HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

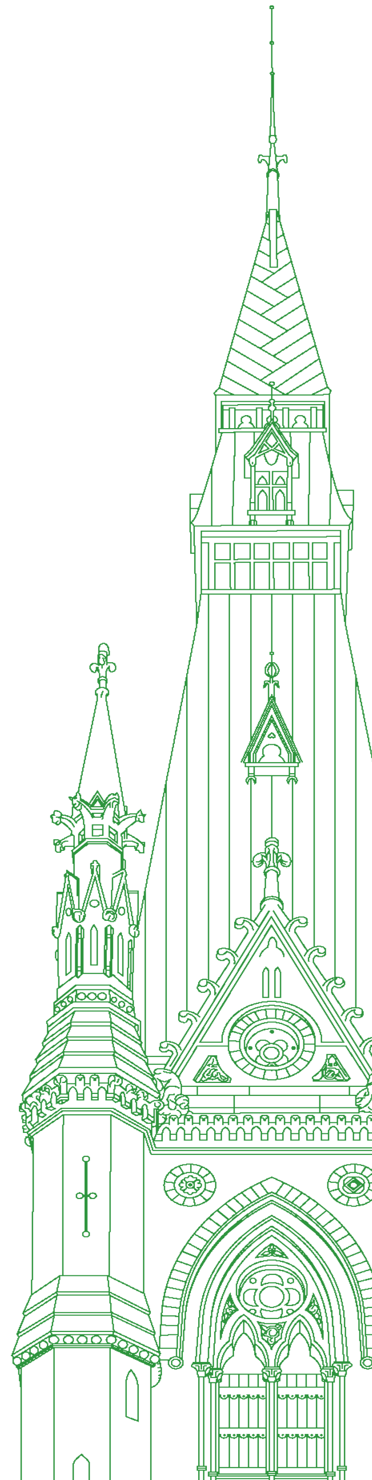
44th PARLIAMENT, 1st SESSION

Standing Committee on Environment and Sustainable Development

EVIDENCE

NUMBER 132

Monday, November 18, 2024



Chair: Mr. Francis Scarpaleggia

Standing Committee on Environment and Sustainable Development

Monday, November 18, 2024

● (1100)

[*English*]

The Chair (Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.)): Colleagues, I want to welcome Mr. McKinnon, who is subbing today.

We're on the last day of our study on sustainable finance, which has been very interesting.

In the first hour, we have with us from the Department of Finance, Mr. Clifton Lee-Sing, director, markets and securities, financial stability and capital markets division. We have, also from the Department of Finance, Kathleen Wrye, director, pensions policy, financial crimes and security division.

From the Department of Environment, we have Mr. Nicolas Barbe, director, economic policy, sustainable finance.

I guess we'll start with the five-minute opening statements. That's five minutes from the Department of Finance and five minutes from ECCC.

I'm sorry, it's seven for finance and seven minutes for ECCC, I'm told.

Is that what you understand?

Mr. Clifton Lee-Sing (Director, Markets and Securities, Financial Stability and Capital Markets Division, Department of Finance): My understanding is that finance will share the seven minutes and our colleague at ECCC will help in responding to questions.

The Chair: Okay, Mr. Lee-Sing, go ahead, please. Thank you.

Mr. Clifton Lee-Sing: Thank you very much, Mr. Chair and members of the committee.

My name is Clifton Lee-Sing. I'm the director of markets and securities policy at the Department of Finance. I am pleased to appear before you in support of the committee's study.

In keeping with my responsibilities at the department, I will focus on the Government of Canada's efforts to develop the foundational market infrastructure needed to scale up Canada's sustainable finance market. By infrastructure, I mean the tools and frameworks to provide effective information to boards, managers and owners of companies in the real economy to help them make decisions about their climate-related activities.

The public sector alone cannot fund the net-zero transition, and it is vital to mobilize private sector capital to realize Canada's climate objectives.

I'll speak about two important sustainable finance initiatives the government announced at the October 9 UN PRI conference to promote financial and capital market transparency. The first is a plan to deliver made-in-Canada sustainable investment guidelines, also known as a taxonomy. The second is mandatory, climate-related financial disclosures for large, federally incorporated private companies.

On taxonomy, financial market participants need clarity and standardization—that is, a common language—about what economic activities and investments are considered green or “transition”. This is the purpose of a taxonomy. It is a set of criteria to be used to identify activities and investments that are eligible for a green or transition investment label.

A Canadian taxonomy is expected, among other objectives, to help close the confidence gap that climate investments currently face. This could include financing delays, reduced levels of capital and higher costs of capital for these particular projects. A taxonomy would also give Canada an opportunity to influence the global transition finance dialogue, particularly in the natural resources and agriculture sectors.

Concurrent with the government's announcement to support funding for the taxonomy, the government released a backgrounder, which is a set of expectations for the development and implementation of this taxonomy.

In the backgrounder, the government expects that the taxonomy would be developed at arm's length from the government. What we want by arm's length is to ensure that the taxonomy is developed and deemed to be credible and usable by financial markets, the real economy and civil society experts. They will be consulted and will help to develop the taxonomy.

The taxonomy would cover both green and transition elements, unlike many of the other international taxonomies, which focus just on green activities. The purpose of this is to include transition activities to help mobilize financing to decarbonize these particular sectors.

The taxonomy would categorize activities rooted in scientifically determined eligibility criteria that are consistent with limiting temperature warming to 1.5°C.

Furthermore, the development of the taxonomy would be based on several guiding principles. These guiding principles draw from the recommendations of the sustainable finance action council, international organizations that have opined and worked on taxonomies, and international taxonomy precedents. For example, users of the taxonomy are expected to have net-zero targets, to have well-defined transition plans and to use robust climate disclosure.

The government, when announcing the backgrounder, identified certain sectors the taxonomy will focus on. These were chosen based on the level of green and transition investment opportunities, the importance for decarbonizing the Canadian economy and the economic significance of these sectors in Canada's economy. These are electricity, transportation, buildings, agriculture and forestry, manufacturing and extractives, which include mining and natural gas.

Lastly, the government expects the taxonomy to be a voluntary investment tool. It's not going to restrict continued private and public sector support for projects that are ineligible for a taxonomy label.

● (1105)

The government announced it would contribute funding for the initial phases of the taxonomy development—roughly three years—upon which it is expected that the private sector will take on the cost of maintaining the taxonomy. The Minister of Finance has the authority to select an external-to-government organization that will be in charge of developing the taxonomy. Work on choosing that organization is happening now. As I mentioned, the taxonomy development is expected to take roughly three years, with the expectation that two or three sectors could be completed within the next year.

Next, on climate-related disclosures—building on previous federal efforts to mandate climate-related financial disclosures for federally regulated financial institutions and Crown corporations—the government announced it intends to bring forward amendments to the Canada Business Corporations Act to enable climate-related financial disclosure requirements for large, federally incorporated private companies. Transparent and robust climate-related financial disclosures can ensure that climate considerations are integrated into an organization's culture and decision-making. It will support investors, lenders, insurance underwriters and other stakeholders in assessing and pricing climate risks and opportunities. This is going to help drive net zero-aligned finance and investment decisions.

Extending climate-related financial disclosures to privately held companies is consistent with approaches being taken in other jurisdictions, including the EU, the U.K., Australia and some U.S. states.

The government intends to launch a regulatory process to determine the substance of these disclosure requirements and the size of the private federal corporations that would be subject to them. The government also intends to work with provincial and territorial partners to harmonize these regulations with those that will be required of publicly traded entities by the securities regulators, in order to avoid fragmentation across the markets and jurisdiction shopping.

Thank you.

The Chair: Thank you very much. That was very interesting, and I'm sure the questions will be excellent.

We'll start with Mr. Deltell for six minutes.

[*Translation*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Welcome to the witnesses.

[*English*]

The Chair: I'm sorry.

Mr. Barbe, my understanding is that you're answering questions later.

A voice: That's correct.

The Chair: Okay.

Go ahead, Mr. Deltell.

Mr. Clifton Lee-Sing: Pardon me, Mr. Chair.

Could I offer a few minutes to my colleague Kathleen, so she can talk about pensions?

The Chair: How much time is that?

Ms. Kathleen Wrye (Director, Pensions Policy, Financial Crimes and Security Division, Department of Finance): I can take a few minutes.

The Chair: Sure. Go ahead for two minutes.

Ms. Kathleen Wrye: Thank you very much, Mr. Chair.

Good morning, members of the committee. My name is Kathleen Wrye. I'm the director of pensions policy at the Department of Finance. I'm here today to answer any questions with respect to federally regulated registered pension plans.

Under the Pension Benefits Standards Act, 1985, the federal government regulates the workplace pension plans of employers in areas of federal jurisdiction, such as telecommunications, banking and interprovincial transportation, as well as private pension plans in the territories. This represents 7% of pension plans in Canada.

● (1110)

[*Translation*]

The Pension Benefits Standards Act, 1985, imposes a fiduciary duty on plan administrators with respect to the administration of the plan and the investment of its assets. As fiduciaries, plan administrators must act prudently and in the best interest of all plan members and beneficiaries. As such, they must account for any factor that could materially affect the financial performance of the pension fund.

[*English*]

There is growing acceptance and expectation that environmental, social and governance, or ESG considerations should be taken into account when making investment decisions. The Canadian Association of Pension Supervisory Authorities, which is the national association of pension regulators, recently released its comprehensive risk management guideline to support pension plan administrators in fulfilling their fiduciary duty in giving appropriate consideration to ESG factors.

With respect to federally regulated plans, in budget 2022 the government announced it would move forward with requirements for the disclosure of ESG considerations, including climate-related risks. Following consultations, the department is working on regulatory amendments that will contain the detailed disclosure requirements.

Thank you.

The Chair: Thank you very much.

[*Translation*]

Mr. Deltell, you have the floor.

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

Good morning, fellow members. It's always nice to see you, especially when Parliament resumes after we've spent a week in our respective ridings.

Witnesses, thank you for being with us, and welcome to the committee. I also want to thank you for dedicating your talents and energies to the good of the country as Canadian public servants. We greatly appreciate it.

We are all gathered here to be as effective as possible in the fight against climate change. We recognize that climate change is real, that we have to adapt to its effects and that adequate measures have to be put in place, particularly when it comes to funding. For example, we need to find ways to fund the best approaches and guide businesses and financiers in the choices they make to fight climate change. However, these measures have to be effective.

A few days ago, the commissioner of the environment and sustainable development tabled a series of very scathing reports on Canada's approach over the past nine years. The commissioner concluded quite bluntly that Canada is not on track to meet the 2030 targets, which, you'll recall, are based on the Paris agreement. Let me point out that the targets in the agreement were exactly the same as those set by the previous government, down to the decimal point. According to the report by the commissioner of the environment and sustainable development, Canada has the worst record in the G7. As you see, we are a long way from meeting expectations.

Here, we zero in on a major problem. We have to find a way to assess the effectiveness of environmental measures. These measures guide businesses in their financial choices, whether it be funding pension funds or investing in green energy or a green approach. The results have to be conclusive, and above all, the calculations have to be accurate.

The commissioner wrote, “The recent decreases to projected 2030 emissions were not due to climate actions taken by governments but were instead because of revisions to the data or methods used in modelling.” That's not us saying it; it's the commissioner of the environment and sustainable development.

Mr. Barbe, you play a major role at the Department of the Environment. How do you explain the fact that everyone is happy to see that the targets seem to have been met, but that the commissioner of the environment and sustainable development says that they haven't actually been met and that the results are instead due to changes made to the calculation method?

Mr. Nicolas Barbe (Director, Economic Policy, Sustainable Finance, Department of the Environment): Thank you for the question.

First of all, I would like to clarify something. We all have different responsibilities within the department. I am responsible for sustainable finance. Your question is a little bit outside my area of expertise.

However, I can say that the progress report on the 2030 emissions reduction plan, published at the end of 2023, says that Canada is on track to meet the targets set for 2030.

That said, there is a slight difference. As you know, the target to reduce greenhouse gas emissions is 40% to 45% below 2005 levels by 2030. According to my department's calculations, the reduction is about 36% at the moment. The slight difference will be made up through future measures and, we hope, through measures that will be put in place by the provinces, territories and indigenous groups.

In terms of your question about the commissioner, those are basically the numbers we have. I would be very happy to refer the question to my colleagues, who can give you a more detailed answer.

● (1115)

Mr. Gérard Deltell: Mr. Barbe, before going any further, I would like to mention that there is a direct connection with what you do. I'll tell you why. This is about taxation. The committee is studying taxation and corporate financing, as well as the choices financial institutions have to make. Canada needs to adopt environmental policies, but we still need to know how to ensure that those policies are effective.

However, the commissioner of the environment and sustainable development tells us in his report that the targets and figures provided are due, not to measures taken by governments, but to changes in calculation methods. That's where the problem lies.

No one is against virtue. We all want to reduce greenhouse gas emissions and pollution, but we have to take the right approach. That said, we feel that the approach taken over the past nine years is not the right one, as the commissioner's report shows. It states that the reason some people think things are going better is the change in the calculation method. That's not exactly the right approach.

Mr. Barbe, I also want to talk to you about transparency and disclosure of information. That concerns the department as a whole. The commissioner wrote, “This lack of transparency meant that accountabilities for reducing emissions remained unclear.” Elsewhere in the report, he stated, “The federal government had not established a consistent government-wide approach to assess value for money for all types of emissions reduction measures.”

How is it that after nine years, the government has not been able to transparently and consistently tell Canadians the truth about reducing greenhouse gas emissions?

The Chair: Your six minutes are up.

Ms. Taylor Roy, you have the floor.

[*English*]

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

Thank you to the witnesses for being here today.

I think our topic is sustainable finance. These are things that have not yet been implemented. We're working on the guidelines, the taxonomy and the disclosure requirements. I don't think they've had any impact on what the commissioner's report has said, but we're hoping that they will have a positive impact going forward and help to meet those targets.

We've frequently heard that putting in a taxonomy or disclosure requirements will not reduce emissions one bit. How do you respond to that? How will these taxonomies or these disclosure requirements help us meet our targets? We know that directly they don't—I mean, this is not the real economy—but how will they help us meet our targets?

Perhaps you could start, Mr. Barbe, and then we could go to Ms. Wrye or Mr. Lee-Sing.

Mr. Nicolas Barbe: I'm happy to start.

The main purpose behind a taxonomy is to make sure capital flows are aligned with our environmental climate objectives. If a taxonomy is well done and well implemented, it has the potential to increase funding in sectors that we require to meet our net-zero objectives and to meet decarbonization objectives as well.

Ms. Leah Taylor Roy: Increased funding to these areas would mean there's more progress made; therefore, we'd be better positioned to meet our targets. Is that correct?

Mr. Nicolas Barbe: That's correct. It's the additional mobilization of resources to accomplish our goals, essentially. It comes down to this, yes.

Ms. Leah Taylor Roy: Thank you.

Mr. Lee-Sing.

Mr. Clifton Lee-Sing: I would just add that the taxonomy approach is really an incentive to help encourage the real economy to direct capital to particular activities. The benefit of having an activity labelled as “green” or “transition” is that it draws in, or hopes to draw in, other investors who are interested in that particular line of activities. There's a positive benefit to having that label, but there's no requirement, as in it's not mandatory, for a borrower to use that framework. It really is meant to draw investment into particular areas.

Climate disclosure, on the other hand, we see as being mandatory. It's to provide decision-makers with all the information they need to effectively balance the various things they need to consider, whether it's growth in a particular area or focus on a particular type of market, or whether it's risk, which includes making decisions about how to manage climate risk. That one is more to ensure that the appropriate information is available when making decisions.

● (1120)

Ms. Leah Taylor Roy: Neither of these means that people cannot invest in activities that may increase our emissions or increase pollution. I mean, people are still able to do that. Companies do not have to conform to taxonomy. The disclosure is just disclosing what they're doing. It's not telling them they can't do something. Is that correct?

Mr. Clifton Lee-Sing: That is correct. In the short term, these emissions-intensive activities, which often have large profits, will continue to drive investment into them. Over the long term, however, as there is more energy transition, the hope is that the investment community will start to look more negatively on certain types of activities and not provide that supply of funding to those particular sectors.

Ms. Leah Taylor Roy: We heard concerns raised that what we put in place would be effective, that it would actually work. Some of these taxonomies have been put in place in other countries, such as, obviously, the EU, the U.K. and Australia.

Have the government and the private sector that's been working on these standards been looking at what has worked in other jurisdictions, in other countries, as they're putting this together?

Mr. Clifton Lee-Sing: We have thought about that and have looked at other jurisdictions. The EU is probably the best example, because its taxonomy has been in place for roughly four years. However, there is no evidence to date to demonstrate that having the taxonomy has positively influenced capital flows. This is in part because the EU taxonomy is used as a regulatory measure for financial institutions to disclose their various types of activities, whether green, transition or not. The reduction in emissions isn't necessarily what is being measured, or it hasn't necessarily been measured yet.

In other jurisdictions.... We often look at Australia because it has a similar type of economy. It just started working on its taxonomy. It has a few sectors announced, but it's a bit early to demonstrate progress there.

Ms. Leah Taylor Roy: In the EU, it sounds like it's the taxonomy and the disclosure combined in what the EU has done.

We do want this to be effective. In addition to taxonomy and the disclosure requirements, what else do you think will help drive private sector investment into some of the parts of the economy that would be considered green or transition?

The Chair: That's a big question. Unfortunately, our time is up. I'm sure the answer will come through, maybe in response to another question.

[*Translation*]

Ms. Pauzé, over to you.

Ms. Monique Pauzé (Repentigny, BQ): You're right, that is a good question, but I will focus on mine.

Mr. Delorme, who was a senior official at the Department of Finance for over 20 years, appeared before the committee. He explained that, based on his experience, he was convinced that the government should legislate more stringently to regulate the financial sector. He said that “private short-term objectives take precedence over longer-term objectives that focus on the common good, such as climate or population aging.”

He talked about intergenerational fairness and added that the public good objectives won't be achieved if banks regulate themselves. We can't just offer them guidelines or suggestions. We need to require banks to have plans, to twist their arms.

The Department of Finance sees all that, along with the daily practices of Canadian banks in the markets. Has it started developing actual public policy and real legislation?

● (1125)

Mr. Clifton Lee-Sing: Thank you for the question.

I'm going to speak in English so that I can be clearer.

[*English*]

In my view, the taxonomy and disclosure, as I mentioned, are foundational elements to help with information flow and decision-making. What is required to adjust the mindsets of the real economy that work through the financial sector as intermediaries is to have climate policies in place to help direct that decision. It's a bit different from the sustainable investment initiatives that I'm talking about today.

That said, OSFI, which is responsible for regulating the federal financial institutions, does have guideline B-15. That requires the financial institutions to manage risks related to climate and to report and disclose on that, but that really doesn't drive economic decisions on who those FIs are going to finance. It's really about credential management.

[*Translation*]

Ms. Monique Pauzé: I'm sorry for interrupting, Mr. Lee-Sing.

We're talking about disclosure and taxonomy. If we include fossil fuel by-products such as liquefied natural gas in the taxonomy, we won't make progress. If the disclosures are voluntary, we won't make progress either.

Climate change poses a risk to Canada's financial system. In addition, according to the Centre québécois du droit de l'environnement, there is a significant risk of greenwashing.

Have the Department of Finance and the Department of the Environment called for disclosure rules to be developed to make things clear for citizens, businesses and consumers who want to make investment choices? That way, they would have access to essential information about effects on the climate and biodiversity.

My question is for Mr. Barbe and Mr. Lee-Sing.

[*English*]

Mr. Clifton Lee-Sing: To be clear, are you asking about the disclosure of the financial institutions or the broader sector, including the users of a taxonomy?

[*Translation*]

Ms. Monique Pauzé: What are your requirements for the banks? Do they have clear disclosure rules in place? The goal is to enable the average person to make informed investments. They should be able to get essential information about climate change-related risks to the environment and biodiversity.

[*English*]

Mr. Clifton Lee-Sing: My understanding is that OSFI has required financial institutions and other federally regulated institutions to mandatorily disclose on climate risks. They use internationally accepted frameworks.

It is my understanding that as the Canadian Sustainability Standards Board comes out with new disclosure requirements, OSFI will take a look at them to see how they could be applicable to FIs.

Those are standardized ways of reporting internationally, which will be brought to FIs.

[*Translation*]

Ms. Monique Pauzé: Last week, I believe, the Canadian Securities Administrators published their biennial report. Their conclusion was that Canadian banks' climate plans and transition plans were woefully inadequate.

Some government agencies were in agreement. You are saying that banks are required to disclose essential information, but that it is not enough.

In that case, what should be done?

Mr. Nicolas Barbe: As my colleague Mr. Lee-Sing mentioned earlier, the taxonomy and disclosure rules have not yet been drafted. We don't know what the taxonomy will ultimately look like. Mr. Lee-Sing also said that there was a process under way and that it will take a little time to come up with definitions and standards. There's a void right now, but it's going to be filled—

● (1130)

The Chair: Mr. Barbe, if I understand correctly, financial institutions are required to show a certain amount of transparency, but each institution does so in its own way. You are trying to apply the same rules in the same way across the board.

Is that correct?

Mr. Nicolas Barbe: Yes, that's right. Financial disclosures will create a minimum threshold based on—

The Chair: Okay.

For now, everyone has pretty much their own way of doing things. The banks obviously follow certain principles, but as I understand it, they are not very well defined.

Ms. Collins, you now have the floor.

[*English*]

Ms. Laurel Collins (Victoria, NDP): Thank you, Mr. Chair.

I want to thank the witnesses for being here.

I have a number of questions about the taxonomy, pensions, disclosures and transition plans, but I want to maybe start off....

Mr. Barbe, you said something in your response to one of the other questions that may have been lost in translation, and I just wanted to double-check.

Did you say that you think we are on track to meet our targets?

Mr. Nicolas Barbe: Yes, that's correct. I mean, there's still a small gap that I mentioned.

Ms. Laurel Collins: This is one of the things that I think undermines Canadians' trust in government.

I just want to quickly read for you the first lines of the environment commissioner's report: “Implementation of measures in the 2030 Emissions Reduction Plan remains insufficient to meet Canada's target of reducing greenhouse gas emissions by 40% to 45% below 2005 levels by 2030.”

The environment commissioner is very clear. We are not on track to meet our targets. We've heard this again and again from Liberal politicians. It's deeply concerning to me to hear officials also saying that line that we are on track to meet our targets, when report after report shows that we are not on track.

In fact, we must make up what you call a “small gap” but what is a significant gap between what we are currently headed toward and what we need to get to if we want to meet our international obligations and really do our part in contributing to a climate-safe future.

Mr. Nicolas Barbe: I don't feel comfortable talking about that side of it.

As I mentioned earlier, I'm on the sustainable finance side of the shop, if I can say that. However, I'm happy to take a question back to my colleagues who deal with these issues directly.

Ms. Laurel Collins: Thank you. I just wanted to caution against using that language, which is inaccurate.

Maybe I'll switch over to some of my questions about the taxonomy.

You dug into mandatory financial disclosures a bit. However, what we've heard from a number of witnesses is that there need to be mandatory transition plans. For those transition plans, there needs to be accountability for financial institutions, which, right now, have committed to net zero but either haven't made transition plans that will get them there or, if they have made plans, aren't taking the actions necessary.

I'm curious to know whether there's any work beginning on regulations that might force these institutions to have mandatory transition plans.

Mr. Clifton Lee-Sing: I'll start by saying that the government announced the development of the taxonomy this way: It will be done at arm's length from the government. There will be an external-to-government—

Ms. Laurel Collins: I'm sorry. To clarify, the taxonomy is going to be this voluntary piece.

I'm talking about whether there's been a conversation or any work started on pieces outside of the taxonomy, in particular on the idea of these mandatory transition plans.

Mr. Clifton Lee-Sing: I see.

One thing the government announced is an expectation for users of the taxonomy.... Of course, it's subject to how the external-to-government party develops this. Users would be expected to follow certain things, which could include having transition plans developed. This is in line with the recommendation of the Sustainable Finance Action Council.

What we envision is that anybody who wants to use the taxonomy needs to come prepared. They need to have thought about net-zero transition plans. They need to have also thought about robust disclosure and things like that. It would be the expectation that those transition plans are credible, so investors who see that label will recognize, understand and maybe agree to the transition plan being put forward by that borrower.

• (1135)

Ms. Laurel Collins: Thank you.

My next question is for Ms. Wrye.

We had Adam Scott from Shift here. He testified at committee about the role of pension funding and how it plays into financing fossil fuels in Canada. According to Shift's latest pension report card, the Canada Pension Plan investment board invested $7.5 billion in fossil fuel companies. Many of these investments are in foreign countries, such as the U.S. and Peru. They are not creating Canadian jobs with these investments.

Can you talk about any direction you've been given, or any work you're doing, when it comes to shifting Canada Pension Plan investments towards greener and more sustainable alternatives?

Ms. Kathleen Wrye: The Canada Pension Plan and its investment board are not within my area of responsibility at the department. The Canada Pension Plan, as you know, is a shared federal-provincial initiative. There are others in the department who are responsible for the Crown.

I can speak only about federally regulated pension plans.

Ms. Laurel Collins: Would you have some of your colleagues follow up in writing?

Ms. Kathleen Wrye: Certainly.

Ms. Laurel Collins: I'll go back to you folks.

Can you talk a bit about who is being consulted when it comes to climate finance policy development?

The Chair: Please be very brief. You have about 10 seconds.

Mr. Clifton Lee-Sing: We consulted with other jurisdictions internationally. We consulted with financial institutions and other government departments, as—

Ms. Laurel Collins: We had only 10 seconds.

Could you follow up with a list of the folks who were consulted? I'm interested in civil society and institutions, as well as—

The Chair: Please get that in, Mr. Lee-Sing, and we'll distribute it to the members.

Mr. Mazier, we're going to make this a three-minute round, so you have three minutes.

Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC): Thanks.

According to section 4 of the Office of the Superintendent of Financial Institutions Act, the Minister of Finance is responsible for the Office of the Superintendent of Financial Institutions.

Is this correct? Please answer yes or no.

Mr. Clifton Lee-Sing: I think that's correct.

Mr. Dan Mazier: Thank you.

Again, for Mr. Lee-Sing, how much will it cost financial institutions and companies to comply with OSFI's climate-related financial disclosure requirements?

Mr. Clifton Lee-Sing: I'm not well positioned to talk about the costs and the relationship between FIs and OSFI. I believe OSFI does work on a sort of cost recovery model, but I don't know what those costs might be. I think that would require a follow-up directly with OSFI.

Mr. Dan Mazier: Your minister is responsible for OSFI, yet you don't know what—

Mr. Clifton Lee-Sing: I personally don't know.

Mr. Dan Mazier: Did the finance department conduct an analysis of how much OSFI's mandatory climate-related financial disclosure expectations will cost companies, yes or no?

Mr. Clifton Lee-Sing: No.

Mr. Dan Mazier: You did not?

Mr. Clifton Lee-Sing: No, I'm saying I don't know. I apologize.

Mr. Dan Mazier: The question was this: Did the finance department conduct an analysis of how much OSFI's mandatory climate-related financial disclosure expectations will cost companies? You're telling me that the finance department did not do—

Mr. Clifton Lee-Sing: I'm sorry. I'm saying that I'm not aware of anything.

Mr. Dan Mazier: How about you, Ms. Wrye?

Ms. Kathleen Wrye: No, I'm sorry; as I said before, I've been responsible for federally regulated pension plans. That is an area that's outside my expertise.

Mr. Dan Mazier: No one's aware....

Mr. Barbe...?

Mr. Nicolas Barbe: Thank you for the question. I'm not aware either.

Mr. Dan Mazier: Wow. Ohmigosh.

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

Mr. Nicolas Barbe: First of all, I don't believe we are on the path to adopting all of those recommendations, so I don't think it's been costed from that perspective.

Mr. Dan Mazier: I'm not asking about costing. I'm asking how many emissions would be reduced. Isn't this what this is all about—reducing emissions?

Mr. Nicolas Barbe: That's right, but what I'm saying is that I don't think we've necessarily come up with a tally for recommendations that are necessarily going to be pursued.

• (1140)

Mr. Dan Mazier: That's for how many emissions will be reduced by following these regulations.

The Chair: I think I will go now to Mr. Longfield.

I don't want to put words in Mr. Barbe's mouth, but I think what he's saying is that they're still developing the recommendations, and as they develop them they'll calculate the cost and the impact on emissions.

Is that correct?

Mr. Nicolas Barbe: Maybe to clarify the question, Mr. Chair, we're talking about the two initiatives that my colleagues just focused on in terms of the taxonomy or climate disclosures. The expert panel went beyond that. I just want to be clear on the question.

Mr. Dan Mazier: You have no idea how many emissions are being reduced.

The Chair: We'll go now to Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Chair.

Thank you to the witnesses for being here.

In May 2024 the International Sustainability Standards Board opened an office in Montreal. The board is working to develop the global baseline for sustainability disclosure standards to better inform decision-making in the world's capital markets.

Has the Government of Canada worked with the International Sustainability Standards Board for them to come to Montreal? Are they working with this group in Montreal now?

Mr. Clifton Lee-Sing: I'll have to come back to you with a written response, because I don't know the background of the conversations between the government and this entity. I do know that there are conversations about disclosure standards and the progress being made by the ISSB and how that relates to the Canadian version of standards. I don't know the relationship between them.

Mr. Lloyd Longfield: It's fair to say, though, that in terms of an international standard—you mentioned jurisdiction shopping—capital will be looking for jurisdictions that have not only adopted an international taxonomy but have also implemented other financial tools to show that disclosure is being done.

Mr. Clifton Lee-Sing: Jurisdiction shopping can go both ways. I think the goal is to have less fragmentation in the market and to have some interoperability between taxonomies and disclosure.

In terms of jurisdiction shopping, often it goes in the opposite direction. You have people who are hoping to look for funding in markets, and they want the least level of regulations or requirements to be able to do so. Having in place internationally accepted standards, or Canadian province-wide with the federal government standards, will help reduce that fragmentation.

Mr. Lloyd Longfield: Thank you.

We've heard some questions around the 2030 goals. Initially we had a 30% goal of reductions over the 2005 numbers. We're now at about 36%. We've become more aggressive and in line with the science to say 40% to 45% is the new target that we are working towards. I think we adopted that in April 2021. As we see the forest fires and the climate change impacts, how flexible does this need to be? Is this something that we need to review in terms of a taxonomy, whether the science lines up with current targets?

Mr. Barbe.

Mr. Nicolas Barbe: It's not necessarily my area of expertise, but what I can say is that the legislation that was introduced, the Canadian Net-Zero Emissions Act, forces greater ambition over time. There is a process in place.

Mr. Lloyd Longfield: This committee actually did a study on that, and it was good to see it adopted. This committee should be aware of that.

Thank you.

The Chair: Thank you.

Thank you, Mr. Longfield.

[*Translation*]

Ms. Pauzé, over to you for a minute and a half.

Ms. Monique Pauzé: I'll go back to the 2023 report from the commissioner of the environment and sustainable development on the supervision of climate-related financial risks. The commissioner said that there was a lot to be done. He also said that the Office of the Superintendent of Financial Institutions Canada stopped short of insisting on the transition to a net-zero economy.

Since it was an emergency a year ago, have any measures been taken since the commissioner of the environment and sustainable development released his report, which specifically addressed the financial risks?

[*English*]

Mr. Clifton Lee-Sing: I'll take that question. The current mandate of OSFI is a prudential one, and it includes appropriate management of risks so that deposit holders can be assured that their money is available at the banks. Part of those risks include climate, and OSFI, through its guideline B-15, encourages and mandates financial institutions to address that.

That said, the mandate is about prudential management of risks. It is not that OSFI should regulate and mandate financial institutions to achieve certain climate objectives. That would require a mandate change.

● (1145)

[*Translation*]

Ms. Monique Pauzé: What are the federal government's priorities for limiting the negative impact of the financial system on the environment?

The Chair: That's a question with a long answer.

Nevertheless, I would ask you to answer briefly, Mr. Lee-Sing.

Ms. Monique Pauzé: I just want to know what the federal government's priorities are.

The Chair: Okay.

Mr. Lee-Sing, if you can't tell us what your priorities are in a few words, I would ask you to please send us an answer in writing.

Ms. Collins, you have the floor.

[*English*]

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

One of the things that we heard from witnesses and those organizing and advocating for sustainable finance regulations is that Canada has been behind other countries. Clearly the EU is ahead of us. There are 40 other countries that have sustainable finance regulations. Canada seems to be playing catch-up. I'm curious about why, from your perspective, that's the case.

Mr. Clifton Lee-Sing: It is certainly the case that timing is essential. There is a risk that capital flows don't get to where they need to be. There are risks of greenwashing, so timing is really essential. I think one of the challenges in Canada is that we face a different type of economy than in other jurisdictions. We have a large natural resource sector, and those are often high-emitting sectors. It's taken some time to find the right balance to have conversations with stakeholders about what the taxonomy should be.

Ms. Laurel Collins: I'm sorry, are you saying that stakeholders like the oil and gas sector, CEOs and lobbyists, have been delaying some of this work, or is it that the government is taking a bit longer because it wants to make sure it doesn't impact the profits of oil and gas companies?

Mr. Clifton Lee-Sing: Where I was going is that in the Canadian taxonomy we think there's room for transition activities to include activities that aren't necessarily green but, if we direct investments into those activities and sectors, could be helped to decarbonize. That's something that hasn't been looked at by the EU.

The Chair: We're out of time, I'm sorry.

Mr. Leslie.

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

Given the short time frame, I'd like to start with you, Mr. Barbe, and please be brief.

You mentioned that your shop is not the one that deals specifically with the issue of emissions, but you did say what maybe is a throwaway comment that parrots Liberal MPs and ministers, which is that they are on track to meet the 2030 targets, despite the Auditor General's office and, more specifically, the environment commissioner saying that that is simply not true, as my colleague, Ms. Collins, mentioned.

My question is, is it the radical Liberal environment minister and his government who are misleading Canadians, or the non-partisan environment commissioner?

Ms. Leah Taylor Roy: Excuse me, Mr. Chair. I have a point of order.

The Chair: Yes, I don't see Mr. Barbe really being able to answer. That's not a fair question, but, Mr. Barbe, maybe you want to say something else about how we're moving towards emissions or not, whatever you want to say.

Mr. Nicolas Barbe: As I said earlier, if there is a question, I'm happy to take it back to my colleagues in the climate change branch.

Mr. Branden Leslie: Right.

Now, each of you, I believe, at one point or another, mentioned the real economy. Could you tell me what the real economy is, and is this system designing a fake economy?

Mr. Clifton Lee-Sing: I'll go first.

I used the term to make a distinction between entities that would use the taxonomy or be required to disclose versus financial intermediaries that assist in doing the transactions.

Mr. Branden Leslie: Okay. My colleagues also asked who you were consulting with. You consulted almost entirely internally. Have you consulted people who deal in the real economy, with anybody in the business community, in the banking community, in the pension fund? You talked about dealing with other levels of government, but who have you consulted with in the real economy?

Mr. Clifton Lee-Sing: The Sustainable Finance Action Council did a whole host of consultations across the country.

● (1150)

Mr. Branden Leslie: With whom?

Mr. Clifton Lee-Sing: I could get you a list in writing.

The Chair: Yes, could you send us a list in writing, maybe? Thank you.

Mr. Branden Leslie: My question is—

Ms. Leah Taylor Roy: Mr. Chair, could I ask for a point of clarification? I'm just wondering if perhaps some of our experts could explain the difference between the real economy and the financial sector to Mr. Leslie, because he doesn't seem to understand that.

The Chair: You could use your time to ask that question. We know that in economics, there's the real economy, and then there's the money economy, and the money economy makes the real economy go around.

I stopped the clock. You have a minute left, Mr. Leslie.

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

Have the departments done an analysis with the new incoming U.S. president on whether or not you expect a taxonomy scheme to be developed in the United States and what competitive disadvantage that might put Canadians at?

Mr. Clifton Lee-Sing: The U.S. does not have a taxonomy. They did introduce the Inflation Reduction Act, which was meant to encourage capital flows to certain types of activities that are aligned with the green transition goals. I haven't heard about what the new government would do, the new president would do, but I imagine it would not go further in that direction.

Mr. Branden Leslie: Okay. I believe you're right. This is my question. You mentioned that other nations, particularly in Europe, have not seen an increase in capital due to a taxonomy scheme set up there. Where has it been done well? Where have emissions been reduced directly due to a taxonomy scheme, and/or where have capital increases actually happened? I mean anywhere in the world.

The Chair: Sorry, we're out of time, unfortunately.

We'll go to Mr. van Koeverden.

Mr. Adam van Koeverden (Milton, Lib.): Thank you very much, Mr. Chair.

Thank you to our witnesses for joining us today.

Throughout this, I've learned a lot, and I know that a lot of my colleagues have learned a lot about sustainable finance and definitions of words like “taxonomy” that we may not have known that much about. For others who might be watching, could you explain, in clear, plain language, how investors or large capital organizations like pension funds and others might choose to invest or might have the information necessary to invest in something that's green or sustainable in two scenarios, one in the absence of a taxonomy and mandatory disclosure for these companies, and one in the presence of it?

Mr. Clifton Lee-Sing: With a taxonomy, a borrower could want to fund a particular type of activity. The taxonomy would list the various criteria. If an activity is included among those aligned with net zero and labelled as green, that funding could essentially be labelled and sold to investors as a green product. There would be certain assurances. During the borrowing mechanism, it would give the investor assurances that the activity is green.

In the absence of a taxonomy, the borrower would go to their financial institution and seek funding. The financial institution might suggest that it be sold to particular investors who might be inclined to invest in green activities, but it couldn't make that assurance. There's a lack of credibility.

It's essentially a common set of terms and definitions that could be shared among the borrower, the financial institution and the ultimate investor.

Mr. Adam van Koeverden: Thank you.

We've had some witnesses, and some from the Conservative side, questioning or calling into debate the efficacy of ESG practices. They say that establishing guidelines around environmental, social and governance improvements isn't effective.

Would measures like establishing a taxonomy and requiring disclosure improve the effectiveness of ESG work in the financial sector?

Mr. Clifton Lee-Sing: The purpose of the taxonomy or climate disclosures is to share information among the various players in the market. It's not to drive emissions in a particular direction. It's to give information, so that everybody is talking a common language, and so that climate risks are well known by the various parties. They can then make the right decisions on whether or not they want to be involved with that type of activity.

● (1155)

[*Translation*]

The Chair: Thank you.

The first part of the meeting has now come to an end.

I'd like to thank the witnesses for being with us.

I believe we will be receiving written documents from the witnesses to clarify points that were raised during the meeting or answer specific questions.

We'll take a short break while we set up for the second panel. It should take about five minutes. All the witnesses in the second panel will be joining us by video conference.

Thank you.

● (1155)

_____________________(Pause)_____________________

● (1200)

The Chair: I call the meeting back to order.

We will begin with the witnesses' opening remarks. They will have the floor for five minutes each.

[*English*]

Ms. Walton, why don't you go ahead for five minutes?

Ms. Lindsey Walton (Director, Americas, Responsible Investment Ecosystems, Principles for Responsible Investment): Thank you, Chair.

Good afternoon, honourable committee members. I am appearing today from the traditional territory of many nations, including the Mississaugas of the Credit, the Anishinabe, the Chippewa, the Haudenosaunee and the Wendat peoples in Toronto.

As mentioned, I am the director of the Americas for the Principles for Responsible Investment. Thank you very much for the opportunity to provide information to this study, which is clearly in the Canadian public interest.

For close to 20 years, the UN-supported PRI has been the world's leading proponent for responsible investment. We work with our global network of signatories, comprising over 5,000 institutional investors and financial organizations that are signatories to the principles. These investors are based in 100 countries across the globe, collectively managing over $120 trillion U.S. There are approximately 240 signatories headquartered in Canada, including the major Canadian pensions and the asset management arms of the major banks.

PRI's 2024 to 2027 strategy sets out a vision for a global financial system that rewards responsible investment, operates within planetary boundaries, promotes human rights and achieves equitable societies. Signatories to the principles incorporate environmental, social and governance factors into their allocation and ownership decisions to fulfill duties of prudence and diligence owed to clients and beneficiaries.

For institutional investors seeking to generate long-term value, physical and transition climate risks pose new challenges to investment strategy. Legal analysis has established that investors generally have an obligation to consider identifying and acting on climate-related financial risks, including system-level risks. Leading up to COP29, the PRI has outlined recommendations that support long-term institutional investors that seek sustainable investment opportunities.

Number one, the world needs a fair, fast and stable transition to a low-carbon future. The PRI calls on Canada and other countries to take a whole-of-government approach to transition. Their updated 2025 nationally determined contributions—or NDCs—as a part of the Paris Agreement need to be an ambitious and credible platform for investors.

Number two, financial systems should align with the Paris Agreement's goal of 1.5°C. Foundational legislation and policy reforms are needed to clarify the relevance of climate and other system-level risks to investor duties and promote international regulatory compatibility on policy measures like disclosure standards, taxonomy and transition plans. These recommendations are related to the work undertaken by the expert panel on sustainable finance and the Sustainable Finance Action Council.

Number three, coherent real economy policies should include robust, predictable carbon-pricing regimes to boost transition, as well as other measures and incentives to ensure a fair, fast and stable transition.

Lastly, number four, scalable blended finance is required to enable capital to flow to sustainable solutions in emerging markets and developing economies. All the countries in which our signatories operate take their own approach to transitioning their economies to meet their sustainability targets on climate change mitigation, restoring nature and protecting human rights. Financial policy, corporate practice policy and real economy climate policy and regulation all work in tandem to maximize the universe of assets aligned with a climate-safe future and to address systemic risk. This approach can create a positive feedback loop that accelerates the transition.

Globally, we see concrete reforms in many areas of financial systems addressing climate change and nature. The PRI's regulation database, which documents financial, corporate and real economy policies that support, encourage or require responsible practice, shows that since 2014, across jurisdictions assessed, the variety of policy instruments has increased with the introduction of taxonomies, investor due diligence requirements, etc.

In the same period, the number of policies that reference the Paris Agreement has increased from 33 to surpass 200 out of the 379 entries in our database. The number of regulations that support the economic transition has also grown. It has quadrupled as a percentage of policies assessed. This has increased from 41% in 2014 to 60% of our policies in 2024. There's also an increased focus on regulations that support governments to drive economy-wide transition towards a sustainable future, recognizing that the financial sector alone cannot resolve system-level sustainability-related risks.

● (1205)

Over the course of these hearings, the committee members have already heard about the incredible financial risks and opportunities that climate change poses for Canada and the global economy. The government has projected that it needs upwards of an additional $115 billion annually to meet its climate targets. This, while damage and severe weather are increasingly costly to the Canadian government, taxpayers and insurers—

The Chair: Unfortunately, we're out of time. We're well over the five-minute mark, but there will be ample time to explore these ideas in the Q and A.

[*Translation*]

Ms. Chipot, you now have the floor for five minutes.

Ms. Alice Chipot (Chief Executive Officer, Regroupement pour la responsabilité sociale des entreprises): Good afternoon.

I'd like to thank the committee for inviting me to be here today to discuss a key issue, one that affects our collective future and the energy and climate challenges we face.

First of all, I want to make very clear a crucial point. It is heresy to think that we will be able to change our practices simply by providing better access to information. What's more, there is this idea that all economic players need to make well-thought-out choices is clear, perfect information, that this would be beneficial across the board and that the information would give them alone the ability to course correct climate engagement. A binding framework is necessary. As the taxonomy would, the framework should make it possible to compare information provided by big banks and businesses. However, a penalty system is also necessary to make the corrections that are needed.

Specifically, I'd like to talk about a report the RRSE produced, with the help of the firm Æquo. The report examines the approach of banks with their own clients, in other words, the businesses in their portfolios. We wanted to see the transition plans and find out how robust they were. We wanted to examine their credibility, if you will.

Last year, we looked at a group of 23 banks, comprising not just the big banks in Canada, but also banks in Europe and the U.S. We looked closely at the banks' statements and their expectations of their clients, to ascertain whether it was possible to credibly achieve the Paris agreement target to limit the increase in global temperature to 1.5°C.

It was, in fact, a comprehensive analysis, and the conclusions are clear. On one hand, in order for an oil and gas company's plan, say, to be credible, it has to incorporate reductions in greenhouse gas emissions across all three scopes used to classify emissions. That means the plan has to include reductions in scope 3 emissions. On the other hand, it is paramount that the financial institution commit to not investing in new oil and gas projects. That is key.

Our analysis of the financial institutions' plans revealed very disparate practices that were highly inconsistent with the evaluation criteria and the way the banks intended to implement their transition plans. Overall, we found not only a lack of engagement, but also highly unclear methodologies. We saw multiple occurrences of such terms as climate engagement, ethical products, responsible products and green products, as well as a lack of support for clients so that they, themselves, could transition successfully.

However, there was no clear explanation of the expectations, the time frames or the penalties. By penalties, I mean a strategy for escalation or for excluding the business from the portfolio. That would mean a commitment on the part of financial institutions to not do business with big companies that don't play ball when it comes to reducing their greenhouse gas emissions. Currently, the information we have is not sufficiently reassuring vis-à-vis the banks' public statements. We used all the available frameworks and best practices, and what we are seeing is that we are headed for disaster.

To wrap up, I would say that our findings are consistent with those in the notice released last week by the Canadian Securities Administrators. The notice is based on an analysis of 425 reviews of reporting issuers' compliance with disclosure requirements. It highlights a plethora of activities involving greenwashing, and unclear or hardly achievable commitments on environmental, social and governance, or ESG, matters.

As things stand, by allowing financial institutions or economic actors to regulate themselves and adopt practices, we will not be able, collectively, to reach the targets set under the Paris agreement or effectively reduce greenhouse gas emissions.

I will leave it there. I'm not sure whether I stayed within my allotted time.

● (1210)

The Chair: Yes, you stayed within your allotted time. Thank you. That's very helpful.

We will now hear from Anthony Schein.

[*English*]

Go ahead, Mr. Schein.

Mr. Anthony Schein (Chief Operating Officer, Shareholder Association for Research and Education): Good morning. Thank you for inviting me here today. I'm the chief operating officer of the Canadian Shareholder Association for Research and Education.

For 25 years, SHARE's mandate has been to support institutional investors in addressing the full range of risks and opportunities in modern capital markets, including by working with many of Canada's largest institutional investors in strengthening public market regulations and helping engage with corporate boards and management as shareholders.

Asset owners and managers are ready to invest in the low-carbon economy of Canada's future, but delay, uncertainty and inconsistency are some of the biggest barriers to producing good jobs for Canadians, building a world-leading economy and protecting our environment.

Today I want to address three conditions necessary to unlocking investment in the low-carbon economy and securing our Canadian competitive advantage. The first one is about consistent regulation; the second is around critical infrastructure, and third is clarity on industrial carbon pricing.

To begin, we need a regulatory system that sets and enforces sustainability disclosure standards consistently. This is not an appeal for excessive regulation. In fact, it's quite the contrary. It's an appeal for rules that help investors and investing companies manage data flows so they're focused on what really matters. Internationally, we're finally seeing convergence on sustainability reporting standards, and we cannot afford to be left behind. The transition taxonomy is fundamental to aligning with international standards, and we hope that it will be supported in its future development and oversight.

The effort to include climate data disclosures in our security regulations is critical as well.

We also need to make sure that disclosures are happening across the private market systems to encourage a level playing field. Efficient private markets require accurate data, and if we're building models based on only public market data, they will be estimates at best. That uncertainty may discourage investment where it's needed the most, so we urge the committee to study the Canadian private market system more closely, and we support the recent proposed changes to the CBCA.

Second, we need to build the infrastructure to enable growth and investment. For example, global businesses are considering the availability of reliable and clean electricity in their setting positions. The new VW battery plant to be built in St. Thomas, Ontario, was won partly because of promises of the availability of 100% green energy and commitments to deliver that energy directly to the new plant. The VW deal shows that Canada can be a powerhouse in low-carbon manufacturing, but we will still have considerable work to do to deliver a green electricity grid all across the country.

What will it take to drive investment into the clean energy production, storage and distribution infrastructure? The tax credit regime is critical, including for related components manufacturing, and so are working to develop a workforce development strategy to support the clean energy industry, supporting partnerships with indigenous communities, and improving interprovincial co-operation and an efficient regulatory process.

Another example where we should be excelling and attracting capital is in developing critical minerals—the necessary components for battery storage, solar panels and electrification—but there is a financing gap in the industry. High capital costs and low payback periods are two of the significant barriers to investment. A lack of clarity around indigenous rights and title and delays in permitting and regulatory review processes are also significant project-related barriers. Governmental support is needed to address these identified barriers and to grow our competitive advantage.

Finally, we need clarity on industrial carbon pricing. Whatever one may think about the consumer price, the industrial price plays an outsized role for both emissions reductions and investment decisions. Promoting certainty in the continuance of the pricing system and in pricing schedules beyond 2030 will help to set investment and credit values for new projects and enterprises and spur investor confidence here in Canada. We need a lot more final investment decisions being made in Canada's favour.

In each of these three areas, I can't emphasize enough the importance of acting early, decisively, clearly and consistently. Our economy is changing now, whether we like it or not, due to technological change, innovation, market forces and geopolitics. Our financial system, including the regulatory and policy environment that facilitates it, needs to help deliver smooth flows of capital into the hands of businesses that can take advantage of those changes, deliver new jobs here at home and build the economy of the future.

Thanks very much, and I look forward to taking some questions.

● (1215)

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

We'll go to questions now.

We have a fourth witness who hasn't joined us yet. If he does join us, I'm going to interrupt rounds of questioning and have him present his opening statements. We'll see what happens there.

We'll start with Mr. Kram for six minutes.

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

Thank you to all the witnesses for joining us today.

I would like to start with Ms. Chipot.

Ms. Chipot, in your opening statement you talked about the need for a framework that is constraining and limiting, but I wasn't quite sure about some of the tangible examples you had of that. Could you share with the committee what particular policies the government should be implementing that are more constraining and limiting?

Ms. Alice Chipot: I was referring more to what we're seeing overseas.

Can I speak in French, or should I speak in English?

[*Translation*]

The Chair: It's your choice. Whichever language you choose, your remarks will be interpreted into the other language.

Ms. Alice Chipot: Excellent.

We are seeing a lot of momentum in Europe when it comes to making transition plans mandatory. They have to be detailed, sound plans that set out significant requirements. There is also a lot of momentum around establishing penalties. That requires thinking about the institutional process that's needed to do those checks and penalize bad actors.

In Canada, in recent years, we've seen some good work with the legislation Senator Galvez introduced, Bill S-243. It sets out a series of ambitious obligations, including in relation to transition plans, both to control the behaviour of financial institutions and to regulate large companies regarding their disclosures.

● (1220)

[*English*]

The Chair: Mr. Kram.

Mr. Michael Kram: In terms of the mandatory transition plans, were you envisioning that just for financial institutions and large businesses, or for every business and organization in the country?

[*Translation*]

Ms. Alice Chipot: Eventually, all businesses need to have a plan, but there's no doubt that it is necessary to think about financial flows and the interdependence with economic actors. As far as we are concerned, you can't have financial institutions with transition plans without a similar requirement for businesses. It's about ensuring consistency across the decision-making chain. The same goes for the information that is disclosed. The practice should be mandatory industry-wide if the goal is to find out whether businesses are meeting expectations.

That means regulating not only financial institutions and institutional investors, but also big companies—and ideally, smaller businesses, taking into account the type of sector and size of the business.

[*English*]

Mr. Michael Kram: [*Inaudible—Editor*] the mandatory transition plan for every business in the country.

Has your organization come up with an estimate for the cost to businesses or governments if they implement such an idea?

[*Translation*]

Ms. Alice Chipot: We haven't estimated the cost of that social transformation, which is necessary. However, others have endeavoured to quantify the cost of political inaction, and I think we have more to lose financially and on a human level if we don't do what is necessary than if we try to improve transition plans.

I am not saying that estimating the costs is secondary, but we have a lot more to lose if we do not take bold action.

[*English*]

Mr. Michael Kram: Okay.

However, to date, neither you nor your organization has come up with an actual dollar value for each option.

Is that correct?

Ms. Alice Chipot: That's correct.

Mr. Michael Kram: Has your organization come up with an estimate for emissions reductions when implementing such a proposal?

Ms. Alice Chipot: I could send you more information. We have been looking at different frames of analysis, from the best ones used at the international level and what they have done to.... There is a different type of quantification, but I can't give you this right now.

If you're interested, we could let you know.

[*Translation*]

The Chair: We would appreciate it if you could send those documents to the clerk, who will share them with the committee members.

Thank you.

[*English*]

Mr. Michael Kram: Okay. Thank you.

Maybe I'll shift gears to Ms. Walton now.

You also talked about disclosures, taxonomies and transition plans. Were you imagining an optional or a mandatory system of taxonomies, disclosures and transition plans?

Ms. Lindsey Walton: Typically, “optional towards mandatory” would be the approach. The problem with voluntary disclosures, for example, is that folks don't disclose. There would have to be a prestep towards mandatory.

Mr. Michael Kram: [*Inaudible—Editor*] mandatory disclosures that were implemented, were you envisioning this for every business in the country, or just the financial institutions and large businesses?

Ms. Lindsey Walton: Ultimately, it's for every business in the country.

Typically, you would start with the larger businesses, public businesses and large, private financial institutions. We're already seeing a number of these sorts of requirements come through OSFI right now.

Mr. Michael Kram: Could you come up with an estimate of the total cost for a mandatory system for every business in the country?

Ms. Lindsey Walton: I don't have an estimate for that, but I think it's important to consider that cost. It's important to consider the cost of all potential scenarios. I don't think “business as usual” is an option to keep going the way we are, so the cost of being left behind—

● (1225)

The Chair: Thank you. I'm sorry for interrupting you, but we've come up to the end of the time allotted.

We'll go now to Mr. Ali.

Mr. Shafqat Ali (Brampton Centre, Lib.): Thank you to all the witnesses for being here today and appearing before the committee.

My question is for Mr. Schein. Earlier this month, the government announced its plan to reopen Canada's second Canadian-dollar-denominated green bond. Can you speak to how green bonds support the growth of the sustainable finance market?

Mr. Anthony Schein: I'm not an expert in the area of green bonds, but we certainly see them as an important part of the ecosystem. My remarks today focus primarily on the three pieces I mentioned, which are investing in the needed infrastructure, providing regulatory certainty and, of course, certainty around the future of the industrial carbon price.

Again, green bonds are an important part of the ecosystem. As the previous witnesses alluded to, this is going to be a multistrategy approach across the financial market system, as well as across provincial and federal governments, to help us achieve our Paris targets for 2030 and 2050.

Mr. Shafqat Ali: We're moving forward with the government's commitment to require climate disclosures from large, federally incorporated, private companies. Can you speak to the important role of climate disclosures in Canada's work toward a net-zero economy?

Mr. Anthony Schein: Absolutely. The announcement of the taxonomy last month is a critical step, and it's certainly one we're glad to welcome. It was announced during the Principles for Responsible Investment conference here in Toronto in October, and it was a well-timed announcement to highlight the important role of a taxonomy in bringing about the investments needed to help us achieve our Paris targets.

The taxonomy is critical in providing investors with consistent information to do an analysis of where their money needs to flow and to compare the relative risks and opportunities associated with different investment decisions in the green space.

There are a lot of obvious decisions to be made around the margins of what's clearly a very straightforward, low-carbon investment decision and, perhaps, one that might be riskier. However, the taxonomy is essential to help with all of the more complex decisions about the technical and other questions that are going to be quite complex to understand what the climate-related risks are.

It's an essential commitment to have that taxonomy.

Mr. Shafqat Ali: The taxonomy announcement included the creation of “Made-in-Canada sustainable investment guidelines”, which will identify green economic activities to help “accelerate the flow of private capital into sustainable activities across the Canadian economy”.

How do you see this measure affecting decision-making by investors, lenders and other stakeholders navigating the sustainable economy?

Mr. Anthony Schein: Again, this is an essential commitment to providing the certainty investors want in assessing the opportunities here in Canada. A taxonomy is a crucial commitment, along with the need for the underlying infrastructure and other areas of regulatory certainty that investors are looking for.

We need public action, but we also need significant private investment to help us achieve our 2030 and 2050 Paris goals, so the taxonomy will help investors who have set their own climate targets. Many large asset owners in Canada and around the world have set their own reduction targets, and they need to have consistent, clear information to assess whether or not they're on track as a pension plan or other asset owner that has said it will meet a particular reduction target by 2030. They need information to measure their progress against those goals, so it's a crucial commitment from this government.

Mr. Shafqat Ali: The largest banks have joined the Net-Zero Banking Alliance, a global initiative of banks committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

Could you inform the committee what the goals of this alliance are? Can you expand on concrete measures banks have taken to meet this target? How are the banks held accountable for the commitments made through this alliance?

If you can't cover everything today, you can send it in writing.

● (1230)

Mr. Anthony Schein: Perhaps my colleague Lindsey would like to speak to that, but I'm happy to offer a couple of comments if you'd like me to. I don't know if I'm allowed to defer.

Ms. Lindsey Walton: Thanks, Anthony.

I can't speak to the Net-Zero Banking Alliance in particular, but I can note that for any of these types of aspirational pieces, we need to ensure that we're looking at the intention behind getting toward net zero. For example, are we looking at capital allocation? Are we looking at what lobbying is being done behind the scenes?

These sorts of indicators will definitely tell us if the banks, asset owners and various groups are actually going toward net zero.

The Chair: Thank you.

Madame Pauzé.

[*Translation*]

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

Thank you to the witnesses for joining us.

Ms. Chipot, you said that the Canadian Securities Administrators came to the same conclusions in their biennial report that your organization came to. It is interesting to hear that another organization confirmed what you found in your analysis.

Tell us, if you would, about the credibility of transition plans. How banks define what constitutes a credible transition plan and how they go about improving the credibility of those plans is part of the global strategy to reach net-zero emissions.

What are Canada's big banks missing in their transition plans?

What would make the plans truly credible?

Ms. Alice Chipot: Thank you for the question, Ms. Pauzé.

On the whole, a lot is missing from the transition plans. The full participation of large companies is necessary. Currently, we see a lack of clear criteria and targets. That means clear targets for absolute reduction and clear intensity targets for the medium and long term, as well as funding.

We also see a lack of engagement around ensuring that capital investment lines up with the effort to credibly limit the increase in global temperature to 1.5°C, as per the Paris agreement.

They also need to show how companies are going to diversify their business models to keep moving in that direction.

Any credible plan put forward by a business or a bank has to contain expectations and time frames that are clearly defined. The plan has to set out time limits and indicate when investment in highly polluting sectors will start decreasing.

As I mentioned, a strategy is also needed to implement a scale of sanctions, or penalties. The ultimate penalty would be for an institution to exclude a business from its portfolio if the business conducted activities that prevented it from firmly committing to reducing its carbon footprint or if its practices did not align with that goal.

Obviously, I could go on, but I will end on this point. Right now, the statements of financial institutions and the way they plan to ensure oversight vis-à-vis their business clients are not robust—

Ms. Monique Pauzé: I apologize for interrupting you, but I have other questions I'd like to ask. That said, I understand your recommendations.

Do you believe that Canadian banks should be more strictly regulated or can we trust them to align their transition plans with the Paris Accord?

Ms. Alice Chipot: Clearly, it will take regulations and the adoption of a mandatory process, because, right now, disclosure by industry stakeholders is insufficient. Indeed, disclosures are disparate, as I indicated, and they don't allow the meaningful comparison of practices. For now, this creative uncertainty favours banks and financial institutions.

Ms. Monique Pauzé: I really like the term “creative uncertainty”.

How do the transition plans of the five big Canadian banks rank in comparison to the other international institutions you've assessed?

● (1235)

Ms. Alice Chipot: Overall, Canadian banks aren't doing great, as you can see from this ranking. I would note, however, that our analysis of RBC demonstrated that the commitments made by that bank seemed more robust than those made by other banks.

We note that there continue to be commitments for development projects, including in the oil sands, which are contradictory to transition plans.

Ms. Monique Pauzé: You're familiar with Bill C-243, moved by Senator Rosa Galvez.

In your opinion, should the government pass it? Is it a good model that could be used as a basis for regulating banks?

Ms. Alice Chipot: In my opinion, at present, it's the best tool we have available. The bill is the result of broad consultation. Over 120 organizations supported it. Approximately 60 academics stated that it was the right move, that it might seem ambitious, but that it was the way forward if we truly wanted to achieve the objective we'd set.

Ms. Monique Pauzé: Ms. Chipot, according to your report, how many banks actually have satisfactory transition plans aligned with the Paris Accord?

Ms. Alice Chipot: NatWest Bank is the only one with that has a credible transition plan, in our opinion. We felt that the disclosures, expectations and methodology provided were comprehensive enough for us to conclude that it was making a commitment. The other banks were falling a bit behind. I'm referring to Canadian banks.

We're talking about commitments and not actual practices here. However, even the commitments aren't ambitious enough.

Ms. Monique Pauzé: Is the problem related to disclosure?

Ms. Alice Chipot: It is indeed related to disclosure, but, to be quite frank, I think it's also related to ambition, if I may say so.

Ms. Monique Pauzé: Yes, of course.

I believe I have 10 seconds remaining, Mr. Chair.

The Chair: Correct.

Ms. Monique Pauzé: Then I'll stop there.

The Chair: Perfect.

Ms. Collins, you have the floor.

[*English*]

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

I want to thank all of the witnesses for being here.

Madame Chipot, you were just talking about a lack of ambition. We've heard here, in expert witness testimony and also in investigative reports, that one in five board members of the banks in Canada also serve on the boards of fossil fuel companies.

Can you talk a bit about this conflict of interest and how that connects to the lack of ambition that we're seeing in the big five banks here in Canada?

[*Translation*]

Ms. Alice Chipot: Of course, I can speak about that.

[*English*]

Maybe I can answer that in English.

We have to look at the ambition and the numbers the banks are giving themselves, but we also have to look at the practice in terms of the organizations.

As you say, we are seeing a lot of overlap on the boards between the banks and the big companies.

[*Translation*]

I'm referring here to oil and gas companies.

[*English*]

This is going to stop the ambition for sure because you wear two caps at the same time, and this is not a good practice. In other places around the world, you can't have these two positions.

Also, it goes back to the analysis of the lobbying. In Canada, we have, I think, a problem.

[*Translation*]

We have difficulty regulating some lobbying practices.

[*English*]

All of those elements, in my mind, are a big reason we have a hard time meeting the ambition we should have in the face of the urgency of the situation.

Ms. Laurel Collins: Thank you so much.

My next question is for Mr. Schein.

I wanted to ask about industrial carbon pricing, or large emitter trading systems, and the output-based pricing systems. These are doing the bulk of our emissions reduction. Between now and 2030, this is the policy that is going to be most effective in driving down emissions.

We've heard from the Conservative leader an avoidance of answering whether or not he would cancel the industrial carbon price, saying in Parliament, actually, that there is no industrial carbon price, but there clearly is a federal backstop to this.

Can you talk about the importance of maintaining and actually strengthening the industrial carbon price here in Canada?

Mr. Anthony Schein: Absolutely.

It is one of the most powerful levers that we've seen so far in making progress towards our 2030 goals. As I know you spoke about earlier today, we're not quite where we need to be. We have a ways to go to be on track for 2030, but the industrial carbon price is doing a lot of that needed heavy lifting.

I know that one of your previous witnesses, Jonathan Arnold from the CCI, spoke extensively around this. I would refer back to some of the research that the CCI has published on this. However, the emissions reductions from industrial carbon pricing are critical. Certainly, we need clarity about what the path between here and 2030 is, and what the pricing regime will look like beyond 2030.

Around the world, countries are making progress, and Canada risks being left behind if we don't set clarity and have commitments that can outlast any one Parliament or any one political party.

● (1240)

Ms. Laurel Collins: It's really clear to me that this policy is vital if we have any hope of meeting our climate targets, because 40%, potentially, of our emissions reduction plan relies on the industrial carbon price and these kinds of systems.

Can you talk about the other side of that, just the kind of business uncertainty that comments from the Leader of the Opposition and also Jenni Byrne, talking about cancelling the industrial carbon price...?

Mr. Anthony Schein: Certainly.

We work with large Canadian institutional investors who are thinking in the long term, who are investing for the long term. They get a bit antsy when we're seeing a lot of uncertainty in the marketplace, a lot of uncertainty among policy-makers. They start to look at where they can put their money that will be more stable and won't be subject to quite so much political back-and-forth. Therefore, providing a level playing field—a fair framework for investors to lock in for five-year, 10-year or 20-year commitments around building or making investments in Canada—is crucial.

I mentioned the lag that we're seeing in some cases around critical mineral extraction, the opportunities that are there in Canada and some of the barriers to be overcome there. One of them is that the upfront costs of developing critical minerals mining are huge, and the payout might not come for 10, 15 or more years. We can't have money locked up in projects like that where we're likely to see wild swings and back-and-forth in the regulatory environment.

All of that makes investors more cautious and makes them look for opportunities elsewhere. It's a big world. There are a lot of places where companies can invest.

Ms. Laurel Collins: I have a question for Ms. Walton, but, Mr. Chair, how long do I have?

The Chair: You have 15 seconds.

Ms. Laurel Collins: Okay. I will do it in the next round.

[*Translation*]

The Chair: We'll begin the second round of questions. As during the first half of the meeting, members will have three minutes each.

Mr. Leslie for three minutes.

[*English*]

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

Ms. Walton, I would like to start with you. You mentioned earlier that you had a hope, or perhaps a need, that we move away from voluntary towards mandatory. In your sense, or in your organization's sense, is it that the government would agree that, ultimately, we need to move beyond voluntary towards mandatory, expanding that, as you mentioned, to all sizes of business eventually?

Ms. Lindsey Walton: I'm sorry. Can you repeat that?

Mr. Branden Leslie: Earlier you mentioned the need to move from voluntary to mandatory and the need to have all sizes of businesses be disclosing.

In your view, in your engagements with the current government, is it the government's belief that we need to move from voluntary to mandatory and then beyond that from large financial institutions to all sizes of business?

Ms. Lindsey Walton: Well, it’s my hope. My understanding from the government is that it's looking at large private corporations and that the securities administrators are looking at the public.... It’s our hope that eventually there’s full coverage.

Mr. Branden Leslie: Okay. I’ll move to Mr. Schein.

You mentioned the importance of a taxonomy scheme being established. If it wasn’t to be implemented in Canada, how much do you think emissions would rise in this country? In turn, if it was, what is your assessment of the decline in emissions directly due to the scheme?

Mr. Anthony Schein: I'm sorry. I can't speak to a causal relationship with specific emissions reductions there.

I do know that the taxonomy is one of the most requested in-demand tools that investors around the world have been looking for, in Canada and in other jurisdictions. It is critical in helping investors make evidence-based decisions around where they are putting their money, and it's essential both to building the Canadian economy and to reducing emissions.

● (1245)

Mr. Branden Leslie: In this scenario, who are the auditors of these disclosures? Where do they work? Who would be providing compensation to them for doing this? Is it government? Is it a third party? Who actually audits this?

Mr. Anthony Schein: The audit regimes are partly based on investors being able to have some accountability, but there are also audit schemes that are in place there. The costs of undertaking those audits are, as I understand, ultimately assumed by the enterprise. For large, publicly traded companies, which are what we're talking about here, the audit is an important budget line, and certainly they'll be able to undertake this work to ensure there is accuracy.

Mr. Branden Leslie: They will sacrifice jobs because they're larger, but Ms. Walton previously said that we need to expand this to all sizes of business. Would you agree with that? Could small businesses afford that auditing scheme?

Mr. Anthony Schein: My focus and SHARE's focus is on publicly traded companies and larger actors in the financial system today. I would say that as I would prioritize this, I would start with the biggest impact, the highest emitters and the largest market capitalization. If so, we would certainly want to start with the largest companies.

[*Translation*]

The Chair: Thank you very much.

I now give the floor to Ms. Taylor Roy.

[*English*]

Ms. Leah Taylor Roy: Thank you very much.

Thank you again to the witnesses who are here for the second panel.

We've been listening to the conversation so far, and there seem to be different conversations going on, with a lot of concern about the cost of implementing these or how this is going to be done and put in place, which is absolutely essential. We need to think about how it can be done, but none of this is completely rolled out yet.

For these questions or concerns about which companies will be required to have audits, who will do the audits and how we will treat small businesses, which we know don't have the resources or the manpower, typically, to undertake these things, I know there are a lot of different options. There are a lot of different ways of putting these in place, so they're really important as we roll these things out, but I'm concerned that the focus on cost is trying to be used to stop us from going forward with this, and there's very little concern about the cost of not putting these in place, both from a business perspective and because, as you just said, Mr. Schein, the investors are demanding these taxonomies and we are at risk of losing capital investment here.

I'm wondering if you could perhaps comment a little on the trade-off and the balance between putting taxonomies, disclosure and reporting requirements in place and how we do that in a cost-effective and efficient way, and why that's important given what's at risk right now with capital flows and, really, with pollution and climate change.

Mr. Anthony Schein: Sure. I'd be happy to speak to two components of that.

The first is that in our work at SHARE we regularly engage with publicly traded companies in Canada on climate and on other "ESG-related risks". We know that companies already are inundated with requests for different types of disclosure on climate and on other ESG metrics from an absolute alphabet soup of different standards.

When we talk to corporate secretaries, that is their complaint: "We can make the disclosure, but we would like you to agree to a system so we can make one set of consistent disclosures." The cost they are concerned about is just that: It's duplicative and competing types of disclosure regimes, which is exactly why we have wanted to develop a Canadian taxonomy and to align it with emerging international standards. That, I think, is the key component.

Secondly, for all of this, we know that there's an opportunity cost to missing investments in Canada, and that for all of what we're talking about here, there are huge opportunities in the green economy, including 3,000 jobs in St. Thomas, Ontario.

[*Translation*]

The Chair: Thank you.

Ms. Pauzé for one and a half minutes.

Ms. Monique Pauzé: Ms. Chipot, the Canadian Securities Administrators' biennial report stated that the industry is providing misleading information on the level of commitment and effort invested in credible transition plans. I think that your own report states something similar.

Could you talk to us about greenwashing?

● (1250)

Ms. Alice Chipot: Thank you for the question.

There has been a great deal of reflection on that recently, particularly in terms of the Competition Act. Greenwashing refers to when economic stakeholders, such as banks or businesses, make commitments or promote practices using unclear language. As we've indicated, such language does not allow a comparison of actions taken by stakeholders or a true understanding of what is being included.

Terms such as "transition plan", "green investment", "responsible investment" or "ethical investment" are common. The meaning of those terms is unclear. They're marketing terms that are misleading and which do not allow an understanding of the extent to which environmental, social and governance factors will be monitored.

These practices are almost commercial in nature. As long as there are no clear rules of the game for everyone, there will continue to be marketing-type communication strategies with no impact.

The Chair: Thank you.

[*English*]

Ms. Collins.

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

My final question is for Ms. Walton. It's a two-part question.

One, I will give you a bit of space to more fully flesh out the risks of being left behind if we don't have mandatory disclosures and mandatory transition plans. What does that mean for the Canadian economy and Canadian businesses?

I attended the PRI conference in Toronto. It was wonderful to see people from all around the world committed to responsible investment.

Also, we've talked a lot about emissions reductions. Through your work, can you talk about any responsible investments when it comes to biodiversity-related risks?

Ms. Lindsey Walton: Thank you, and thank you for attending.

The most I can speak about right now regarding biodiversity risks is that, after climate, they're becoming the number one concern for investors and corporations. We brought huge delegations to Montreal for COP15 and to Cali for COP16. Right now, you can follow up on the outcomes of that on our website.

Regarding your other question, the risk of being left behind is a huge one in Canada. Through some studies we've done, Canada has one of the lowest regulations for ESG around the world. We've brought a lot of international investors to the table at government organizations to explain that, if Canada doesn't move ahead with things like mandatory disclosure for at least large businesses within the taxonomy, it will become more and more uninvestable, because—

The Chair: Thank you.

Mr. Deltell, go ahead for three minutes.

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

[*Translation*]

Good afternoon, ladies and gentlemen.

Thank you so much for joining us.

Ms. Chipot, I am very intrigued by the words you're using. You mentioned creative uncertainty. A bit like my colleague Ms. Pauzé, it made me smile. It reminded me of the exact words the commissioner of the environment and sustainable development used in his report last week. He said, “This lack of transparency meant that accountabilities for reducing emissions remained unclear. … Federal organizations … faced challenges in effective implementation” of most of these measures.

I'd like your comments on the importance of gathering statistics, data and accurate, confirmed evidence to make wise and informed decisions.

Ms. Alice Chipot: You've already summarized the comments accurately.

Even from the viewpoint of the market and various economic stakeholders, the rules need to be fair and transparent for everyone. That way, good stakeholders can be compensated, and we'd also be able to identify the bad stakeholders and determine what plan they're using. Is it a methodologies-based plan? Is the plan based on their goals? As long as creative uncertainty remains, we can't separate the wheat from the chaff and position ourselves.

We need to get to the bottom of what the players are doing in order to see things clearly. Who is benefiting from the uncertainty, right now? That's the question that always gets asked.

● (1255)

Mr. Gérard Deltell: You spoke about methodology. Once again, I think you paid attention to the report tabled by the commissioner of the environment and sustainable development. He said, “The recent decreases to projected 2030 emissions were not due to climate actions taken by governments but were instead because of revisions to the data or methods used in modelling.”

In terms of the methodology and the uncertainty you've mentioned, companies must be transparent, but don't you believe that the example should be set at the top, meaning by government?

Ms. Alice Chipot: Yes, you are correct.

Governments and public institutions must provide economic stakeholders with very clear guidelines. Economic stakeholders are subject to additional stress when they don't know how to navigate the many diverse demands being made of them. There are many frameworks in place. It's not good for anyone. It's not good for the economy, and it's not good for the planet.

Mr. Gérard Deltell: Thank you very much for confirming what the commissioner of the environment and sustainable development said regarding the clarity the government needs but has yet to demonstrate.

[*English*]

The Chair: Thank you.

Mr. van Koeverden.

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

I'd like to start with a quote from Jim Leech, chair of the advisory council for the Institute for Sustainable Finance. I'll shorten it a bit, but he says, “The Climate Investment Taxonomy Framework is a necessary step towards securing Canada’s competitiveness.... We need the clarity this framework provides to attract global capital....”

Despite the overwhelming consensus we've heard on this committee over the last number of weeks that this is a necessary step for our financial and environmental ambitions, Conservative witnesses and testimony and many questions from Conservative MPs have disputed how critical an ambitious taxonomy and disclosure is, even suggesting that it could devastate revenues and jobs in the private sector.

I'm going to ask each witness to answer this independently. In your expert opinion, is it remotely possible that the costs associated with disclosures as they relate to sustainability could possibly outweigh the opportunity losses and potential liabilities of inaction on this, given the direction the world is headed in?

I'll start with Ms. Walton.

Ms. Lindsey Walton: I would say that in the long term, that's unlikely, in my view. It's unlikely that you're going to get access to capital even in the short term if you don't have these disclosures.

Mr. Adam van Koeverden: Madame Chipot.

Ms. Alice Chipot: I would agree too. There is big pressure to have better disclosure. I think investors are really waiting for it.

Mr. Adam van Koeverden: All right.

I was hoping that Mr. Schein could answer the question too. Can we possibly take a moment to see if he can come back online? Did he have to go?

The Chair: I don't think we can do that. [*Inaudible—Editor*] time.

Mr. Adam van Koeverden: Okay.

Ms. Walton, would you care to elaborate on how that would work? Currently, there are auditors in every business and in every company. This is not a new or novel practice for companies to have to measure various goals and aspirations. We've already seen many companies change how they do business.

The Chair: He's back.

Mr. Adam van Koeverden: Mr. Schein is back.

My apologies, Ms. Walton. I'd like to ask Mr. Schein to answer the previous question.

Did you hear it, Mr. Schein, or should I repeat it?

He seems to be having some technical difficulties.

The Chair: Maybe you could [*Inaudible—Editor*]

Mr. Adam van Koeverden: I'll ask it again, Mr. Schein, in the hope that you might be able to provide at least a written response, if you can hear me. I had a preamble, but I'll just ask the question.

In your expert opinion, is it remotely possible that the costs associated with disclosures as they relate to sustainability could possibly outweigh the opportunity losses and potential liabilities of inaction on this?

Mr. Anthony Schein: Certainly, I think the cost of inaction is nothing to dismiss. I did miss a bit of the back-and-forth there, but we see the cost of doing nothing as very significant. There is a real risk of Canada being left behind in the economy of the future.

[*Translation*]

The Chair: Thank you.

That concludes our meetings to produce a report on our very interesting study on the environment and climate impacts on the Canadian financial system.

I thank the witnesses for their testimony. There were some good exchanges.

● (1300)

[*English*]

Mr. Branden Leslie: Just before we exit, can I just ask for clarity for after our scheduled meeting on Friday? Will the clerk be already reaching out to all the witnesses for the proposed meetings to establish them on the set dates?

The Chair: Which meetings? There were so many meetings in that motion.

Mr. Branden Leslie: All of them, I guess.

The Chair: Yes. Well, we'll be working on that.

[*Translation*]

Ms. Pauzé, you have the floor.

Ms. Monique Pauzé: Mr. Chair, we have just concluded our study on sustainable finance.

Could we send you an email telling you what we want to see in the report? You often ask us to do something like that.

The Chair: The clerk, the analysts and I will provide an update on all the work scheduled for the coming weeks.

Indeed, we'll need to make decisions about what we expect from committee members. We should also set deadlines for the submission of information or suggestions we'll need. Tomorrow, we'll try to set our objectives in keeping with what is set out in the motion.

Thank you everyone. We'll see you Wednesday.

The meeting is adjourned.