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.”

We are trying to help them with the transition, and try to communicate what we need. That is why we thought it was a priority to include transition as part of the taxonomy work, so that we don't exclude them.

Mr. Adam Chambers: Is there a component of ESG that is more important than the others? For example, is environment more important than sustainability? Is that more important than governance? You see some examples of companies, with some poor environmental track records, but maybe higher scores on the other measures, all of a sudden finding themselves a darling of the ESG movement.

Ms. Barbara Zvan: I would say that each investor chooses which area to focus on. Some investors may have put more risk management on environmental, others may have put it more on social or, over the years, on governance.

For example, the Canadian Coalition for Good Governance started, over 20 years ago, working on the governance issues in Canada, which have largely improved.

It would be hard for me to speak as an industry. Each investor would put their own weight on those factors.

Mr. Adam Chambers: As more of an opinion, do you think it's weird that Tesla is not in the top 10 of the ESG S&P index?

Ms. Barbara Zvan: It would be hard for me to comment on why Tesla is excluded.

Mr. Adam Chambers: I actually have the quote on why. Tesla was not included because of “a lack of low-carbon strategy”—it sounds kind of weird to me, because they are all about building electric vehicles—and “codes of business conduct”.

I think what we're getting at here is that ESG means a whole bunch of different things to a whole bunch of different people. The fact is, even over the last two or three years, the highest-performing funds in the ESG space all hold oil and gas companies.

If we don't get a handle on what ESG means, and we just slap it on everything, it doesn't really seem like we're going to achieve the objectives, which I think is what Mr. Stewart is also getting at.

● (1220)

Ms. Barbara Zvan: I will just comment that ESG data information is what investors have been asking for. It is their job to interpret that information. It's no different than sales, revenue, other factors. If you look at that information that comes out there, you'll see analysts, one with a buy and one with a sell recommendation based off the same information. It's no different for ESG in terms of how investors interpret that information. That is their choice and part of their responsibility.

Mr. Adam Chambers: Finally, I hope to ask everybody this, but perhaps someone else will ask.

Do you believe in a future where there is no more oil and gas extracted in Canada?

Ms. Barbara Zvan: I think what we have to do in terms of aligning to the 1.5°C is to to work on the taxonomy. Again, we are one of the few countries that is actually trying to tackle the transition, including the fossil fuel sector. We've received interest from Australia, the Asian region. I think that is a clear indication of the interest to ask how we evolve change in that sector going forward.

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

The Chair: Thank you, Mr. Chambers.

MP Turnbull, welcome to our committee. The floors is yours now for five minutes.

Mr. Ryan Turnbull (Whitby, Lib.): Thanks, Chair.

Thanks to the witnesses for being here today. I appreciate all of your leadership in this space and the expertise you bring to this conversation.

This is one I feel pretty strongly and passionately about moving forward on. I'm glad that my colleagues here put this motion forward to do this study in the first place. Thank you for being here.

Maybe, Ms. Zvan, I'll start with you or Ms. Bardswick, whoever you think is most appropriate to answer.

I think what we've heard today is that financial institutions have set ambitious voluntary targets for themselves, which I think we can all agree is a good thing. We've heard from some witnesses today—and I think you haven't disputed this—that some of them are not necessarily meeting those commitments to date. What's interesting to me is that the Sustainable Finance Action Council and its membership actually bring together all of the largest financial institutions in Canada as far as I can tell. It seems almost inconsistent.

Does the fact that they have essentially developed and worked together collaboratively to develop this taxonomy and that they are saying it's needed and that we need to implement it now actually highlight the need for government intervention?

Ms. Kathy Bardswick: I'll take that on initially.

Look, I've been in the CEO position of a major financial institution incorporating sustainability commitments into strategy. It is not easy. It's hard work. From the experiences I have seen around the table at SFAC, these organizations have provided very senior resources. They've committed now over two years of work. None of these very senior people took time off from their day jobs to show up. I'm talking about chief legal officers and chief risk officers who have come to this table. There is a learning process. Some of them are further ahead than others are, but I think there has been a genuine concerted effort to contribute to building out a more robust and more effective, impactful and sustainable finance ecosystem in this country.

Their futures, their ability as organizations to continue to thrive and to appropriately manage risk and to align with what's going on globally—these are global players—certainly depend on their ability to embrace effectively what in their own strategies they come to the table representing.

Mr. Ryan Turnbull: Thank you very much.

It seems to me there's a risk to not having a taxonomy in place. That risk may actually be greater than is the risk of not having the taxonomy perfect at this very moment. I think you've all acknowledged that there is additional work to be done on an ongoing basis in such a way that the taxonomy will be evergreen.

Can you identify for me what the real risks are of not having a taxonomy implemented ASAP?

Ms. Kathy Bardswick: In the road map, we've identified where the benefits are. Fundamentally, we will not experience being able to leverage those benefits as a country, and that's pretty serious stuff. When you look at an inability to be an attractive target for FDI, an inability for our domestic players to appropriately be able to embrace and execute on the shared understanding of what truly is transition, our ability as a country to ensure that we're directing the appropriate amount of capital to the right targets over the right time frames and our ability to effectively and accurately measure our progress and take corrective action when there is a requirement to take corrective action are all at stake.

● (1225)

Mr. Ryan Turnbull: Your report on the road map talks about this being an essential piece of financial infrastructure. I think that's the term that's used. It seems to me it really underpins and adds credibility to all of the financial products that are issued throughout our economy that claim either to be green or to be in transition.

Is that underpinning of credibility, the clarity and consistency that Ms. Zvan talked about, what's really at stake here?

Ms. Kathy Bardswick: Yes, absolutely. I couldn't say it better.

Mr. Ryan Turnbull: Okay. That's great.

In terms of legal entrenchment—this is a question I've had for a while now—I note that you've identified a three-tier governance model, which I accept and think is an interesting model. What I'm wondering, from the government standpoint or a policy-making standpoint, is what the most important legal entrenchment is for the taxonomy. Do you have any views on that, Ms. Zvan or Ms. Bardswick? I'll ask the other witnesses after that.

The Chair: Yes, in a short answer, please.

Ms. Barbara Zvan: I don't think we have opined on the exact legal entrenchment. We have said that there are objectives in the report, or requirements. We need to maintain scientific integrity, so that means no political influence or no undue influence from any one stakeholder. That's a key requirement in the structure of that organization.

The Chair: Thank you.

Thank you, MP Turnbull.

Members and witnesses, we are moving to our third round of questions. We're starting with the Conservatives.

MP Hallan, you have five minutes, please.

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

This question is for every one of the witnesses. Do you believe Canada should shut down its oil and gas production?

It can start with you, Ms. Zvan.

Ms. Barbara Zvan: As noted in the taxonomy effort, we explicitly included the fossil fuel industry. It helped decarbonize current production. I think that is an indicator that we are not asking for the—

Mr. Jasraj Singh Hallan: Just a yes or no. Over time do you believe that Canada should shut down its oil and gas production?

Ms. Barbara Zvan: We have noted that it needs to align with the 1.5°C scenario. That will change and evolve over time.

Mr. Jasraj Singh Hallan: Does that include the oil and gas sector or not?

Ms. Barbara Zvan: It will include all sectors in Canada.

Mr. Jasraj Singh Hallan: Okay.

Ms. Kathy Bardswick: My response is similar. I think that we need to align our economic activities for ongoing prosperity with a 1.5°C scenario. That includes the oil and gas sector aligning itself.

Mr. Jasraj Singh Hallan: Mr. Stewart.

Mr. Keith Stewart: We look to the IPCC, the IEA's 1.5°C scenario and say that's the trajectory we need to be on. In the IEA it's that overall global oil and gas production is down by 25% by 2050. I do think oil and gas is going to be phased out within my children's lifetimes, but perhaps not within mine. I'm also mid-fifties, so take that with what you will.

Mr. Jasraj Singh Hallan: That's fair enough.

Anyone else?

The Chair: There are Ms. Segal and Mr. Darwall.

Mr. Rupert Darwall: The answer is no, it would be an act of economic suicide. With that, unless demand for oil and gas falls globally, all you're doing is transferring wealth, effectively, to other players across the world, particularly in the Middle East and Russia.

Mr. Jasraj Singh Hallan: Hear, hear!

Ms. Julie Segal: Thanks. I would give my earnest respect to the people in communities who have devoted their lives to those industries up until this point. I would point to the need to align with limiting global warming to 1.5°C to limit the devastation that we've been experiencing from wildfires, and other climate catastrophes, in many of those same communities. I would point to the conclusions of the IEA and the IPCC for how to get there.

Mr. Jasraj Singh Hallan: Ms. Segal, you brought up forest fires. Can you give me two direct examples of how green financing will stop those forest fires?

Ms. Julie Segal: I'd say the clear line here is climate-related risks occur in greater numbers as temperatures continue to rise. Temperatures continue to rise from more emissions.

Getting the financial sector in the right direction to invest in a trajectory that lowers emissions, that lowers Canada's emissions and lowers global emissions, would keep us on track for a safer world with less warming.

I think the other really important piece to keep in mind here is investments in climate-related resilience, so ensuring that green finance investments go towards building infrastructure that in itself is resilient to increased climate-related damages, and that as well keeps people across Canada safe from those climate-related damages.

● (1230)

Mr. Jasraj Singh Hallan: I didn't hear any direct examples in that answer, but I'll move on.

Ms. Bardswick, in Calgary some pretty big hailstorms happened in 2020. I was wondering if you could give two examples of how green financing would help stop those and how long it would take.

Ms. Kathy Bardswick: First of all, I would encourage you to fill an additional opportunity for discussion with a room of scientists who have been working internationally over the last 30 or 40 years with the insurance and reinsurance industry globally.

We have been tracking the implications associated with climate change in terms of these events. There is no question that severity is increasing and frequency is increasing. You're asking me to peg one particular instance to a green development and I can't do that, in part because I'm not qualified to do that and in part because we are looking at systematic deterioration over time.

There is a certain amount of climate devastation built in that we won't be able to avoid, so I agree with Julie's point about ensuring that we are also focused on resilience and adaptation.

I would really encourage that this committee also take a look at the extensive amount of work that's been done by the global insurance and reinsurance industry.

The Chair: That's the time.

Thank you, MP Hallan.

Now we go back to the Liberals.

We have MP Turnbull.

Mr. Ryan Turnbull: Thanks, Mr. Chair

I wanted to hear from other witnesses, in particular Ms. Segal from Environmental Defence.

I wonder if you could comment on the last question I asked Ms. Zvan about the legal entrenchment for the taxonomy. Do you see a specific path forward and a specific way that the government should be working in partnership with the Sustainable Finance Action Council to entrench the taxonomy?

Ms. Julie Segal: I guess I'll give a two-part answer here. First, the proper governance structure and proper consultation more broadly than just the Sustainable Finance Action Council is very important for defining a taxonomy. I think what colleagues on the floor have raised about ensuring that the final product aligns with what is scientifically agreed rather than being biased by any particular interest is important, so broader governance consultation is important. That being said, I will offer international examples on how this could be engaged in Canadian law in my opinion.

Bringing a taxonomy into Canadian law is very important because it's a voluntary initiative. It wouldn't have the same credibility or the same certainty for investors both in Canada and those looking to invest in Canada. What other jurisdictions have done is regulate the taxonomy formally into their policy process so that the definition of a taxonomy, the underlined categories, are formally introduced in regulation. That's certainly what I as an individual would recommend.

Then that regulated taxonomy structure is linked to reporting from financial institutions and funds. That tackles what's considered greenwashing, what a fund might claim to be aligned with, what other individuals have highlighted as a very fluid definition of ESG and, in fact, cleans it up because because a taxonomy is brought into law.

First of all, it's regulating a taxonomy, and then it's linking it to the disclosure requirements of groups to say what per cent of their investments are aligned with that regulated taxonomy.

Mr. Ryan Turnbull: Thank you very much. That's a really good, thorough answer, I think.

Ms. Bardswick and Ms. Zvan, I'll go back to you two because I'm interested in your three-tier governance model, which I think is perhaps a shift from how SFAC has operated to date. I'm interested in how this helps us keep the taxonomy moving.

I note that, in your report on the road map, you've identified that what counts as a transition investment today won't necessarily count in five to 10 years from now. The fact that it will change to keep us on the 1.5°C commitment that we have is really important. It's important that we include climate science and other stakeholders in those discussions, and that, as those debates unfold, those decisions are made together. Can you maybe describe in a bit more detail about why that governance model the way you've structured it is so important?

● (1235)

Ms. Barbara Zvan: The key requirements for the governance model are really the integrity of the science of the 1.5°C and the broad involvement from, I would say, the federal government as well as provincial stakeholders, indigenous rights holders, civil society and financial players. When you look across the 30 taxonomy efforts, often the government sector is made up of the financial regulator or the central banks, because they are the closest to the financial sector in terms of working with the financial sector and overseeing it.

They need to form the majority in the core part of that government structure to have international credibility. We think that for Canada, including indigenous rights holders is an imperative as well as including civil society, and the financial players need to be there in minority to help with the pragmatic implementation of the taxonomy.

We are working through more detail at the moment. We will be presenting it to the SFAC on July 4. They will contain those elements. They will also contain three stakeholder advisory forms, one for the provincial and territorial governments and indigenous rights holders, one for civil society and then one for the financial sector advisory group trying to bring in permanent groups to bring those perspectives, and they will also look to sit on the council.

Mr. Ryan Turnbull: If I'm not mistaken, though, are these a series of informal structures that are highly collaborative, or do they exist in an organization that has incorporation? What legal status would this new form of governance model take? What structure would it be in?

Ms. Kathy Bardswick: We haven't identified structure at this point, in large part because we feel—and I think Julie has raised this issue—that we need to get the principles right. We need to engage more broadly in what makes sense. We've been in that engagement process to date, ensuring that we are reflecting on the draft approach before we hit kind of a final structure through which we have the appropriate engagement.

The Chair: Thank you, MP Turnbull.

Now we go to MP Garon.

Go ahead, please.

[*Translation*]

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

My last questions are for Mr. Stewart.

Bank transparency has been a hot topic. Some are calling for the banks to report on their oil and gas investments, if not publicly, at least to the Office of the Superintendent of Financial Institutions, or OSFI. That call has obviously gotten stronger following media reports that RBC is one of the sector's biggest financiers. It's worth mentioning that those data on RBC and other banks had to be obtained from secondary, indirect and other such sources.

My question is threefold, and you will have about a minute and a half to answer. Is the criticism that banks are not transparent warranted? What role could OSFI play in making them more transparent? Is the voluntary approach a credible way to achieve transparency?

Mr. Keith Stewart: Thank you for your question.

[*English*]

Quickly, I think voluntary is not good enough with respect to transparency, because people get to make their own rules. One of the key issues right now for instance is that banks use different criteria for determining what their finance emissions are, and we need to standardize those so investors can compare and government can compare apples and apples.

What was the second question?

[*Translation*]

Mr. Jean-Denis Garon: What role could OSFI play?

[*English*]

Mr. Keith Stewart: OSFI is going to have to play a key role in this because they're the federal regulator. The problem right now is that OSFI is very focused on looking at the risks to banks from the energy transition and not the risks to the energy transition from bank practices. I think we need to have both halves of that. OSFI said they were not allowed to do that and that doing that wasn't in their mandate. The recent report from the federal commissioner of the environment and sustainable development actually argued that, in fact, given the recent regulatory and legislative changes, they should be doing that. This is something on which OSFI has, in effect, been seen to be cutting with both sides of the scissors.

This is similar to the debates we're having and I'm hearing on supply versus demand. It's not supply or demand: You do both. Otherwise you're trying to cut a piece of paper with one half of the scissors. It doesn't work. You need to look at the risk to the financial system from climate change and what kind of risk the financial system, as it currently operates, poses to our climate, and we need to deal with both at the same time in a coherent fashion.

● (1240)

The Chair: Thank you, MP Garon.

MP Blaikie, go ahead.

Mr. Daniel Blaikie: Thanks, Mr. Chair.

I'm going to start by begging the indulgence of our witnesses as I deal with a little item of committee business.

As did Mr. Chambers, I'm going to give notice of motion, but I'll read it, because other members of the committee have not seen it so far. In my estimation, it's business that arises out of our study of Bill C-47. I've sat at the table for many filibusters and indeed participated in some, but there was something nagging at me about this one that I couldn't quite put my finger on, and after some time for reflection, I think I've kind of figured out what it was that bothered me about it. I hope this motion may help to solve the problem.

It reads as follows:

> That: (a) the Committee recognize that (i) Mr. Hallan played a central role in initiating the filibusters of Bill C-47 at committee but had a poor attendance record over the course of the proceedings, (ii) Mr. Lawrence performed the functions one would expect a committee Vice-Chair for the Official Opposition to perform, including (A) attending most of the proceedings, (B) providing leadership for members of his party on the committee floor, (C) hearing proposals from representatives of other parties to conclude the filibuster and (D) negotiating with those representatives to that end, and; (b) that Vice-Chair Hallan no longer has the confidence of the Standing Committee on Finance and, as a result, that we proceed immediately to the election of a new Vice-Chair from the Official Opposition.

I consider notice of that motion to now have been given. I look forward to the opportunity to discuss it at length when I move it. That's not an item for today. Obviously there's a 48-hour notice provision, but I will be following up in writing to the clerk. We should be able to disseminate that in both official languages by the end of the day, Mr. Clerk.

Thank you to our witnesses for enduring that brief bit of committee business.

Do I have a bit of time left, Mr. Chair?

The Chair: You have a little over a minute.

Mr. Daniel Blaikie: Thank you very much.

The next question that I'm interested in is the importance of aligning Canada with some of our major allies who are already taking action in this space and what it would mean for Canada to have a particular unique taxonomy, or a disclosure regime.

Maybe, Ms. Zvan, you want to weigh in on that.

Ms. Barbara Zvan: I think a disclosure in a national sustainability standards board will bring that cohesiveness globally. It will take time but it's starting. On taxonomy there's a notion of how they would work together or interoperability. These are based on some of the key assumptions, which are the absolute imperative of alignment to 1.5°C as well as the principle to do no significant harm. We don't jeopardize other environmental objectives, for example, for emissions reductions. Then there are technical matters, the way that you structure it.

As part of the research, we spoke with the Climate Bonds Initiative as well as with people in Australia and Asia. I would say that we are falling very much in line with the global standards around green..., and there's a very big appetite to work together to help with the global definition of transition. That's why we thought it was incredibly important that we consult with them during the process to make sure that they are aligned and supportive of our direction.

The Chair: Thank you.

Thank you, MP Blaikie.

We turn now to MP Morantz.

Mr. Marty Morantz: Mr. Chair, Mr. Lawrence is going to start the round for me.

Mr. Philip Lawrence: I would like to quickly address Mr. Blaikie's comments.

Conservatives work as a team, and I'm proud to be in collaboration with Mr. Hallan, Mr. Morantz and Mr. Chambers. I don't think that working as a team or working as a collaboration should ever be looked upon as a negative. It's particularly surprising given the NDP's support for collective rights and, quite frankly, Mr. Blaikie's great track record over his years of serving here with tremendous collaboration in trying to work with all parties. I'm a little bit disappointed, Mr. Blaikie, but Conservatives will continue to work as a team. I'm very proud to work alongside Mr. Hallan.

● (1245)

Mr. Marty Morantz: Mr. Chair, I would quickly like to echo those sentiments.

It's been a privilege to work with Mr. Hallan, who is an upstanding member of Parliament, an outstanding member of the Indo community across this country, and a very well respected one as well. I'm quite surprised to see the member of the NDP on this committee come out and attack him in his capacity as the vice-chair of this committee for simply doing his job.

With that, I will move on to Mr. Darwall.

Mr. Darwall, just a quick question. You used a phrase earlier. You referred to the socialization of private capital. I'm wondering if you could elaborate on what you meant when you said that.

Mr. Rupert Darwall: Thank you, MP Morantz.

Is private capital for beneficiaries, fiduciaries, investment managers, pension fund managers and so forth, who have an overriding duty to maximize risk-adjusted returns, or is private capital actually semi-socialized capital that should be used to deliver public policy objectives? That seems to me to be the big question.

I have to say that I'm slightly bewildered by a lot of the talk that's going on in this committee to the effect that we need these rules in order to attract capital to Canada to finance renewable investment. If returns on renewable investment are competitive around the world, Canada will attract funds. That's what's happened in Europe. A lot of those funds have been juiced up at a cost to consumers in the U.K., Germany and so forth with the world's highest electricity costs, but fundamentally, it's about returns. If you have the right return, you will attract capital.

Mr. Marty Morantz: On that point, I want to touch on this point with you around the return on investment aspect on this because, from what I've heard in all of these meetings about green finance, green initiatives and using private capital for social purposes, no one seems to speak the language that I'm used to from my days of being a practising corporate commercial lawyer when my clients were interested in return on investment.

It seems to be an utterly foreign concept to people who are now in charge of making investments. It worries me a lot, especially when it comes to people who have invested in pensions, when the pension manager's themselves aren't so much interested in making sure their retirements are safe, but are more interested in pursuing their own ideological goals. I wonder if you could comment on that.

Mr. Rupert Darwall: Yes, I think you've put your finger exactly on the big issue with ESG investing and the commingling of public policy objectives, or political objectives, and the financial interests of beneficiaries. This is a problem. You have to pull the two apart. There's a role for government, and there's a role for private capital, and you don't want to commingle them.

Mr. Marty Morantz: We touched on this before, but I wonder if you could comment on the geopolitical ramifications of a poor Canada, because of suppression of its oil and gas industry, which is ultimately the goal of these policies, and a wealthier Russia, for instance, which will have no problem exploiting its natural resources for its economic gain.

Mr. Rupert Darwall: Well, I think you can look to Europe to see the dangers of not having natural resources and being quite energy intensive, particularly to Germany, which is one of the world's largest industrial exporters, with an economy that made itself very dependent on supplies of Russian gas. That is a major challenge now facing the German economy, which will see a lot of its petrochemical industry and its automotive sector suffering very big challenges and big contractions ahead.

The Chair: Thank you, MP Morantz.

We'll go to MP Chatel.

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

I again have a question for Ms. Bardswick.

I would really like to know, concretely, what the one or two steps are that the government absolutely needs to undertake in order to give assurance that the government is moving forward and that investors can trust that Canada will be a leader in green and transition finance.

● (1250)

Ms. Kathy Bardswick: Well, I would start by suggesting that there has been work done and progress made associated with a vision for Canada that I think as financial institutions we certainly would aspire to see as a shared vision that not only is held federally, but is held across provincial, territorial and indigenous leadership in the country, to ensure that the alignment is there, because time is of the essence and none of us have excess resources or time to spend unnecessarily.

Having said that, within the context of SFAC and the mandate we were given, and that we believe and we support, there is a foundational build here associated with the tool kit for a robust sustainable ecosystem. That tool kit includes addressing a disclosure framework for the country. It includes implementing a taxonomy, and I would suggest that even Russia has a taxonomy, as does China. It also includes ensuring that we continue to improve the data requirements, and there is a role to play with public databases that exist. One aha for us was the extensive amount of data that is housed both federally and provincially and would add value to the exercise if it were governed and more usable from the financial institutions' perspective.

I would suggest that there is progress being made, but we need to commit to the recommendations to build out this capacity in far greater detail. I won't suggest for a minute that SFAC's recommendations should stand entirely on their own. We have also committed to broader consultation and would encourage an ongoing commitment to broader consultation in bringing the stakeholders who need to be at the table into execution.

Mrs. Sophie Chatel: Also, the timeline is in the next 12 months maximum, if not earlier.

Ms. Kathy Bardswick: Well, SFAC's current mandate ends in March 2024. I would hate to see us lose the momentum the current financial institutions are providing to this exercise. If we could find a way to continue an engagement process that would keep those folks at the table, I think it would really benefit the country.

Mrs. Sophie Chatel: We often talk about a pathway for meeting our targets to ensure climate is under control and our communities are safe, that Canadians are safe—protecting Canadians against climate catastrophes—but to me, it's not apart from economic growth at all. I think a successful economy is one that protects its citizens against climate catastrophes but also grows the economy of tomorrow. Could you comment on that?

Ms. Kathy Bardswick: I would point out that recent weather events in this country have taken a significant toll on the country's economy, including our tourism, which currently is being affected by folks being unwilling to come to the country when our air quality is as poor as it is. There are many examples of negative economic impacts associated with these weather events. It really behooves us, given that we are into this climate deterioration, to put significant effort into building and executing the adaptation strategies we know can be done.

We have the answers; we just need to turn our attention to execution again, and I will end on that note. Quite frankly, vision is the fun part, and aligning strategy is fun. Execution is hard, and I think we have to accept that we need to roll up our sleeves and collaborate and co-operate on execution, because at the end of the day, that's what's going to get us the results we need.

● (1255)

Mrs. Sophie Chatel: Thank you very much.

The Chair: Thank you, MP Chatel.

These have been great witnesses. We do have five minutes, so what I'm thinking here is that we'll have a quick question and answer. It will be like being in question period for our witnesses. We're going to go around the table. Let's go.

Are you starting off, MP Lawrence?

Mr. Philip Lawrence: I am.

I'm looking for a quick answer, and to show the spirit of non-partisanship and all-party commitment to fighting climate change, I'm going to end my questions with you, Mr. Stewart and Greenpeace.

Is nuclear energy part of the solution to climate change? That's for a simple yes or no.

Mr. Keith Stewart: The new nuclear is not.

The Chair: There we go.

We go over to the Liberals.

MP Dzerowicz, go ahead.

Ms. Julie Dzerowicz: My question is for Ms. Zvan.

You talked about how we need the hardware to create the taxonomy. You talked about governance and then you also talked about the taxonomy development in order for us to be able to bring in capital. Business investment in general has been down despite, before the pandemic, historically low levels of interest rates. I wonder if we need to do a little bit more in order to incentivize capital investment. I wonder if you could address that.

Ms. Barbara Zvan: I think taxonomy is but one tool. I think there is a fourth work stream in Canada for the Sustainable Finance Action Council that's looking at the barriers to actually getting capital. The different financial institutions are providing real examples of what those barriers are, so we're summarizing those themes and presenting that back.

One of the solutions that is often noted is blended finance in terms of making sure the investor isn't taking a compromised return, that the first loss in some structured way is provided so the big investors, the private investors, can meet the fiduciary requirement of risk and return.

The Chair: Thank you.

Now we go to the Bloc.

MP Garon, go ahead.

[*Translation*]

Mr. Jean-Denis Garon: Thank you.

My only question is for Ms. Bardswick.

I know that the Sustainable Finance Action Council gave environmental groups a seat at the table. It's quite recent, I know, but what role do you expect them to have in the council's operations?

[*English*]

Ms. Kathy Bardswick: I think you're referring to the taxonomy governance structure as opposed to the broader SFAC structure.

On taxonomy, we're looking at two significant interventions. One is to have a working group that is brought to the table in a broader, more inclusive way to influence the work as it is being developed. The secondary is to ensure that at the council table—and think of it as a board of directors that oversees strategy—there is also representation at that level.

The Chair: Thank you.

MP Blaikie will have our final question.

Mr. Daniel Blaikie: Given the current state of green finance in Canada, from the point of view of both combatting greenwashing and attracting capital investment, how important is it that the government act with a sense of urgency to put in place an investment framework?

Ms. Kathy Bardswick: It's urgent.

The Chair: With that, we'll thank our witnesses again.

You guys have been terrific. Thank you very much for all of your testimony on green finance.

Thank you, MP Chatel, for moving the motion.

Our analysts are getting ready to put together their report.

Members, we're adjourned.