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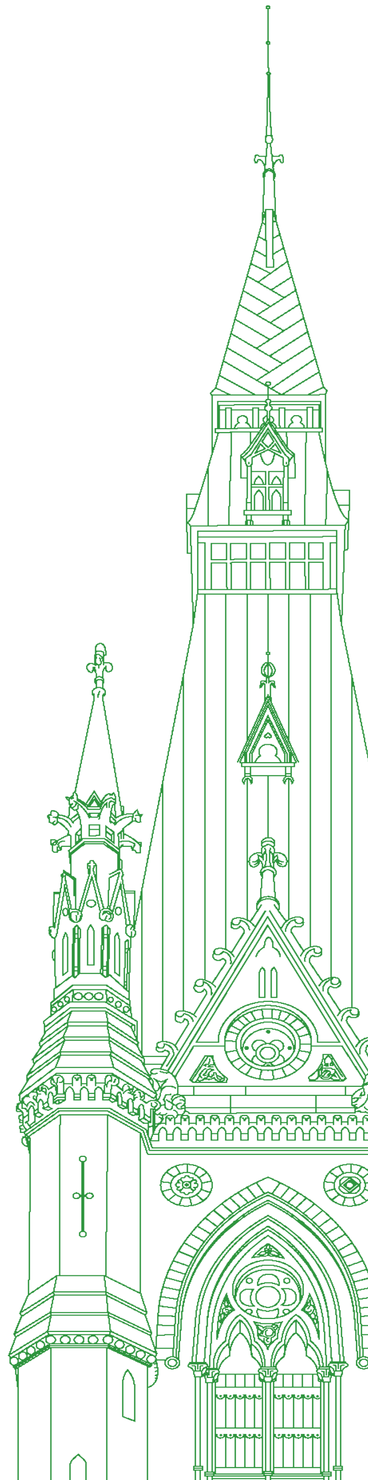

Chair: Mr. Francis Scarpaleggia

Standing Committee on Environment and Sustainable Development

Thursday, June 13, 2024

● (1530)

[*Translation*]

The Chair (Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.)): I call this meeting to order.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): On a point of order, Mr. Chair.

The Chair: I'm listening, Mr. Deltell.

Mr. Gérard Deltell: Mr. Chair, the Minister of Environment and Climate Change had committed to coming to see us by June 18, but we've learned that he won't be appearing on that date. As this is likely to be our last meeting, it will be impossible for him to testify. It is completely unacceptable that the minister refuses to appear before our committee and answer parliamentarians' questions.

We're seeing a lot of the minister in the House of Commons these days, which is great. We've even seen him answer the first questions during oral question period, which is fine. However, he also has a duty to answer questions from members of the Standing Committee on Environment and Sustainable Development, where we can get to the bottom of things, ask many more detailed questions and tackle many more themes. It's the minister's responsibility to be accountable.

[*English*]

It is totally unacceptable, Mr. Chair, that Mr. Guilbeault is not here and cannot answer questions for the parliamentarians in this committee. We have seen him many times in the House of Commons, which is great, by the way. He was the one who answered the leaders' questions in the first round. He was there. He's in the House. He's in the building, but he cannot attend the House of Commons committee. This is totally unacceptable and irresponsible, especially because he doesn't want to go into the deep questions we have when we are here, sitting in this room. We have had plenty of opportunities to talk to him. He has had plenty of opportunities to come here. He has decided not to answer questions from the parliamentarians in this committee.

This is shameful.

Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC): I have a point of order along the same lines.

I think it's the same—

The Chair: I want to say something.

[*Translation*]

It's true that he was invited to appear on June 18, not today. Perhaps we should wait and see what happens on June 18. If the minister isn't there, whether for a good reason or for some other reason, then we can make that comment. The fact remains that the minister wasn't expected today, so we're not yet faced with a fait accompli. From what I've been told, he has a scheduling conflict on Monday, but, who knows, maybe he'll show up.

[*English*]

Mr. Dan Mazier: I have a point of order.

The Chair: Yes.

Mr. Dan Mazier: On a point of order, Chair, still, that was the indication. He is not coming here. That was two days ago.

I think it's imperative that you get us on his schedule. He has questions to answer, without a doubt. They're telling Canadians today that they're reducing emissions, but they're not even measuring the amount of emissions being reduced from the carbon tax.

The Chair: Mr. Mazier, I will take it up with the minister—

Mr. Dan Mazier: I certainly hope you do.

The Chair: —but I think that, before we condemn the minister for not showing up on the 18th, we should wait for the 18th.

Mr. Dan Mazier: I'm looking forward to the 18th to see him here.

The Chair: Okay. Good.

[*Translation*]

On the other hand, we have with us today the CEOs of five major Canadian banks.

First of all, thank you for being with us to participate in this important and interesting study for the committee and for the future of our economy, as we are in a period of transition to a greener economy.

I'd like to reassure Ms. Pauzé that the sound tests were carried out successfully.

Next, I'd like to invite witnesses participating by video conference to mute their microphones when they're not speaking to avoid ambient noise.

Each witness will have five minutes to deliver his or her message to us.

We'll start with Mr. Darryl White, who is the CEO of BMO Financial Group.

• (1535)

[*English*]

Mr. Darryl White (Chief Executive Officer, BMO Financial Group): Thank you, Mr. Chair.

Chair and honourable members of the committee, my name is Darryl White. I am the chief executive officer of BMO Financial Group. I am pleased to join my competitors today to discuss the work of the financial sector relevant to this committee's study.

I'd like to begin by acknowledging the traditional lands of the indigenous people from which I am joining you today, and on which we have the privilege of doing business. We acknowledge that BMO's work spans many indigenous territories.

With that, I will continue my remarks.

[*Translation*]

BMO is a financial institution committed to facilitating Canada's growth while having a positive social impact. This role is reflected in our motto, “To boldly grow the good in business and life”. This purpose guides our strategy, fuels our ambitions and reinforces our commitment to progress towards a thriving economy, a sustainable future and an inclusive society.

While my remarks focus on BMO, it's important to note that the entire banking sector makes a considerable contribution to carbon neutrality. This includes working with international groups, such as the Net-Zero Banking Alliance, and with our domestic regulators, such as the Office of the Superintendent of Financial Institutions.

[*English*]

Within BMO, and relevant to today's discussion, we are leveraging our experts to support all of the communities we serve across Canada and their diverse economies.

Some specific examples of how we work collaboratively with clients, both within and outside the natural resources sector, include BMO's energy transition group, formed in 2021. Our team delivers innovative investment banking solutions for our clients as they look to decarbonize their businesses and pursue energy transition opportunities. This work is complemented by the BMO climate institute, which helps our clients bridge the complexities of climate science and policy with economics and business strategy. In 2022, BMO acquired Radicle Group, a sustainability advisory services firm with an established reputation as a leading developer of carbon offsets, helping organizations measure and reduce emissions. Regarding sustainable financing activities, we have mobilized $330 billion in capital for clients pursuing sustainable outcomes, surpassing our goal of $300 billion by 2025. These have been integrated across our businesses since 2019.

When it comes to managing our own value-chain emissions, BMO has been carbon-neutral in its operational emissions since 2010 and continues to aim for carbon neutrality and 100% renewable energy purchases. We're also setting net-zero-aligned operational emissions targets, including for commercial real estate. We've developed a robust sustainable procurement program to address our upstream value chain. In terms of downstream value-chain emissions, BMO has set targets for financed emissions for certain carbon-intensive aspects of our lending portfolio. In this work, BMO is focused on serving a constructive role to help our clients decarbonize and make real-world emissions reductions. We describe BMO's client ambition as being “our clients' lead partner in the transition to a net-zero world”.

This does not mean divesting from the energy sector. Instead, we are working with clients on the leading edge of new technologies and supporting the net-zero transition of traditional energy clients working hard to change their emissions profile. The transition to a net-zero world is not an either-or situation. It requires an “all of the above” response. Banks play a critical role in supporting the clients providing non-carbon energy sources, such as nuclear, hydro, wind, solar and others.

Over the past several years, we've transitioned the way we communicate about our policies, from making a collection of sector-specific statements to emphasizing what we've always done—conducting comprehensive, risk-based approaches to credit judgment and underscoring our commitment to sound and prudent business practices, while complying with the laws and regulations in the markets we serve.

The challenges to achieving a net-zero future are significant, and the investment needed will be substantial. Attracting the substantial capital needed for the net-zero transition requires strong public-private sector collaboration, as well as regulatory predictability. I hope the committee will consider these as it reflects on its recommendations.

• (1540)

Thank you for your attention, and I look forward to your questions.

[*Translation*]

The Chair: Thank you, Mr. White.

I now turn the floor over to Mr. Victor Dodig, who is the president and chief executive officer of the Canadian Imperial Bank of Commerce, or CIBC.

[*English*]

Mr. Victor Dodig (President and Chief Executive Officer, Canadian Imperial Bank of Commerce): Mr. Chair, thank you.

Before I begin my remarks, I'd like to thank my counterpart for the land acknowledgement to begin the meeting today, which we also acknowledge.

Thank you and good afternoon to everyone.

Mr. Chair, our bank, CIBC, traces its roots back to 1867. Since Confederation, we've been an integral part of helping Canadians achieve their ambitions. In our early days, as the Canadian Bank of Commerce, we helped capital flow to Canadian business owners who had aspirations to build our nation. Over the years, we've played a key role in enabling growth and prosperity for families and businesses across our country.

Today we have more than 1,000 banking centres in Canada. Our team, over 48,000 strong, operates with a single purpose, which is to help make your ambitions a reality. That's true for our clients. It's also true for the millions of Canadians who hold an investment in our bank, either directly by holding shares or indirectly through mutual funds and pension plans.

In addition, we're making significant investments to support communities across our country. In 2022, we announced a goal to contribute $800 million over the next decade to community investment initiatives.

Over our long history, we have consistently addressed key issues facing our stakeholders and climate change is no exception. Climate change is a critical global issue of our time. It's one that requires significant coordinated effort to drive change and achieve a more sustainable future for all.

Our bank recognizes that we have a role to play in enabling solutions. We also recognize that natural resources, including oil and gas, play a critical role in Canada's economic foundation and that Canada has a key role to play as a responsible provider of energy to the world—today and through the transition to a lower-carbon future.

We work alongside our clients in these industries to help them achieve their sustainability goals. We provide capital and financial advice to help make innovative energy solutions possible, and we're a leading provider of financing for the renewable energy sector. Our commitment to a more sustainable future includes our stated ambition to achieve net-zero GHG emissions associated with our operational and financing activities by 2050. This ambition is integrated into our business activities.

We also actively engage with our stakeholders to understand their perspectives, just as we're doing today, and to ensure that we're listening, learning and taking into account a wide range of views. We disclose our progress publicly, as in our recent climate report.

We are making progress toward many of the goals we have put in place, including interim targets related to emissions intensity in specific carbon-intensive sectors and mobilizing sustainable finance towards our $300-billion goal by 2030 in support of environmental and social outcomes. This disclosure also enables productive dialogue with our stakeholders on climate-related issues.

We've built accountability into the process. Our ESG index, which includes climate-related goals, forms 10% of our business performance factor at our bank, which impacts compensation across our CIBC team.

It's important to acknowledge that indigenous communities are also central in resource development. The road to net zero involves indigenous lands. CIBC is dedicated to providing tailored and accessible financial services to first nations, Inuit and Métis clients in Canada. We take an active role in partnering with our indigenous clients at the national and local levels. We're proud that, just recently, we received the indigenous reconciliation award as part of the 2024 employment equity achievement awards organized by the Minister of Labour and Seniors.

Within our capital markets business, renewables and energy transition growth are one of our top strategic initiatives, and our team invests significant time and resources in helping companies in this space to grow and achieve scale.

Across our bank, we recognize that climate change is a defining issue of our time. As we've done at our bank since 1867, we're actively supporting the outcomes we all want for the future.

We have a clear ambition and comprehensive disclosures, and we are making progress in helping clients transition their businesses to a low-carbon future.

We acknowledge that there's more work to be done. I believe banks play a vital role as enablers in creating a more sustainable and inclusive future. We're committed to playing our part at CIBC.

● (1545)

Thank you.

The Chair: Thank you very much, Mr. Dodig.

We'll go now to Mr. David McKay, president and CEO of the Royal Bank of Canada

The floor is yours. Thank you.

Mr. David McKay (President and Chief Executive Officer, Royal Bank of Canada): Thank you, Mr. Chair.

Before I begin, I want to respectfully acknowledge and give thanks to the original peoples of the lands upon which all of us now live and work.

Thank you for the opportunity to speak about how RBC is helping to accelerate the transition to a greener economy. As this committee knows, we're in a decisive decade for Canada's economy and the collective work required by us all on the climate transition. The coming years must see banks, businesses and investors working alongside governments to drive a fundamental reimagining of nearly every sector of the global economy. This means a climate-smart, 21st-century approach to how we generate energy, grow food and construct buildings and infrastructure.

[*Translation*]

However, rising temperatures and the resulting storms and wildfires remind us how essential it is for countries, businesses and communities to share our strong sense of urgency and work together to make the carbon-neutral economy a reality.

At RBC, we are aware of the imperative of collective action in favour of the climate. We embrace our role as a bank that supports its customers and communities in their efforts to decarbonize. This is how we believe we can have the greatest impact.

Over the past few years, we've been laying the foundations to help our customers progress along the path to carbon neutrality. We have achieved this by working more actively than ever on ways in which we can help our customers in emission-intensive sectors of the economy who are keen to adopt measures to reduce the level of emissions associated with their activities.

[*English*]

I'm proud that we were the first major Canadian bank to disclose a formal approach for engaging with our Capital Markets clients in the energy sector, including a framework that will guide how we assess their transition plans. This will help us deepen the support and advice we bring to those who are producing the energy our world relies on while we continue to work on bringing more renewable sources of energy online. Importantly, this new client engagement framework will also inform the decisions we make to disengage from clients who don't have credible plans to reduce their emissions.

I'm pleased to share that almost 80% of RBC Capital Markets' lending exposure in the energy sector is to clients who have transition plans. While many of these plans are still in the early stages, we're encouraged by the progress we're seeing as clients move forward on this complex, multi-decade journey to net zero. As a recent RBC Climate Action Institute report projects, Canada needs about $60 billion of annual private and public investment to reach its net-zero goals by 2050. This is double what we currently spend. It means we all need to do more—all banks, every level of government, businesses both large and small, and all Canadians across the country.

To help play a role in generating and attracting more capital to finance the shift to a new economy, we're accelerating our strategy to finance the energy sources needed to build a net-zero economy. We're doing this by stepping up our focus on low-carbon energy development opportunities, including new goals to triple our renewables lending by 2030 across RBC capital markets and commercial banking, allocating $1 billion of RBC capital by 2030 to support the development and scaling of innovative climate solutions, and a new decarbonization finance category that will help us accelerate the deployment of capital to emissions reduction efforts in high-emitting, hard-to-abate sectors.

We're matching these actions with an even sharper focus on accountability and transparency, disclosing how we're tracking against our goals and more clearly and actively outlining the steps we are taking to support our clients. For example, we're now reporting our absolute financed emissions on an authorized basis for the oil and gas sector, and we will continue to do so every year to show our progress. We also plan to disclose a clean energy supply ratio in RBC's 2024 climate report.

● (1550)

Over the past year, I've spent a lot of time with our leaders and teams across the bank to find ways to better support our clients as they take action to reduce emissions. We also engaged with many external experts and organizations, including government and indigenous leaders, because getting to net zero will require unprecedented collaboration across all areas of the economy and all segments of society. While we know there's still much work to be done, RBC is up for the challenge and ready to continue helping our clients and communities build a greener economy.

[*Translation*]

The Chair: Thank you, Mr. McKay.

I now turn the floor over to Mr. Thomson, who is the president and chief executive officer of Scotiabank.

[*English*]

Mr. Scott Thomson (President and Chief Executive Officer, Scotiabank): Good afternoon, Mr. Chairman. I am pleased to have this opportunity to provide comments during today's meeting.

I am joining this meeting today from our Scotiabank office in Toronto, which is home to many first nation, Inuit and Métis communities. I acknowledge the treaty holders, the Mississaugas of the Credit First Nation, and recognize that Toronto is “one dish with one spoon” territory. What this acknowledgement means to me is that I'm grateful to the indigenous stewards of these lands, who have made it possible for me to participate in these important discussions today. It also serves as a reminder of my commitment to continue to remove barriers that have, in the past, made it difficult for indigenous peoples to access financial services and have meaningful careers in the financial industry. I make these commitments as an individual and as the president and CEO of Scotiabank.

I have the honour of leading this bank, which has an almost 200-year history supporting Canadians with their financial needs. Employing 40,000 people and serving more than 11 million clients from coast to coast to coast, we take our role as an important pillar of the Canadian economy seriously. We're also a leading bank across North America, including being a top-10 foreign bank in the United States and the fifth-largest bank in Mexico, with a market-leading presence in jurisdictions across the Caribbean and Latin America. In all the markets in which we operate, climate change represents both an economic and a business opportunity and a complex risk for our clients and to our economy and physical environment.

For Scotiabank's part, we're focused on working with our clients—including large corporate clients in high-emitting, hard-to-abate sectors, as well as smaller companies in the clean energy and technology sectors—to support them in the energy transition. Earlier this year we released a stand-alone climate report to provide information about the ways in which Scotiabank is addressing climate action.

Our climate goals are organized around three pillars in which we as a bank can make the most significant impact. First, we are financing climate solutions, with $350 billion in climate-related finance by 2030, and are supporting our clients through advisory services and products as they invest in less carbon-intensive business models, finance emission-reducing technologies and develop sustainable supply chains.

Second, we are advancing sectoral targets by enhancing our understanding of our clients' transition-planning activities, especially in industries where we have set 2030 interim targets, including oil and gas. We also enhanced our financed emissions reporting and support for innovative research aimed at moving the needle on climate change.

Finally, we are reducing our own emissions. In 2023 we committed to reduce the bank's own greenhouse gas emissions by 40% by 2030. This year we reached our goal to have 100% of our electricity come from emission-free sources in Canada.

At the end of this year we'll be publishing a more fulsome climate transition plan that will outline our strategy and implementation plans to embed climate into relevant discussions across the enterprise. However, even with these actions, no bank can deliver this transition on its own. The transition to a low-carbon economy is a complex process that will take time and will need to occur in an orderly and responsible way, with close partnership between the private sector, government and institutions, to tackle the multipronged challenge of decarbonization and energy security, access and affordability.

As I have this opportunity before you, as representatives from all our major political parties, my message is this: Canada is blessed with an abundance of natural resources, a highly educated population, strong governance and a reliable financial system, all of which are required to accelerate economic growth and overcome many environmental challenges before us. Our production and environmental standards are among the highest in the world, regulated by institutions that ensure that industry practices are monitored, measured, verified and authenticated. Our extensive geography and geology allow for a growing mix of energy products at a time when the need for new and sustainable infrastructure across the continent, especially electricity generation, is undeniable. By clearing the obstacles that inhibit investment in technology and infrastructure, we have an opportunity to link Canada's climate strategy with our industrial strategy to reduce emissions and become recognized as a low-carbon, high value-add and high-IP leader in global sustainable infrastructure.

● (1555)

I recognize that the path forward will not be easy, but Canada's potential to reduce emissions while having a thriving economy is there. Scotiabank is here to support those efforts.

Thank you very much for your time today.

The Chair: Thank you, Mr. Thomson.

We'll go to Bharat Masrani, president and chief executive officer of TD Bank Group.

Go ahead, Mr. Masrani. The floor is yours.

Mr. Bharat Masrani (Group President and Chief Executive Officer, TD Bank Group): Thank you, Mr. Chairman, and good afternoon.

Thank you for the opportunity to speak about the important study this committee is undertaking. Thank you to my colleagues for providing the land acknowledgement, which we as well acknowledge.

Today, we find ourselves in the midst of a global economic transition to net zero that is unfolding against a backdrop of socio-economic and geopolitical challenges. This transition requires focus, investment, innovation and new technologies in all sectors of the economy. Progress will take engagement and partnership between the private and public sectors, and all of this is happening as people and societies, including financial institutions, face increasing climate risk.

This afternoon, I'd like to make three key points related to this global context: the economic imperative, the critical importance of a balanced approach and the need for engagement among all stakeholders.

First is the economic imperative. We believe TD has an important role to play in supporting our clients in the transition to a low-carbon economy, and that focus on sustainability drives long-term value for our shareholders, the Canadian economy and the many communities we serve. For a sense of the type of economic opportunity before us, TD Economics' analysis shows that connecting new renewable power generation assets to the grid could require upwards of $25 billion to $50 billion in transmission investments alone by 2035 in the context of Canadian emissions reduction pathways.

TD has a long history of environmental engagement that we are building on. More than 30 years ago, we launched the TD Friends of the Environment Foundation, helping to support grassroots projects in communities across Canada. We have been focused on decarbonizing our own operations. We were the first major bank in Canada to set a 2050 net-zero goal, and in 2020 we launched our climate action plan.

TD has also announced financing targets. In 2017, we introduced an initial low-carbon economy target for lending, financing, asset management and internal corporate programs, and we met it ahead of schedule. We then set our $500-billion sustainable and decarbonization finance target in 2023 and, in the first year under the new target, delivered nearly $70 billion in business activities toward our goal. As we navigate this transition landscape, our focus is on resilience for the bank and our clients strategically, financially and operationally.

That brings me to my second point. We believe it is critically important to take a balanced approach through this transition to net zero. TD supports and engages with clients across all sectors as they meet the world's needs today while investing in opportunities to meet the demands of tomorrow, all within the larger context of meeting our long-term climate objectives. As part of our efforts to support our clients, we've released specific targets related to the energy, power generation, automotive and aviation sectors. Led by our TD Securities ESG solutions group, we focus on understanding our clients' decarbonization initiatives and future plans and support them through advisory and financing solutions.

That brings me to my third point: engagement with a range of stakeholders and partners. Our transition plan continues to evolve through work with clients and experts, engagement in industry forums and consideration of new guidance. We think engagement with a broad set of stakeholders is critically important for us, Canada and the world in enabling us to meet our collective objectives and obligations. On the role of policy-makers specifically, government policy shapes how our clients navigate the net-zero transition.

I look forward to our discussion today, because we are on this journey together. In the complex economic and geopolitical environment in which we find ourselves, we understand that TD has an important role to play and can make a positive contribution through our own efforts and by supporting engagement among stakeholders and partners.

Thank you.

● (1600)

The Chair: Thank you, Mr. Masrani.

We'll go now to our first round of questions, which is a six-minute round, and we'll start with Mr. Deltell.

[*Translation*]

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

It is with enormous pleasure that we welcome this very impressive group of quality people and decision-makers in the Canadian financial and banking world.

Gentlemen, welcome to your House of Commons and to your Parliament.

We all know that we're facing climate change and that we need to act appropriately, effectively and practically if we're to succeed in reducing greenhouse gas emissions.

In the financial world, of course, you are at the heart of the decisions and at the heart of the opportunities. I'm talking about the opportunities to grow, but to grow by reducing pollution, and also the opportunities to reduce pollution through the approaches that every company can adopt.

My first question is for Mr. White.

Mr. White, let's take the case of an entrepreneur who knocks on your bank's door to borrow, say, $10 million to increase production. The company is doing well, but it doesn't necessarily have the best environmental record. Are you going to refuse a loan to this company that wants to expand? What will your response be to this entrepreneur?

Mr. Darryl White: Thank you for the question. To make sure my answer is as accurate as possible, I'll reply in English.

[*English*]

The first thing I would say, Mr. Deltell, is that we do not take the view that we wouldn't support any particular sector. In the example you gave, if a client came in, we would assess all of the risks of their proposal—whether they be environmental, credit, market or legal—and we would assess their proposal as we would any other, regardless of whether it was a carbon-related proposal or not.

Mr. Gérard Deltell: If it was carbon-related and you realized it wasn't attaining any goal to reduce emissions, what could happen if we shut down this project? Could the entrepreneur go offshore and go to another country's bank to get this money, or would it be impossible for them to develop their company?

● (1605)

Mr. Darryl White: The entrepreneur in that particular instance would have an opportunity to go to multiple channels to source the capital.

Mr. Gérard Deltell: He could go offshore. Even if we refused him in Canada, he could have access to money offshore. At the end of the day, the pollution would go on.

Mr. Darryl White: It's difficult to opine on a hypothetical, but I agree with you, practically speaking, that it could be the case.

Mr. Gérard Deltell: That's fine.

My other question will go to Mr. McKay from the Royal Bank of Canada. There is an annual report each and every year about the banking system and investment in hydrocarbons.

[*Translation*]

This is the world's top oil and gas financing list, and I assume you can see where I'm going with this. The Royal Bank, your institution, is seventh in the world among those with the most investments in hydrocarbons.

For you, is this a source of pride or rather an embarrassment?

[*English*]

Mr. David McKay: If you look at the Canadian economy, RBC is one of the largest banks in the world. It's a top-10 bank in the world. If you look at the energy-intensive nature of the Canadian economy, it's going to take us a while to transition. It's a very complex journey. Therefore, our focus is obviously on transition financing and on emissions. That's why you've seen us make commitments on absolute reduction and commitments on financing.

The most important part of this is the $15 billion. We tripled our investment in renewable energy. There's $1 billion of equity commitment. It's all part of a very important transition.

If you look at the context of RBC in the world, look at the context of RBC as the largest bank in the country and look at the context of where we've come from as a country, that energy has been very important to the economy. It will continue to be very important to the economy as we make this complex transition. I think we're focused on the right things.

[*Translation*]

Mr. Gérard Deltell: I'll give you the example of my province, Quebec, where a lot of oil is consumed. According to HEC Montréal's recently tabled annual report, annual oil consumption in Quebec stands at over 18 billion litres. This represents an increase of 7%. As long as there is a need for so-called fossil fuels, we on the opposition side will fight for them to come from Canada rather than abroad.

[*English*]

In that perspective, Mr. White, my question is this: If you refuse support for an oil and gas company because maybe its record is not so good on the green aspect, what can this business do? It can go offshore. Then, at the end of the day, it will have access to funding. Do you think we should have here in Canada a more straight line to help businesses with hydrocarbons, or can we put the emphasis on reducing the emissions when we have a deal with these kinds of companies?

Mr. David McKay: I really believe it's important that every company has a plan. As I said in my opening comments, 80% of our energy companies have a plan going forward. It's very important that we're transparent in tracking those plans and the progress of those plans. It's a complex journey. We have to get moving. I would say that financing has to be available to help make the transition. Financing has to be available to maintain economic strength as well. One of the greatest risks to our transition is economic weakness.

The Chair: We're over time. I'm sorry.

Madam Chatel.

[*Translation*]

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

I want to welcome all of the witnesses.

[*English*]

I receive a lot of emails from my constituents, and many of them are angry. They're worried. They find it hard to reconcile your net-zero commitment with the constant increase in investments in the fossil fuel sector. The transition pathway initiative assessed that Canadian banks score very poorly for their transition to net zero compared to their peers.

Mr. Dodig, how are you measuring real progress for your organization that includes interim targets, not just the objective of 2050 but real progress in the interim?

● (1610)

Mr. Victor Dodig: Madame Chatel, thank you for your question and for your service to our country.

I recognize that many Canadians are anxious about what lies ahead in the transition. How will this all play out? How will it benefit the environment? How will it benefit their own economic security? I want to assure you that at CIBC, our team works with our clients to ensure that our path to net zero is aligned with their path to net zero.

We've signed on to the Net-Zero Banking Alliance, pledging to be net zero by 2050. For us to achieve that, we need to achieve that as a bank on our own, but we also need to achieve it with our clients, so we work with them, regardless of their size. We start with the oil and gas sector, the energy sector and the automotive sector, and we continue to move on to understand what their targets are to 2050. What are their interim targets? Are they highly aligned with our own? If they don't have a plan, we work with them to achieve that plan.

I'm very encouraged by the interim targets that we've achieved so far. There's more work to do. We've set those targets for 2030, and I would say that in most instances, we're ahead in plans with our clients. We remain committed to that 2050 net-zero goal.

Mrs. Sophie Chatel: Thank you very much.

Mr. White, can you please articulate the key benefit for your organization in having a science-aligned green transition taxonomy and disclosure as proposed by the sustainable finance action council, which I believe you were part of?

[*Translation*]

Mr. Darryl White: Thank you for the question.

[*English*]

I think it's important to consider the role of the banks in the overall ecosystem. In my opening remarks, I talked about partnering with our clients to be their partner in the net-zero transition. That means that our clients drive the decisions that work for their businesses, and we work to structure financial solutions around them. That's relevant to the taxonomy, because having a common language, i.e., a taxonomy, is generally useful as we look to couple the work we do with our clients with sourcing international capital.

It's been referenced in this meeting how much capital is going to be needed for the transition itself, and attracting international capital is made easier with a common taxonomy. It's not to say that without it we don't invest in the transition. We are, as we've demonstrated in our comments today, but to me, the value of the taxonomy is in the common language that we would all have internationally.

Mrs. Sophie Chatel: Thank you.

For investors, we want to invest in a clean and net-zero portfolio. We want to have that. We want our pension to have that. We want to be helping the transition of Canada, but it's hard when you don't have disclosure of scopes 1, 2 and 3. Well, scope 1 is something, but scope 2 and 3 emissions....

Do you support the work of the government to provide a good system of taxonomy? As you said, it's a common language. We will have to speak the same language, not only in Canada but with our trading partners and other capital investors, and we need the disclosure, because we need to know that we are investing in net zero.

Mr. Darryl White: I do think that it is useful, because it would create a common language, as I said earlier, in terms of how we effectively label sustainable finance. Conversely, finance does take place without the taxonomy. In the end, simply put, the more common disclosure we can all have, the better.

[*Translation*]

Mrs. Sophie Chatel: Thank you.

I would now like to address Mr. McKay.

The taxonomy and disclosure rules have not yet been implemented in Canada, but they will be. How important is it to your organization that the rules of the game be very clear and common to all banks?

[*English*]

Mr. David McKay: I think it is very important that we have a strong taxonomy for the country, not only for domestic investment in our transition, to your point, but also for international investment. When you're trying to attract $2 trillion of investment by 2030 to make this journey, when you have to double from $30 billion to $60 billion, when you have to transition your energy grid and those sources, it's very important that we, as a country, agree on this journey, because one of the risks to not being successful is not agreeing on how we want to make this journey as a country, as individuals, as companies, as governments and as municipalities. We have to agree on the journey. I think the taxonomy, to your point, brings us together on that point, and then we have to be clear on where the rules are. Investors do not like uncertainty. They prefer certainty and action.

● (1615)

The Chair: Thank you.

[*Translation*]

Ms. Pauzé, you have the floor.

Ms. Monique Pauzé (Repentigny, BQ): Thank you, Mr. Chair.

I would have preferred the witnesses to be with us in person rather than by video conference, but I thank them nonetheless for being here.

From the outset, I'd like to make it clear that your institutions are important and that, if you're at the head of these institutions, it's certainly because of your skills and talents. That said, we are at a crossroads. You have a moral and fiduciary responsibility to take concrete action. In your opening statements, you all said that we need to structure an economic future that values the path to carbon neutrality.

My question could be addressed to all the witnesses, but I choose to put it to Mr. Masrani.

In May 2024, Canada's National Observer published an investigation into the overlap between bank directors and directors of fossil fuel companies. For the Toronto-Dominion Bank alone, the three members involved hold shares with a total value of over $6 million in fossil fuel companies. For BMO, one board director alone owns more than $2.2 million worth of shares in Suncor.

How can you ensure that these members aren't exerting influence for personal gain, i.e., to line their own pockets as shareholders? I'm talking here about decisions that would show bias, choices of investment or lending policies, or the very development of climate policies.

[*English*]

Mr. Bharat Masrani: We released a climate action plan in 2020 that lays out a road map as to how TD gets to the net-zero world. In the meantime, we have also provided interim targets. We also annually provide a reporting suite with clear criteria as to how we measure our progress.

In my opening remarks, I talked about the sustainability and decarbonization target of $500 billion in the first year alone.

We deliver—

[*Translation*]

Ms. Monique Pauzé: Forgive me for interrupting, Mr. Masrani. I understand what you're saying and I listened carefully to your statement. I'd rather talk to you about your board of directors and possible conflicts of interest.

Do you have a way of ensuring that your board members don't exert influence for personal gain? That's what I'd like to know. Do you have firewalls, so to speak?

[*English*]

Mr. Bharat Masrani: Board members have to declare all of their conflicts when they attend board meetings. If there is any conflict of any kind, they recuse themselves from any decision. That's how it operates in every major corporation in Canada, and we follow those rules very diligently.

[*Translation*]

Ms. Monique Pauzé: All right. Thank you for your reply.

I will now ask Mr. McKay a question.

You have a glaring lack of directors with the skills to properly assess the risks that climate change is already posing to RBC.

How can the board of directors make business decisions on climate if it has no real expertise in the subject and instead has a vested financial interest in the expansion of the oil and gas sector?

[*English*]

Mr. David McKay: We have a very strong and diverse board of directors with many skills. The board of directors has access to our full management team, which is highly skilled in climate change, from engineers to experts we rely on in our climate institute and in our management and finance teams. We quite consistently make the board open to meeting with external experts advising the board and explaining to the board the complexity of the journey, how to take the journey and how to think about climate change.

I do believe the board is strong, has access to internal [*Technical difficulty—Editor*]

● (1620)

[*Translation*]

Ms. Monique Pauzé: I understand that you do try to base your decisions on science, relying on experts who are out there.

My third question is for Mr. Thomson from Scotiabank.

All the banks represented here are members of the Net-Zero Banking Alliance, which includes over 140 financial institutions worldwide. Clearly, as part of this commitment, there must be an intention to have a science-led internal policy to lead towards carbon neutrality.

However, you're also a member of the Canadian Bankers Association and the Canadian Chamber of Commerce, both of which have publicly opposed climate policies that affect the economy in Canada.

So, do you give your loyalty to the Net-Zero Banking Alliance, or to the Canadian Bankers Association and the Canadian Chamber of Commerce? Your loyalty can't go in those two different directions.

[*English*]

Mr. Scott Thomson: We are a signatory to the Net-Zero Banking Alliance, and we do voluntarily commit to reducing our financed emissions for our lending investment portfolios over time to align with pathways to net zero by 2050.

What I would say is I'm very proud of the work that has been done to date to do that. As I said in my opening comments, we have a $350-billion target, of which we've already achieved $182 billion, and importantly, it's on the path to—

[*Translation*]

Ms. Monique Pauzé: Mr. Thomson, allow me to interrupt you.

Your bank has taken some steps, but it's also a member of two associations that are against climate policies. So isn't it a bit difficult to make decisions on climate policies when your bank is a member of these two associations?

[*English*]

The Chair: Answer very briefly, please, Mr. Thomson.

Mr. Scott Thomson: We have set these sectoral targets, which have highlighted interim progress to 2030 in oil and gas, power and utilities, and transport. That allows us to get to the path to 2050 and the commitments to net zero. I'm very pleased with where we're heading.

The Chair: Okay, thank you.

We have Mr. Green.

Mr. Matthew Green (Hamilton Centre, NDP): Thank you very much, Mr. Chair. My questions, through you, sir, will be for the CEO of RBC, Mr. McKay.

Mr. McKay, I'm going to put a series of questions to you. It might feel like it's in a bit of a rapid-fire way. For example, if I interrupt you to reclaim my time, it's not personal. I just want to make sure that I have a chance to ask all of the questions.

Mr. McKay, as Canada's top fossil fuel bank, RBC disclosed a bombshell data point a few months ago, that RBC's emissions from financing oil and gas companies are equal to the emissions from all cars and light trucks in Canada every year. This is a shocking amount of pollution that a single company, RBC, finances and is responsible for every year.

Through you, Mr. Chair, to Mr. McKay, what are you doing to cut this in half over the next six years—as scientists say must happen to avoid more fires and floods?

Mr. David McKay: I can't reconcile any of the numbers that you mentioned, but as you think about the complex journey we're on, it's important that we made a $15-billion commitment to investing in renewables. That's going to make a significant difference in the journey. We've made a $1-billion commitment to—

Mr. Matthew Green: Sir, you said that in your opening remarks.

Mr. McKay, RBC is under investigation right now by the Competition Bureau of Canada for misleading customers by touting its climate record, as you've done in your opening remarks, while continuing to be one of the largest financiers of fossil fuels in the world.

How do you reconcile that to the customers you sell this greenwashed messaging to and who feel misled?

Mr. David McKay: There was one complaint from an individual to the Competition Bureau. The Competition Bureau did a full review, and we've not heard anything from that whatsoever—

Mr. Matthew Green: On the question of ethics, Mr. McKay, Canadian banks are still financing an expansion of fossil fuels, which goes against our need for a clean energy transition. Last year, your company was listed fourth and Scotiabank was sixth of the top 10 banks around the world financing fossil fuel expansion, new oil and gas pipelines and power plants that lock in new emissions for decades to come.

When will you stop the greenwashing and doublespeak with climate plans when really you're the companies pouring fuel on the fire?

● (1625)

Mr. David McKay: I respectfully disagree with your points. We are a big part of the solution. You've seen the commitments we've made to transition financing. You've seen the transparency that we have in terms of the emissions that we have from our core sectors, whether it's automotive, transportation, energy or manufacturing. We're very clear on the emissions that are coming from our lending portfolio. We've made commitments to reduce those to net zero by 2030. We've made commitments to reduce our clients' emissions, and from that perspective, I think we've—

Mr. Matthew Green: Okay, Mr. McKay, I'm satisfied with your response.

In 2021, the Queen's University Finance Association hosted an event called “Road to CEO”, featuring you, sir.

At the start of the appearance, in relation to RBC's financing of fossil fuels, you said:

> I have not had one prime minister, one cabinet member.... Not one single elected official has called me and said, “Dave, why are you doing this?” And you'd think if we were doing something wrong, if we were financing something that we shouldn't be, somebody in the Liberal government...would call and say, “Dave, why are you doing this?”

Then you said, “In fact, they call me and say, 'You have to finance the transition.'”

Who in the Liberal government has called you and asked you to finance the oil and gas sector?

Mr. David McKay: The energy sector is a big part of the Canadian economy, and as I said in my remarks, this is a transition. This is a complex transition. We are not getting off fossil-based fuels immediately. To just stop is not an option for us. We have to commit to finding greener sources of energy. We have to accelerate that transition. There is anxiety in the country about making this transition. Therefore, Canada has to move and keep moving forward. I think from that perspective—

Mr. Matthew Green: Mr. McKay, sir, as an elected official, I'm going to ask you this directly: Why are you financing the expansion of the oil and gas sector, when we know we have climate targets that are rapidly approaching beyond a place from which there's no return, sir?

Mr. David McKay: We're financing the transition.

Energy is still a big part of the Canadian economy; therefore, we have to continue to support the economy as we make the transition. You have to do both. You can't just do one. Therefore, we're focused on emissions and we're focused on reducing—

Mr. Matthew Green: If we're talking about a balanced approach, sir, can you please provide me with the amount at which you finance oil and gas versus financing the transition? Let's just compare those two numbers.

Mr. David McKay: I don't have that number in front of me. I can tell you we've made a $15-billion commitment to the transition. We have made a $500-billion commitment to sustainable—

Mr. Matthew Green: Yes, but you don't know how much you have in oil and gas. Is that correct?

Mr. David McKay: We've financed $400 billion of that $500-billion commitment to sustainable transition so as to make that. I don't have the number off the top of my head because—

Mr. Matthew Green: I'm sorry, Mr. Chair, but the doublespeak sometimes obfuscates what I'm trying to ask, so I'm going to ask it very directly.

Is it your testimony here today that you have put $400 billion into oil and gas and $15 billion into the transition? Is that the scale of magnitude that we're talking about here?

Mr. David McKay: No. The $400 billion I referred to was sustainable financing across a number of initiatives. I was trying to explain, before you cut me off, that we finance a number of transition initiatives from equity [*Inaudible—Editor*] small business—

Mr. Matthew Green: You don't know your total holdings in oil and gas, though. You don't have that. As a CEO, don't you know that?

Mr. David McKay: I can get that for you. No, I don't have it at the top of my head. It breaks down by different sectors, different countries, different regions and different capabilities.

We can get that for you. It's in our disclosure, so you could look it up as well.

Mr. Matthew Green: Thank you.

The Chair: Mr. McKay, would you be able to send the committee those numbers in writing?

Mr. David McKay: Sure.

The Chair: Thank you.

Mr. David McKay: To be clear, the request was for our financing from fossil fuels.

The Chair: I'll ask Mr. Green.

Could you be clear on the request?

Mr. Matthew Green: I want a comparable. He's touting the $15 billion that he says—

The Chair: No. I just want to know what you're looking for from him.

Mr. Matthew Green: I'm looking for the total investments in the oil and gas sector. It's a very straightforward question.

The Chair: Okay.

It's the total investments in oil and gas.

Could you get those to us?

Mr. David McKay: Absolutely.

The Chair: Thank you.

We'll go to our second round,

Mr. Mazier, you have five minutes.

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

Before I start my questions, I want to give a verbal notice of motion.

The Chair: Excuse me. I need to take a break for two seconds. I want to clarify something.

● (1625)

_____________________(Pause)_____________________

● (1630)

The Chair: Okay. Go ahead, Mr. Mazier.

Mr. Dan Mazier: That doesn't take away from my time, does it?

The Chair: Well, it does take away from [*Technical difficulty—Editor*], whereas if you were moving the motion, that would be it after you were done moving the motion.

Go ahead, Mr. Mazier.

Mr. Dan Mazier: Okay. Thank you.

I'm just giving a notice of motion.

The Chair: Yes. Go ahead.

Mr. Dan Mazier: It reads as follows:

> Given that
>
> (i) the Liberal government released its internal economic data on the carbon tax, revealing it costs Canadians $30.5 billion and over $1,800 for every household in Canada;
>
> (ii) this is in addition to the increased costs the carbon tax puts on gas, groceries and home heating;
>
> (iii) the Liberal government tried to cover up this information from Canadians; and
>
> (iv) when the Parliamentary Budget Officer revealed that the Liberal government had this data they placed him under a gag order and attempted to ruin his reputation;
>
> that the committee report to the House that the environment minister must resign immediately.

The Chair: Do you have any questions for our witnesses? You can go ahead now.

Mr. Dan Mazier: Thank you.

Thank you to the witnesses for attending virtually here today.

We've talked a lot about investment here. I don't know if I got over $100 billion or how much you guys figured we needed here for transition financing.

Mr. McKay, will the government's capital gains hike drive investment into Canada or out of Canada?

Mr. David McKay: As you talk about investing in any country, investors look for certainty. They look for opportunity. Therefore, as you think about attracting capital, tax policy is very, very important. There are a number of ways of looking at tax policy, at the end of the day, but tax policy is a big part of how we need to think about being competitive in the world. You have to balance multiple facets, not just one facet.

Mr. Dan Mazier: Capital definitely is needed. If we want to transition properly, we need a lot of capital. Would you say that a tax hike on capital gains would be detrimental? Would it drive investment into Canada or drive it away from Canada to have a capital gain tax increase?

Mr. David McKay: To your point, we need $2 trillion of capital. I won't speculate what it will do or won't do at this time, but a stable, predictable tax regime is very important.

Mr. Dan Mazier: How about the other executives? Do you think the capital gains hike will impact investment into Canada or drive it out?

I'll start with TD.

Mr. Bharat Masrani: It's hard to model specifically what each tax would do. I think the important point, which I think Dave McKay made, is predictability, stability and understanding how taxes drive decisions. This is early in terms of the new tax and what it will do. Time will tell, but it is important to have a stable, predictable tax regime in order to drive long-term investment decisions.

Mr. Dan Mazier: Okay.

Mr. McKay, you stated that a failure to lower housing costs in Canada could “put our entire economy at risk”. What did you mean by this?

Mr. David McKay: Solving our housing challenge in Canada is absolutely critical in attracting and retaining the talent we need for the success of our economy and the prosperity of our country. We are obviously short of housing currently. There are a lot of initiatives under way to try to close that. We have a lot of work to do.

The nature of my answer is that it is absolutely critical to talent and prosperity and growth.

Mr. Dan Mazier: This is for all of you, eventually.

The Deputy Governor of the Bank of Canada stated that Canada is facing a productivity emergency.

Do you agree? How do we address this?

Mr. McKay, I'll start with you, and then we'll go around the table.

Mr. David McKay: Productivity is linked to competitiveness. For us to continue to enjoy the quality of life we have and the prosperity we have in this wonderful country, we need to be competitive and we need to be competitive on a productivity basis. We need to attract investment to do that.

All the things we've talked about—ensuring a successful climate transition, having a stable tax regime, solving for housing and encouraging investment in more productivity—are an important part of the overall competitive landscape in Canada.

● (1635)

Mr. Dan Mazier: How about any others?

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Mr. Chair, I have a point of order.

I was looking back to the motion for this study, and I do not understand the relevance of some of these questions to what our study is specifically about, which is the “environment and climate impacts related to the Canadian financial system, including...current practices in this sector”—having to do with environment and climate impacts and—“analysis of regulatory and legislative mechanisms” that we could put in place “to ensure its financial regime aligns with the Paris Agreement and thus, promote the reduction of inherent risks, namely physical and transition risks”.

I don't see Mr. Mazier's line of questioning being at all consistent with what our study is about.

The Chair: His time is almost up anyway, but it is a bit of a stretch. He is talking about capital flows and so on. That's why—

Mr. Dan Mazier: Chair, here we're talking major—

The Chair: Excuse me, Mr. Mazier.

That's why I would not rule it out of order, but it is a bit of a stretch.

You have about 10 seconds.

Mr. Dan Mazier: These banking executives just asked for over $100 billion. We're talking about investments. Every penny that anybody makes in Canada is going to be needed under productivity. Of course the Liberals would not want to talk about this.

Thank you.

The Chair: Thank you.

Mr. van Koeverden.

Mr. Adam van Koeverden (Milton, Lib.): Thank you, Mr. Chair, and thank you to our witnesses for joining us today.

My questions will be for the CEO and executive director of RBC, David McKay.

Mr. McKay, in your opening remarks today, you espoused your commitments to net zero and reducing emissions. You reiterated your recently published goal to triple renewable energy lending to $15 billion per year by 2030.

For reference, RBC currently finances fossil fuel industries in Canada with more than $30 billion per year.

If you achieve your objective without reducing funding for fossil fuels in the oil sands in Canada, RBC's clean-to-fossil-fuel financing ratio will be less than 1:1. That's in 2030. The International Energy Agency states that a 6:1 ratio of clean-to-fossil-fuel energy funding is necessary to achieve net zero, which, as I said, is your stated goal.

Is your goal that was published earlier this year—which is to, within six years, still fall within about 12 times short of what the International Energy Agency states is necessary—sufficiently ambitious?

Mr. David McKay: As we talk about renewables, it's just one part of the overall commitment to the energy grid. As we talk about the reduction in overall emissions from our economy, it's going to require further investment. Working with our customers to transition their businesses across every sector of the economy is not only going to require information, advice and support; it's going to require financial support as well.

If we look at the overall envelope of what we will do with our clients, it's quite significant. I can't put the overall ratio against that as yet, but we've actually committed to disclosing our financing ratio of renewables to fossil fuels starting in 2024, as I talked about in my opening remarks. That's an important part of the transition.

The ratio you're quoting is just one part of the overall transition of our economy. There's a much greater component outside of that commitment that we highlighted.

Mr. Adam van Koeverden: Okay, that's excellent.

Just for reference, if it's currently $5 billion and your fossil fuel funding is about $30 billion, then it's at 1:6 right now, and what's necessary is 6:1. Your ratio literally needs to flip upside down in order to achieve that goal.

In six years, do you think that's possible?

Mr. David McKay: I'm not sure how you're getting the 6:1. We're disclosing a very different ratio from that, currently.

Mr. Adam van Koeverden: I can re-emphasize—

Mr. David McKay: No, I know you're saying $30 billion to $5 billion, but I don't reconcile that.

I encourage you.... We are disclosing that financing ratio. We will show you how we calculate that. I could submit that to you after this committee meeting.

That ratio was based off a global standard that we are using to disclose. We're being very transparent about our journey, because it's important, to your question.

Mr. Adam van Koeverden: Thank you.

RBC is the world's largest financier of the oil sands. RBC has provided about $13.4 billion in financing for the oil sands. The oil sands in Canada is the largest-emitting sector in the energy industry or at all, accounting for over 12% of our country's total emissions, more than the entire province and all the activities in British Columbia. It's also important to note that for a lot of the products that come from the oil sands, it would be a stretch to describe them as energy. Bitumen is often used as tar for shingles and roads. Calling it an energy product is perhaps a bit of a stretch.

Despite that, research recently revealed that emissions from the oil sands were possibly 6,300% even more polluting than they reported.

Last week we had the oil executives here, and I asked the CEO of Suncor about that. I asked him how it's possible, with all the funding that's coming from Canadian banks delivered to the oil sands sector, that the carbon required to produce a barrel of oil sands bitumen has actually increased over the last 20 years. You'd think all that investment could inspire a bit of innovation.

Do you feel like it's a good investment, regardless of whether they're profiting—we know that they continue to make record profits—if the carbon intensity of a barrel of oil is increasing? Is that a good outcome and a good use of $13.4 billion of Canadians' hard-earned and invested dollars?

● (1640)

Mr. David McKay: I can't reconcile where you get the information that we're the world's largest financier of fossil fuels. I don't believe that to be true.

Mr. Adam van Koeverden: Oil sands, sir. Mr. McKay, it's just oil sands, not the oil industry.

Mr. David McKay: I'm not even sure if that's accurate, but we will fact-check that for you. Certainly it's not in the world, and I don't believe that's correct either.

As far as your comments are concerned, are we committed to this transition? I take that as the theme of your question, and we're absolutely committed to this transition. It's critical for our society that we make this transition. That's why we started a climate institute headed by John Stackhouse, where we're doing significant research—

Mr. Adam van Koeverden: I'm sorry for cutting you off, but given the record that a barrel of oil from the oil sands has actually become more carbon-intensive over the last 20 years, and your stated goal of becoming net zero, can you commit to ending your financing of tar sands oil expansion?

The Chair: Give a very brief answer, please, because we have to go on.

Mr. David McKay: We are in a transition. Therefore.... We are not making the transition overnight. We are going to need this source of energy until we find new sources of energy, so we must transition this economy away from carbon-intensive.... We're not there yet.

Mr. Adam van Koeverden: No, we're not.

The Chair: Ms. Pauzé.

[*Translation*]

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

I'd like to ask Mr. Masrani the question my colleague just asked.

At the end of 2023, Europe's largest pension fund sold oil, gas and coal assets worth around 10 billion euros. The fund's managers took this decision because they had determined that the risk was too high.

You already know that the administrator has a legal obligation to act impartially and in the best long-term interests of the bank.

I'll take my colleague's figures. Emissions from oil sands operations are said to be 1,900% to 6,000% higher than what companies claim. This is confirmed by a study produced by Yale University and the Department of Environment and Climate Change, the results of which were published in January. Our record was bad enough, but it turns out to be even worse than we thought. So you should reassess the risk upwards.

Have you considered exiting this sector, as the European pension fund has done?

[*English*]

Mr. Bharat Masrani: We've set out a climate action plan, as I mentioned in my opening remarks, and we also report on it on a regular basis. In fact, I refer you to the March 24 release of our sustainability suite of reports, which clearly outlines the methodology—

[*Translation*]

Ms. Monique Pauzé: I apologize again for interrupting, but I only have two and a half minutes.

Have you considered exiting this sector, given that emissions are much higher than reported, yes or no?

I understand the answer is no, you're not thinking of getting out of the fossil fuel sector. Is that correct?

[*English*]

Mr. Bharat Masrani: We are a great believer in an orderly transition, and we have to do both. We have to support the responsible oil and gas industry as we go through this orderly transition, and at the same time make sure we're providing the capital and the investment to move to a net-zero world.

We have solid reporting on this, and we give you the methodology that we use. That is available to you.

[*Translation*]

Ms. Monique Pauzé: I'll ask Mr. McKay the same question quickly. I think I have 30 seconds left.

The figures given by Yale University and the Department of Environment and Climate Change are quite worrying.

There's a European fund that got out of this sector by selling assets worth a total of 10 billion euros. Are you considering exiting this sector? I understand it won't be tomorrow morning, but are you planning to do so at some point?

[*English*]

Mr. David McKay: I think it's important that we continue to work with our clients on a transition. We have 80% of our clients who have presented a transition plan to get to net zero. It's important that we do this in an orderly fashion, or we risk the entire journey. We have to protect jobs along the way. Therefore, it's about the transition: helping our clients make the transition, helping them reduce their emissions and working collaboratively with them.

● (1645)

[*Translation*]

The Chair: Thank you.

Mr. Green, the floor is yours.

[*English*]

Mr. Matthew Green: Mr. McKay, following up on that, your company released the client engagement approach on climate, and it stated that RBC "is prepared to make difficult business decisions and ultimately step away if a client, after repeated engagement, does not demonstrate sufficient planning for the energy transition."

In your previous answer, you said that 80% of your oil and gas investments do. What have you done with the other 20%? Have you stopped providing financing to any oil and gas clients?

Mr. David McKay: We have definitely exited relationships around the world. It is, overall, part of our risk strategy.

As for your question on the 20%, we're actively working with them. We have set targets around moving that 80% number towards 100%. This is a 30-year journey, so we're on that way. We're working with clients—

Mr. Matthew Green: We don't have 30 years, Mr. McKay.

I would state to you, sir, that yesterday, four seniors from Elders for Climate Sanity had their day in court, because back in April, four of them, including 98-year-old Gail Lorimer, were dragged out of a Hamilton-area RBC branch for stating the obvious: that RBC, as one of the number one contributors to oil and gas financing, is not only greenwashing their communications but actively investing in the ecological demise of our country.

I want to know. For 98-year-old Gail Lorimer, what message do you have for her in terms of the inherent contradictions between what you're saying here at committee and what you advertise to the public, versus what is actually transpiring with the hundreds of billions of dollars you invest in oil and gas?

Mr. David McKay: What is actually transpiring is that we're working with our clients to help them reduce their emissions. We're helping finance that transition. We're making unprecedented commitments to investing in Canadian renewable energy. We're making unprecedented commitments and executing on investing in equity and new solutions. We made an unprecedented first commitment to $500 billion in sustainable finance. We have already financed $400 billion. We are working with our clients to make this transition for everybody.

Mr. Matthew Green: Canadian banks, including the RBC, finance oil sands activities to the tune of $2 billion.

When you look at all the land acknowledgements that all of you have done here today.... First nations and Métis nations in northern Alberta and the Northwest Territories have been outspoken about the fact that the oil sands activities are poisoning their water and causing high cancer rates, and these nations aren't getting any of the benefits. Is it fair to these nations that are opposed to the expansion of the oil sands that you continually pump billions of dollars into this highly polluting sector?

Mr. David McKay: We are working with first nations across the country. Many first nations are equity participants in energy projects, including pipelines across Canada. It's a big part of reconciliation—

The Chair: Thank you.

Mr. David McKay: —in our country to allow our first nations to participate. They're a big part of the solution in our energy transition, and they are participating.

The Chair: We will go to Mr. Kram now.

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

Thank you to all the witnesses for being here today and for sharing your financial institutions' decarbonization and net-zero plans. I was wondering if each of the witnesses could share for the committee how much of their activities has been mandated by governments and how much of them has been voluntary at this point.

That's for anyone who wants to jump in.

Why don't we start with Mr. McKay?

Mr. David McKay: I think it's really important that we continue to work with all levels of government, not just federal but provincial and municipal, to come up with the solutions, ideas and policies that enable us to make this transition.

Mr. Michael Kram: At this point, though, the federal government hasn't imposed any of this. For all of the decarbonization net-zero plans that you shared in your opening statements, that has all been voluntary at this point. Is that correct?

Mr. David McKay: Yes.

Mr. Michael Kram: Okay. Very good.

How have the financial institutions paid for these voluntary activities to date? Has it all been through new service charges or through internal efficiencies? How have you come up with the money to do all these activities?

Why don't we start with Mr. McKay?

● (1650)

Mr. David McKay: These activities come from the resources of RBC. They come from the balance sheet of RBC. They come from the health and strength of RBC. When we can make a commitment of $500 billion, it comes from our balance sheet. When we make an unprecedented commitment of $15 billion on renewables, it comes from our balance sheet. When we make a commitment to the climate institute and to investing tens of millions of dollars in researching policy, researching ideas and helping Canadians understand how to take this journey smartly and inclusively, it comes from our resources.

Mr. Michael Kram: Okay.

Mr. McKay, earlier you spoke in favour of a standard taxonomy. Could you elaborate for the committee on how that would work and who would pay for it?

Mr. David McKay: I'm sorry, but could you repeat your question? I didn't quite get it.

Mr. Michael Kram: Yes. In an earlier question, you were asked about taxonomy and you spoke out in favour of a standard taxonomy. How does it work? How much would it cost? Who would pay?

Mr. David McKay: The work has been ongoing for a number of years. It's a multi-industry group that's working with various levels of government to come up with recommendations. It's vetted through the Canadian government. The cost is being absorbed by all the participants who are donating their time to come up with what is a very important part of the overall success of our journey.

Mr. Michael Kram: However, that could all be done through Canada's financial institutions. There's no need for the federal government to mandate that. Would you agree?

Mr. David McKay: My understanding is that the government has absolute authority for deciding at the end of the day on the taxonomy released to Canadians. We are making recommendations. There are multiple constituents at the table, from asset managers to pension funds and insurance to banks. We're just one participant in the overall stakeholders in the framework.

Mr. Michael Kram: Certainly every financial institution does a thorough analysis before investing millions or billions of dollars in an initiative. This standard taxonomy is something that the banks could get together and do on their own if they really wanted to without government intervention. Would you agree?

Mr. David McKay: No, I wouldn't agree. I think their taxonomy requires a broader group of stakeholders to agree. Don't forget, investors are coming in all shapes and forms and from all sectors of the economy, inside and outside of Canada. They're seeking broader agreement on how Canada looks at the framework.

I do not believe that if the banks got together on their own and came up with the taxonomy, the investment community would necessarily adopt it per se. I think a broader consensus is important.

Mr. Michael Kram: What can the government do on taxonomies that the banks are not capable of doing?

Mr. David McKay: The government is acting as a convener and helping bring together multiple sectors to try to find agreement where there are very differing views between some sectors.

They're convening. It's multi-sector. I think that's the very definition of the role of government: to help convene on tough issues, think through policy, get input and make recommendations. That's the process we're going through. It's not a simple task and outcome.

Mr. Michael Kram: Wouldn't it be fair to say that if there's a difference of views among the financial institutions, there would also be a difference of views among the potential investors, and that those differences of views would not necessarily go away just because the government says so? It that correct?

[*Translation*]

The Chair: I would ask you to give a brief response, Mr. McKay.

[*English*]

Mr. David McKay: No. I think that's why you talk. That's why conversation is important—to understand different perspectives, to explore them and to explore solutions as part of a multi-stakeholder group. I think that's how you build a better country.

[*Translation*]

The Chair: Thank you.

Mr. Longfield, it's your turn to close off the second round of questions.

[*English*]

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Chair, and thank you to the witnesses.

It's incredibly valuable for us to have the senior executives from our major banks at the table all at the same time. I don't remember that happening in a committee in the last eight and a half years, so thank you for taking the time to discuss this important issue.

Mr. McKay, I know you've had a lot of questions, but I want to drill down a little in terms of the sustainable financing, the sustainability-linked loans and bonds, the SLLs and SLBs, to the oil and gas companies that RBC is employing. How do those funds work, and how are you measuring success toward net zero using those funds?

● (1655)

Mr. David McKay: When you look at the whole emerging industry of sustainability-linked loans, this is a very important issue. It's an emerging category that investors have really focused on quite significantly globally.

Each loan, each facility, is tailored to the individual issuer according to what sector they're in and what they're trying to achieve from a sustainability perspective. They have to articulate that. It's embedded in the overall prospectus and rules. Therefore, it's very important that one size does not fit all. This is a highly customized sector, and reporting is required as they go along. That becomes the issue for the companies that we help finance. It becomes their issue to report that clearly in their notes to their bank group and to the investors.

Mr. Lloyd Longfield: Thank you.

That links to the disclosure, so that we could show the targets that they're working towards, that you're agreeing on through your financial instruments. I'm seeing a nodding head, so thank you for that.

I'm sorry to stay with you, but, because of some of the other questions, I'd like to clarify one or two things.

When we're looking at stability, we had the oil executives here last meeting or a few meetings ago, and they talked about the importance of stability in terms of the instruments that they're dealing with, either through the government or through financial institutes.

The Canadian banking industry is known for stability and regulations that are agreed on and publicly managed, I can also add, which is unusual for a banking industry in the world. When you look at the political pressures that we put on you of firing the Bank of Canada president, axing the tax or things that could have a real impact on Canadian businesses or businesses investing in Canada, how important is it for us to be as stable as you are?

Mr. David McKay: What a wonderful question.

Stability is the essence of investing—predictability. When you talk to the energy industry, when you talk to the manufacturing industry, when you talk to the EV battery industry, and when you talk to the banking industry, we're making long-term commitments. These aren't one-year commitments or two-year commitments. We make four-, five-, 10- and 20-year commitments; therefore, the predictability of the world we operate in is very, very important. The tax predictability, the operating, the rules, how stable are they? The government in Canada should take pride in its banking industry. We have the top banking industry in the world, and we have to protect that. It's so important to the prosperity of our economy.

Mr. Lloyd Longfield: I think, in terms of the disclosure and what we're looking at working on together through taxonomy, you have branches in Texas and all over the States. They have a regime of taxonomy that we need to also look at so that, as we develop, capital doesn't flow out of the country.

You've just highlighted very clearly the role of governments, and I think maybe we have to take back the role of politicians and look in the mirror a bit so that we can help you reach some of that.

The pressure is that we just got a pipeline to the coast. The oil and gas companies are going to have better margins; they said that in their meeting. They could have the same profits without production escalating faster than their reductions in greenhouse gas emissions. When you look at the net-zero goals, is that something that could be considered, increasing profits being reinvested into greenhouse gas reductions?

Mr. David McKay: I'll leave that specific question to you, the energy and the role of government to play with each industry and understand the overall ecosystem you're trying to build.

We do have to get on with carbon emissions reduction. We have opportunities to invest in carbon sequestration and carbon capture that have to move through. There are projects that we're talking about that can have a big impact; therefore, I think that discussion goes hand in hand with the discussion you had. How do we finance that? There are different ways of financing—

[*Translation*]

The Chair: Thank you.

We must now move on to the third round of questions.

Mr. Leslie, you have the floor for five minutes.

[*English*]

Mr. Branden Leslie (Portage—Lisgar, CPC): Thank you, Mr. Chair.

I'm going to pick on somebody different, because Mr. McKay has taken a lot. Maybe I'll look to BMO.

To make this simple for any Canadians watching, when a bank lends money to a project, to a company, they are, of course, considering risks, but they basically want to make sure they're going to get the loan repaid. Is that a simple way of saying how this money flows?

● (1700)

Mr. Darryl White: It's an important consideration, yes.

Mr. Branden Leslie: In your view, should Canadian energy projects be held to a different standard from that?

Mr. Darryl White: I don't think energy projects should be held to a different standard. We look at any project, whether it's energy or otherwise, through the lens of risk and return, to your point just a moment ago, Mr. Leslie.

Mr. Branden Leslie: After any of these banks are funding a project that has been approved by the federal government.... We've talked about predictability. Well, when cabinet decides that a pipeline that's been approved through the robust regulatory process this country has...that's not exactly predictable. I think the government needs to look itself in the mirror when it talks about predictability. At the end of the day, you are lending money to provide capital for a project that has been through a robust regulatory process. Does it seem unreasonable to have the government decide to impose additional red tape on you when you are simply funding a project that the government itself approved?

Mr. Darryl White: I should point out that the role of the banks in the ecosystem, whether it's in the transition or any other sector, is to decide whether or not we're going to finance a project or finance a company, and we assess each of them on its own merits. Rather than follow a prescription that's been given to us, we have to, at the same time, of course, stay within all the guidelines of our regulatory and legal requirements. However, in the end, if I use the transition as an example, we look to serve our clients on their decarbonization journey. We don't dictate their business practices, and we make decisions as we go through with each of them in terms of the projects that we choose to finance and those that we might not.

Mr. Branden Leslie: Thank you.

I'm going to switch over to Scotia, because I think they've been left out too. There was discussion regarding reconciliation, which is obviously important to everyone around this table, and I appreciate your land acknowledgements. Fort McKay First Nation and Suncor have recently signed an MOU. There have been claims made that first nations seem to not support energy projects. In your view—and I'll happily listen to others on this—is economic reconciliation an important piece of the broader reconciliation conversation? Do you as capital lenders have a role to play to ensure that happens?

Mr. Scott Thomson: I won't speak to the Suncor MOU that you referenced, but I think indigenous reconciliation and economic reconciliation are connected. I think that's important to consider. I also recognize that we've made progress in that regard, with some of these equity ownerships from indigenous communities into pipelines, for example. We as an institution have made great progress with the announcement of launching Cedar Leaf Capital, which will actually bring more capital into the system from indigenous-owned, indigenous-operated financial institutions.

Mr. Branden Leslie: Multiple pension plans hold investments in all of your banks, as well as in Canadian oil and gas companies and other natural resource companies. Obviously, I think we would all agree that we need our pension plans not only to be solvent, but to be maximizing the rates of return. Broadly speaking, do you have concerns when government is imposing policies on those pension funds and on our banking institutions that ultimately may reduce the return, and thus far have a track record of doing so, and take away from the legal fiduciary duty of the institution, of the businesses, to get a return on investment?

Mr. Scott Thomson: Mr. Chair, the energy transition is a business opportunity as well as the right thing to do. If we as institutions, pension funds, government and banks can make it attractive both from a scale perspective and a returns perspective for capital to flow into the energy transition, maybe it will be effective for the pension funds. It will be attractive for other stakeholders to participate in.

Mr. Branden Leslie: Maybe I'll switch to TD. We talked about emissions-free energy, which is important. I'm a big believer in nuclear and really see a lot of potential in small nuclear modular reactors. How does nuclear fit into your capital investments lending in terms of our future transition?

● (1705)

The Chair: Please be very quick, Mr. Masrani.

Mr. Bharat Masrani: For the orderly transition we are talking about, we need to keep an open mind as to what makes sense to be included in that. Nuclear can play an important role, and I think you rightly point out that it's something we should be seriously considering.

The Chair: Thank you.

Mr. Ali.

Mr. Shafqat Ali (Brampton Centre, Lib.): Thank you, Mr. Chair.

I'd like to thank all of the witnesses for taking the time out to be here today.

I'd like to comment on Mr. McKay's.... When he was speaking, he said that “Canada should take pride”. I agree with that. Certainly, we should take pride in our banking system. Because of the strong banking system in Canada, we survived in 2007; we avoided that meltdown. Even in this difficult time of COVID, we have gone through that because banks have played a key role in it.

I agree with him that when we are transitioning from one side to another, we need to have long-term investments, and we also have to make tough decisions. I just wanted to comment on that.

Thank you for your role in our economy and keeping Canada's banking system strong.

Mr. Masrani, in 2021, TD Bank committed to the Net-Zero Banking Alliance and acknowledged the material financial risk that the climate transition presented to its shareholders. Since 2021, TD has had the dubious distinction of having the largest increase of investments in companies that are not aligned with net zero.

I would refer to a recent report that found that TD's ratio of financing for clean energy versus financing for companies not aligned with net zero is the lowest among Canada's largest banks.

In response to your investors resolution calling for increased transparency, you have claimed that TD is largely meeting transparency requirements, but this statement ignores the more substantive transition plans developed by its Canadian and international peers.

I just want to ask you this: Would you commit to developing more substantive transparency requirements, or is it necessary for regulators to step in to ensure that this is happening?

Mr. Bharat Masrani: We've been one of the leaders in announcing a climate action plan as to our path to net zero, but I've also been very vocal and a big proponent of an orderly transition. We've been very transparent as to how we get there, the commitments we've made, and what kinds of interim targets we plan to meet as well.

We've been reporting on this, the methodologies we use and the criteria we use, on an annual basis. In fact, our last report was issued in March of this year, and it clearly lays out how we plan to meet our commitments and what stage we are at in that journey.

We are meeting all of the disclosure requirements that various entities impose on us, and we plan to continue to engage with various standard-setters to ensure consistency and measurable criteria for disclosure. We intend to follow those.

Mr. Shafqat Ali: Mr. Chair, I'll share the rest of my time with Mr. Adam, please.

The Chair: Mr. van Koeverden. Okay.

Go ahead, Mr. van Koeverden.

Mr. Adam van Koeverden: Thank you, Mr. Ali.

I'm not sure if this is something we're able to do, but I'd like unanimous consent from the committee to table a report from the Financial Post, indicating that all five Canadian banks were in the top 20 for fossil fuel funding in 2022 and that RBC topped the list in 2022 and 2023. Would that be possible?

● (1710)

The Chair: Well, I'll ask. Do we have unanimous consent to table a document?

[*Translation*]

It would seem so.

[*English*]

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

The Chair: Wait a minute. Is it bilingual?

Mr. Adam van Koeverden: I'll have it translated, yes.

The Chair: Great, and then you can send it to the committee for distribution.

Mr. Adam van Koeverden: Okay. Thank you very much.

The Chair: Thank you. I appreciate that.

The time's up on this. It was Mr. Ali's time.

[*Translation*]

Ms. Pauzé, you have the floor for two and a half minutes.

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

I'm going to approach this from somewhat the same angle as Mr. van Koeverden.

Almost $7,000 billion U.S. from 60 banks has been used to finance hydrocarbon-related projects since 2016, i.e., since the Paris Agreement. The five institutions you represent here alone have extended more than $900 billion U.S. over the same period. In other words, 13% of the world's bank financing comes from financial institutions based in a country that accounts for 0.5% of the world's population. Indeed, the five Canadian banks are all ranked in the top third of the global list of oil and gas financing institutions.

My question is for Mr. Thomson of Scotiabank, which is ranked 11th on this list.

What do you want to say to the thousands of Canadians who consider that your actions and positions serve to finance climate chaos, population displacement, deforestation, contaminated water, toxic residues, cancer and the destruction of ecosystems?

[*English*]

Mr. Scott Thomson: Thank you.

Mr. Chair, my message to Canadians was that we can be a leader in the energy transition. We have a stable economy, innovative companies and strong talent. We should move away from emissions reductions at all costs to a comprehensive strategy that encompasses all sources of energy. We should aggressively decarbonize fossil fuel production through innovative technologies like carbon capture. We should embrace nuclear. We should provide more incentives to accelerate renewables. We should support our hydro companies to build necessary—

[*Translation*]

Ms. Monique Pauzé: Thank you, I'll stop you there—

[*English*]

The Chair: I'm sorry. There's a point of order.

Go ahead, Mr. van Koeverden.

Mr. Adam van Koeverden: I'm sorry.

[*Translation*]

I'm sorry to interrupt, Ms. Pauzé.

[*English*]

The witness said he thought we should move away from emissions reductions. Could he clarify that?

The Chair: That's not a point of order, but it's noted.

[*Translation*]

Ms. Pauzé, you may continue.

Ms. Monique Pauzé: I hope you had stopped the clock during that exchange.

Finally, Mr. Thomson, you're making the same pitch as the oil companies, that you're going to do carbon capture and storage and you're going to get it all right.

I'd like to know why Canadian banks devote a relatively higher proportion of their financing to fossil fuels, compared to banks in the rest of the world.

[*English*]

Mr. Scott Thomson: Our objective is to help our clients get through the energy transition in a thoughtful way that both helps them get through the transition to reduce emissions and helps the Canadian economy thrive. What you're hearing today from the Bank of Nova Scotia is that that's our commitment.

We need to be thoughtful, be committed to it and take a long-term view on it.

[*Translation*]

Ms. Monique Pauzé: It's funny, Mr. Thomson, but the solutions I hear you proposing today are exactly those of the oil and gas industry. That's mostly what I'm hearing.

Do I have any speaking time left, Mr. Chair?

The Chair: You have 30 seconds left. Please proceed quickly.

Ms. Monique Pauzé: Mr. Dodig, you have a policy to cease doing business with oil and gas industry customers who are not making adequate plans for the energy transition. Can you tell me whether or not this policy includes specific deadlines for action? Your answer will dictate my next question.

It will be quick, I swear.

Mr. Victor Dodig: Thank you for your question.

[*English*]

We have timelines. We work with clients in a very commonsensical way. Larger companies have better resources and better plans—

[*Translation*]

Ms. Monique Pauzé: That's perfect—

The Chair: All right, that answers the question.

● (1715)

Ms. Monique Pauzé: That does answer the question.

I invite you to send the clarifications to the committee clerk.

Thank you.

The Chair: In fact, if you could send the committee clerk the timeline you just alluded to, we could distribute this information to committee members.

Mr. Green, you have the floor.

[*English*]

Mr. Matthew Green: Mr. McKay, several reports, including one by the Centre for Future Work dated December 2022, have confirmed that inflation in Canada is driven by profits in a few sectors. Oil and gas top that list.

Do you know what sector number two is, Mr. McKay?

Mr. David McKay: I'm sorry. No, I'm not familiar with the report you're referencing.

Mr. Matthew Green: The second one was banking, sir. As Canadians struggle to make ends meet paying for higher mortgages, and with higher gas prices driving up inflation, their earnings are padding the corporate profits of fossil fuel companies—which you also invest in and profit from—and banks like RBC.

What do you have to say to workers about your personally benefiting from a double whammy of investing in oil and gas and higher interest rates on mortgages?

Mr. David McKay: We are very concerned about the overall impact of higher interest rates on Canadians. We're working with Canadians on their mortgages. As you know, mortgage rates and bond pricing are set by the market, at the end of the day. We are working—

Mr. Matthew Green: Mr. McKay, do you know the average salary of a Canadian here in Ontario, your own province?

Mr. David McKay: —very hard with Canadians to help them continue to manage their finances.

Mr. Matthew Green: I'm satisfied with his answer.

The Chair: Mr. McKay, it goes back to Mr. Green.

Mr. Matthew Green: Do you know what the average salary is of a Canadian here in Ontario, sir?

Mr. David McKay: Is that average household income, or—

Mr. Matthew Green: No, it's salary. It's roughly $94,153, sir.

Sir, in 2023, we had the hottest year on record. How much money did you make?

Mr. David McKay: I don't recall the exact number in 2023.

Mr. Matthew Green: It was $15.22 million, sir.

Mr. David McKay: I'm not sure what—

Mr. Matthew Green: Then, in 2024, your board approved a pay raise of 12%, which means you'll be bringing in $17 million. You're profiting from both high inflation on oil and gas and mortgages as direct compensation.

Does your bonus package include performances in the oil and gas sector, yes or no?

Mr. David McKay: My compensation is set by the board and includes a number of publicly disclosed financial targets, strategic targets and climate targets. Ten per cent of my.... It does not include any specific reference to oil and gas.

Mr. Matthew Green: It has your climate targets. How much of your climate-target metric in the last fiscal year was included in your bonus? Have you met those targets?

Mr. David McKay: Yes, we met those targets. Given the strong performance we had in helping influence policy, the climate institute and the renewables program—the $400 billion in sustainable financing we put in there—the leadership we've shown on policy....

Yes, we met our targets in 2023.

[*Translation*]

The Chair: Thank you very much, Mr. Green.

Mr. Deltell, you have the floor for five minutes.

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

My questions will be directed to Mr. Thomson and will focus on First Nations.

We all recognize that we need the support and assistance of First Nations more than ever to develop our economic future, as well as our energy future and our environmental future, in particular. First Nations are part of the solution.

That's why our party has made very firm commitments to make First Nations partners in every project for the future that touches one of their ancestral lands. We want First Nations to be partners in these projects, whether they involve natural resources or energy, and to benefit from the prosperity of these projects. For centuries, they've been given a cheque to get out of the way. Now, we want to create paycheques together with First Nations.

Mr. Thomson, in your opening address, you talked a lot about First Nations, in fact.

[*English*]

The point is that first nations don't own the land like that. They have to go through the government.

How do you deal with a first nations community that would like to do a big project, but you have to address it as if they don't own the land as it is?

Mr. Scott Thomson: As I mentioned, indigenous reconciliation is extremely important, and economic reconciliation is part of that. As a Canadian and also as a bank CEO, I'm pleased to see the participation of indigenous communities in a lot of the sustainable infrastructure currently invested in.

This is where I get back to the point about the energy transition being so important, because it's a business opportunity and an economic opportunity as well as a risk that needs to be dealt with. We can use this moment in time to make sure we have indigenous and economic reconciliation at the same time.

● (1720)

[*Translation*]

Mr. Gérard Deltell: Mr. Thomson, in your opening address, you rightly praised Canada's potential. We have everything we need to succeed in the energy transition, to make it a reality and secure our future in terms of energy and natural resources.

I remind you that oil consumption in Quebec has increased by 7%. If the business model imposes rules that are too strict, companies won't invest in Canada and projects will be developed elsewhere. If we turn off the Canadian tap, it's not the planet that will come out a winner, but Qatar and Saudi Arabia.

How is it winning to have overly strict measures, which put the brakes on Canadian momentum, when the planet needs Canada more than ever?

[*English*]

Mr. Scott Thomson: I agree that we have a great opportunity in front of us. We have a stable economy, innovative companies and strong talent. We have world-class companies in our energy sector. They will invest in helping us through this transition, and financial institutions have a role to play in that.

I'm very optimistic about the outlook for Canada as we navigate through a very complex situation.

[*Translation*]

Mr. Gérard Deltell: I'd like to ask you one last question.

Can you give us the definition of greenwashing? How can we avoid it and make efficient investments instead?

[*English*]

Mr. Scott Thomson: I think transparency and trust are key to what we're trying to do at the Bank of Nova Scotia. We've done a lot of disclosure. We've been recognized for that disclosure by a number of third parties. We've won awards for that disclosure.

I think disclosure is really important. I think it's really important that all stakeholders understand where we're allocating our capital and how we're helping our clients through the transition.

[*Translation*]

Mr. Gérard Deltell: Thank you very much, Mr. Thomson.

I would also like to thank all the other witnesses for their contributions.

Mr. Chair, I'd like to use the little speaking time I have left to share a final thought with you.

I'll confess my conflict of interest right away: I'm one of the 7.7 million members of the Desjardins Group. I must say that I was very disappointed to learn that no Desjardins representative was able to appear before our committee today. Desjardins Group has 56,000 employees. I'm sure Ms. Pauzé agrees with me that Desjardins Group represents the economic strength of Quebec. As I was saying, I was surprised to learn that Desjardins was unable to send a representative to testify before the committee. I think that's unfortunate.

It has to be said that Desjardins is a major player when it comes to finances in Quebec. When I attend community events in my riding on weekends, I always say it's suspicious when Desjardins isn't there. That's how present Desjardins Group is in the community. It's also everywhere in Quebec's financial world. I believe that Desjardins Group should have appointed a representative to come and testify. I can't believe they couldn't find someone, among the 56,000 Desjardins employees, to come and testify here...

Ms. Monique Pauzé: I have a point of order, Mr. Chair.

I'd like to remind you that we're talking about the major Canadian banks today because, as I was saying earlier, they're the ones at the top of the list when it comes to investing in fossil fuels, not Desjardins.

The Chair: I didn't quite catch the last bit, but I'd like to clarify that today, it's actually the banks that are testifying. The Desjardins Group, as a cooperative, had not been invited to be part of this panel of witnesses. That said, we had invited Desjardins to testify at a later date, but unfortunately they turned down our invitation. I wanted to make that clear. So we had extended an invitation to them, but…

Mr. Gérard Deltell: Mr. Chair, I too would like to clarify one thing. I double-checked before making my comment, and the Desjardins Group refused to come and testify.

The Chair: I can confirm that Mr. Deltell verified the information with me and that, for my part, I double-checked it with the clerk. You have to be careful what you say.

The last speaking turn goes to Ms. Taylor Roy.

[*English*]

Ms. Leah Taylor Roy: Thank you very much, Mr. Chair.

I'd like to start by thanking all of the witnesses here today.

Today, we have the CEOs of the major banks. Last week we had the CEOs of the major oil and gas companies. While it's a great pleasure to have you here to testify, I do hope that one day we will see a woman among the ranks of the CEOs.

I would like to start by saying that Canadians have always been able to trust our banks to protect our deposits and the financial stability of our country. However, today many Canadians do not trust our banks to protect the future of our planet. This is very troubling. There are many reasons this is the case. With my questioning, I'd like to address this.

There have been comments regarding how you're working with all clients on sustainability and meeting goals, but we know that the oil and gas sector, although it represents less than 5% of our GDP, is responsible for more than 31% of our emissions. We also know that the five major Canadian banks have been increasing their investments in fossil fuel companies. This seems very inconsistent with meeting the net-zero goals that we have set.

I'm wondering if each of you would be willing to commit to only financing fossil fuel companies if the projects are verified to have an impact that will reduce the greenhouse gas emissions significantly.

Mr. Dodig, I'll start with you.

● (1725)

Mr. Victor Dodig: Good afternoon. It's a great question.

I will commit that our bank will work with companies that are working toward a path to net zero across the energy spectrum. I think we have a responsibility, and candidly, you all have a responsibility—

Ms. Leah Taylor Roy: Excuse me. I'm sorry. I'm just asking for a quick answer, because I want everyone to answer. Will you commit?

Mr. Victor Dodig: I'm committed. I'm committed to working with all our clients to net zero. We are working on that. We are absolutely working on that.

Ms. Leah Taylor Roy: Will you finance only projects that reduce emissions in the sector?

Mr. Victor Dodig: Well, you can't actually define it that way, because not every project on its own.... That would be misleading you. What I would tell you is that on its whole, we are working to reduce that—

Ms. Leah Taylor Roy: That's answering my question. Thank you.

Mr. White, could you answer the same question?

The Chair: You're on mute, Mr. White.

Mr. Darryl White: Pardon me.

Is that better?

The Chair: Yes, it is.

Mr. Darryl White: Thank you, Chair.

I think the most effective thing we can do is to serve our clients on the transmission. That's the best way we can reduce real-world emissions, as opposed to walking away and just declaring that our own emissions are better. This is the best way we can reduce real-world emissions. That's our strategy.

Ms. Leah Taylor Roy: Okay. So you're not committing to investing only in projects that reduce emissions in the oil and gas sector.

Mr. Darryl White: We're committing to continuing to finance our clients.

Ms. Leah Taylor Roy: Mr. Masrani, would you commit to that?

Mr. Bharat Masrani: We have laid out a very clear climate action plan as to how we are helping our clients achieve their net-zero goals. We have laid out a strategy that clearly outlines the basis on which the bank will—

Ms. Leah Taylor Roy: Okay. Thank you. I'm sorry. I don't have much time. I'm really looking for a direct answer.

Mr. Thomson.

Mr. Scott Thomson: Thank you to the member.

We've made our commitments very public around financing climate solutions and helping our clients navigate the energy transition. We're proud of what we're doing.

Ms. Leah Taylor Roy: Okay. Thank you.

I think part of the problem is that the commitments are vague. We're talking about sustainable investments. There's no real definition around it. There's not a lot of transparency around it.

I want to switch my question to something else. I referenced the fact that we had the CEOs of the oil and gas companies here last week. They all said that the price on pollution program was very important in terms of their making decisions on long-term investments to reduce emissions. Today you've talked about the need for certainty and stability.

Would you agree that a Leader of the Opposition saying that he's going to get rid of that program at this point is somehow introducing uncertainty and instability into some of the investments that are being made?

We can start with Mr. Masrani.

Mr. Bharat Masrani: I'm not sure I really understand what the actual question is.

Ms. Leah Taylor Roy: Let me repeat it, then. You mentioned the need for stability and predictability. Last week we had the CEOs of the oil and gas companies here. They stated that the price on pollution program that is in place is necessary for that stability for companies making long-term investments to reduce emissions. I'm asking you if the threat of cancelling that program introduces instability or uncertainty into some of these investment decisions.

I'm sure you're looking at some of them with your clients as well.

● (1730)

The Chair: We are kind of out of time.

Ms. Leah Taylor Roy: Mr. Chair, with all due respect—

The Chair: I guess what I'm getting at—

Ms. Leah Taylor Roy: —when someone was on mute, I lost a lot of time.

The Chair: I understand. What I'm getting at is that we can't have five-minute answers from everybody here.

Ms. Leah Taylor Roy: Thank you.

The Chair: Can you all just take a brief stab at that? We are over time.

Mr. Bharat Masrani: Since the question was put to me, all I can say is that we've laid out a very clear plan as to how we will manage through this transition.

I'm not sure whether I can add anything. I think the point on the taxonomy is important.

Thank you.

The Chair: Mr. Thomson, do we need policy stability in climate policy? That's the question, I think.

Mr. Scott Thomson: Listen, I think this is a complex question. I understand that it's a supply and a demand issue. I understand the complexities with—

The Chair: Okay.

We'll have to go to Mr. White.

Ms. Leah Taylor Roy: I'm sorry. I just want to restate the question. I was asking whether we need stability in climate policy for investment decisions.

The Chair: Mr. White, go ahead.

Mr. Darryl White: As with any policy, the more stability and predictability we have, the better, recognizing that it's an ongoing and changing dynamic and the market reacts to the change.

The Chair: Thank you.

Mr. Dodig, go ahead.

Mr. Victor Dodig: Focus on policies that focus on environmental responsibility, economic security and energy security, and do that in a very balanced way. That's my ask—always, every day.

The Chair: Mr. McKay.

Mr. David McKay: We need predictability and stability. There are many ways of achieving that. At the end of the day, there's not just one way, and there are multiple tools to do that and to effect that.

The Chair: I want to thank all of you for being here.

I know you have extremely busy schedules—

Mr. Matthew Green: I have a point of order.

We still have two more interventions of two and a half minutes. You can't give your Liberal colleagues extra time and take time away from us.

The Chair: I'm sorry—

Mr. Matthew Green: Don't we have an extra round?

The Chair: No. We did it. Madam Taylor Roy was the sixth, but thank you for keeping me on my toes. I appreciate it. It's all part of democratic accountability. That's important.

I want to thank our witnesses for being here. We know you're very busy, and you have heavy responsibilities managing billions of dollars in our economy. We're particularly pleased that you were able to be here on the same day and time. Thank you for being here and for your contributions to our study. I hope you have a good day.

Thank you.

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