HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

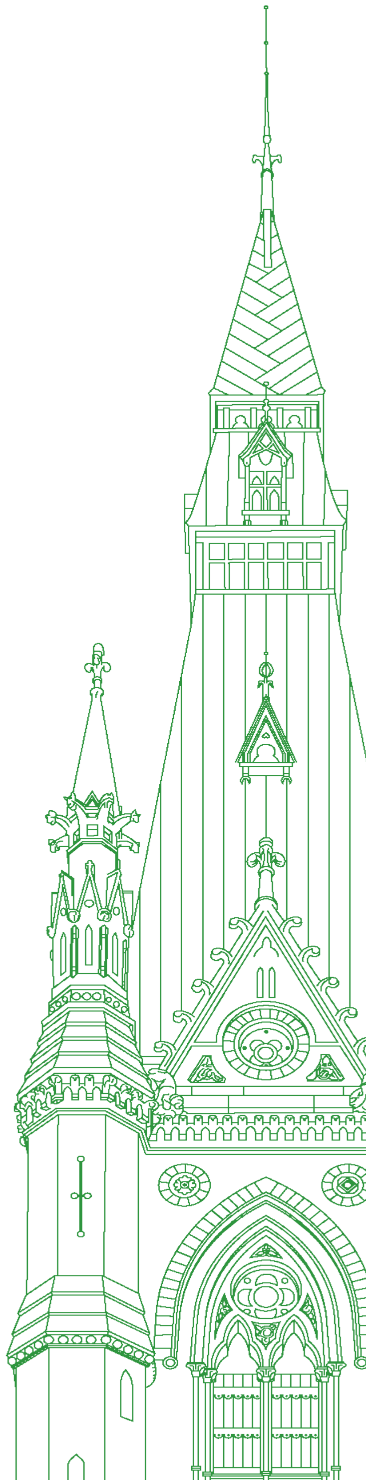
45th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 033

Thursday, April 16, 2026



Chair: Karina Gould

Standing Committee on Finance

Thursday, April 16, 2026

● (0815)

[*English*]

The Chair (Hon. Karina Gould (Burlington, Lib.)): Good morning. I call this meeting to order.

Welcome to meeting number 33 of the House of Commons Standing Committee on Finance.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

Before we continue, I would ask all in-person participants to consult the guidelines written on the cards on the table. These measures are in place to help prevent audio and feedback incidents, and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, March 9, 2026, the committee commenced its study of Canada pension plan investments in Canada.

I would like to welcome our witness. We have Mr. Michel Leduc, senior managing director and chief public affairs officer with the Canada Pension Plan Investment Board.

Welcome Mr. Leduc. You will have up to eight minutes for your opening remarks, after which we will open the floor to questions.

Michel Leduc (Senior Managing Director and Chief Public Affairs Officer, Canada Pension Plan Investment Board): Thank you very much.

[*Translation*]

Thank you for inviting me to testify today on behalf of CPP Investments.

Policy-makers are understandably focused on how pension funds can support prosperity at home. The job Parliament and the provinces gave us to help secure the retirement income of the Canada pension plan's contributors and beneficiaries defines our role in this discussion.

[*English*]

While Canada is a core market for CPPIB, it represents about 3% of global investable markets. Still, the size of our Canadian holdings is many times that share. It's relevant to note how CPPIB was born out of a crisis. In 1995, the chief actuary of Canada reported that the CPP was no longer financially sustainable. Canada was an aging society with longer lifespans and fewer children. Combined with weak investment returns, the fund would be depleted within two decades.

Federal and provincial governments acted decisively. They established the CPPIB to deliver the highest possible rate of return without taking excessive risk. In doing so, we must also consider the factors affecting the funding of the CPP.

Today, the CPP is sustainable for at least the next 75 years. The CPPIB is one of the world's best performing institutional investors, and our investment income has proven critical to the CPP's success.

Canada, unlike many other countries, is not facing a looming pension crisis. This does not mean the CPP's solvency has been forever solved. Yes, the fund is approaching approximately $800 billion today, but that's only one half of the balance sheet, the assets. The other half, the liabilities, are roughly double at $1.7 trillion. In other words, the assets are already spoken for. There is no surplus available to use for anything other than to meet the obligations owed to the beneficiaries.

The CPP fund is composed of contributions and investment income. Investment income is the single largest contributor to the growth of the fund. Contributions depend on a complex mix of economic and demographic factors. Added together, these have a greater impact on the CPP's long-term sustainability than investment income alone.

The common feature across these non-investment factors is that they are entirely made in Canada. It's one basket holding all the eggs. As a result, we have a responsibility as prudent investors to place at least some of the eggs in the global basket. Diversification is necessary and the only opportunity is through investments, not the contributions. Not doing so would significantly increase concentration risk within Canada's national pension system.

Managing volatility requires uncorrelated exposures across developed and emerging markets and divergent sectors. A well-balanced portfolio can better withstand market shocks to meet obligations to Canadians at any given time.

That's about managing downside risk. We must also pursue the upside.

● (0820)

[*Translation*]

We must invest worldwide to maximize growth.

[*English*]

When you factor in the role a pension system plays in the economy, the most powerful contribution we can make is to help prevent poverty among the nation's largest demographic cohort. Investment income that we generate globally is ultimately paid out to Canadians, supporting retirees in their communities across the country. Their contributions are transformed into much larger profits, which are then recycled back into the Canadian economy.

What have made CPP Investments a global leader are our public purpose, focus and clarity. Our purpose is to help Canadians maintain basic dignity during their most vulnerable years. Our focus is to deliver strong returns over the long term. Despite external pressures to do other things, our job is clear. By design, we are not a sovereign wealth fund, a development bank, a social-cause vehicle or an innovation venture. Had finance ministers intended for us to invest in wider goals, the CPPIB Act would reflect that. Legislators debated this carefully and concluded what our sole objective should be.

[*Translation*]

Of course, policy priorities change over time, and those decisions rest with Parliament and the participating provinces. Our role is to offer perspective on what has made CPP Investments successful in strengthening the Canada pension plan.

I will be happy to answer your questions.

The Chair: Thank you, Mr. Leduc.

Mr. Kelly, you have the floor for six minutes.

● (0825)

[*English*]

Pat Kelly (Calgary Crowfoot, CPC): Thank you.

I was pleased to hear clarity around the purpose of the CPPIB. Again, for the record and for clarity, your job is to achieve the highest and best returns for Canadians at reasonable risk—period. There's no other purpose.

Michel Leduc: That's absolutely correct.

If I could add this, there's an additional line that talks about taking into account the factors that affect the funding of the CPP. That means we have to consider the concentration risk to Canada, because some of the factors that affect the CPP are not investment income. They're demographic and economic factors. This is why we interpret it to mean that we must solve for concentration risk, and it's why we need to look at the universe of assets.

Pat Kelly: That's right. It's because your liquidity, at any moment, has to be considered based on the timing of your liabilities and the amount of pension that has to be paid out.

I'm glad to have this clarity because we hear voices, from time to time, saying things like, “Why doesn't the CPPIB invest in Canada?”, “Shouldn't they invest more in Canada?” or more chillingly, “Should they be compelled to invest more in Canada?”

Could you talk about the importance of the independence of the CPPIB and the peril of politicians or anybody else—though it would be politicians having to do this through legislation—undermining that independence?

Michel Leduc: There are a number of things to unpack there, and I think they're all important. I want to respect the time you have, so I'll answer some of them. I'm sure there will be opportunities throughout these two hours to reflect on some of them.

If I could address the premise directly, when we hear, “Why don't we invest more in Canada?”, it often comes with the belief or perception that we do not invest considerably in Canada. I think this is a good opportunity to break that myth. We are one of the largest investors in the Canadian economy, at above $115 billion. Very few institutional investors have as much invested in Canada as we do. We do it because it's a wonderful place to invest.

The point about independence is critical on multiple fronts, including our ability to access global markets. If we were seen to have different non-commercial objectives—perhaps national interest objectives—it would make our life a lot more difficult regarding accessing prized assets around the world.

I will leave it at that. If there's a follow-up, I'll be more than happy to address it.

Pat Kelly: In your remarks, you said that you face—I wrote it down—“external pressures to do other things”.

What are those pressures that you are exposed to?

Michel Leduc: One of the privileges that I have in my role is to appear before public meetings, so every two years we have to hold a meeting in every participating province. Leading up to those meetings, because we have to advertise them, they engage a lot of interest in some of the things that we invest in.

Across the board, one of the single issues that is particularly top of mind for many of our contributors and beneficiaries is climate change. That would be one. We hear a lot that we ought to be divesting from conventional energy. We get a lot of reaction. That would be one of them. Another one is the perspective that we ought to be investing more in Canada. We ought to be doing things here to create jobs. That would be another one. There are things around our exposure to defence sectors. A number of interested parties feel that it's against their values. That would be another one.

The list goes on. Because of the size of our investment and the need to diversify, we're exposed to every conceivable sector. That means some individuals and groups have concerns around some of those exposures.

• (0830)

Pat Kelly: Right. I'm pleased to know that I'm receiving reassurance that, for all these voices, regardless of their political or public policy preferences, you set this aside and ignore it, because by taking any of these considerations into account would jeopardize your core mission, your only mission, which is a return for future Canadian recipients of the CPP.

Michel Leduc: If I may, I may just say it a little bit differently. We will listen—

The Chair: Go ahead very briefly.

Michel Leduc: We have public accountability, so we listen carefully. However, we have to have the resilience against this pressure and do what Parliament and the provinces asked us to do, which is to save the solvency of the CPP.

The Chair: Great. Thank you very much.

Just to clarify, Mr. Leduc, did you say it was $115 billion or $150 billion that's invested in—

Michel Leduc: Currently, it's about $117 billion.

The Chair: Thank you very much.

Next, we have Mr. Leitão.

[*Translation*]

You have six minutes.

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): I will yield my speaking time to my colleague.

[*English*]

Ryan Turnbull (Whitby, Lib.): Thanks.

Welcome, Mr. Leduc. It is great to have you here and great to hear about the CPP Investment Board's mandate and purpose.

I think we can all agree we want to see the Canada pension plan do well for Canadians because so many Canadians have a stake in your success. I, for one, wish you always the very best. As a government, we've been trying to improve investment conditions in Canada, so it's not to take the approach that we should be forcing pension plans to invest more in Canada, but we should actually be working in partnership to improve the environment for capital to flow to major projects, for example, for infrastructure that our country can benefit from.

We've heard anecdotally from John Graham and others publicly in statements that there's a lot of interest from global investors in Canada. We just heard from the group of pension plans in Australia who said they're excited to invest, alongside Canadian pension plans, in major infrastructure projects, etc.

How is the outlook in Canada changing for you? How are you evaluating, because you're weighting your portfolio right now? You have 12% in Canada. You've said that it's weighted significantly towards investing in Canada already. Do you see the outlook as having improved in Canada for you? It seems that anecdotally other investors see it that way.

Could you speak to that?

Michel Leduc: Absolutely.

Looking at what is going on, as a global investor working hard to deploy capital in core markets, we have investments in approximately 55 countries, but about a dozen countries are truly our core markets. As we look at the added global uncertainty and turmoil, everything is relative, and Canada is in the right place at the right time. What it offers to global investors is a greater level of safe haven, so it has a terrific opportunity to attract greater levels of global capital into this country. We see it. We see a level of momentum that we haven't seen in a while, and we're very excited about the opportunities.

I will say, without getting into any level of detail, because that would not be appropriate in terms of the confidentiality of some of the things we're looking at, there are a number of things that we're looking at across the full spectrum, from energy to digital infrastructure and regulated utilities.

We are actually investing more in provincial bonds. We don't take credit for it, but the amount in provincial bonds we've been acquiring is what pays for infrastructure across the full value chain, from the medical sector to education to better roads. We would love to put our sign on all of those things. Obviously the provinces are the ones making those acquisitions or those investments, but they're funded by our bonds. We have a lot of confidence in Canada. We're excited about the opportunities and we're working hard to look at those and execute on those opportunities.

• (0835)

Ryan Turnbull: I appreciate that.

I have a quote here from John Graham, who said, “We like to see opportunities of scale, we like to see opportunities where we can grow our capital,...we are really encouraged by what we’re hearing and really encouraged by the major projects initiative.”

What is it about the major projects initiative that improves the conditions? I had heard, again, for many years, that big projects were hard to get approvals for. There's quite a lot of red tape around getting those approvals, and we've made an effort to really speed that up. Is that improving?

Michel Leduc: We've had some preliminary conversations, and we see it as a facilitator or, for lack of a better expression, a clearing house to help. In some of these complex potential opportunities, whether it's in infrastructure or on the energy front, there could be multiple regulatory aspects, there could be permitting or there could be different levels of risks that we couldn't necessarily handle on our own without some additional assistance.

If you think of all the moving parts, it's about having a group that is focused on trying to connect all the dots and move something that sometimes could take multiple years to get done to multiple months. If that level of energy could be applied to making things more predictable, more stable and more timely, it would mean a lot of value for our global investors.

Ryan Turnbull: I read the International Centre for Pension Management reports and things like that, which, internationally, are looking at the challenges that pension plans have. They identify key barriers and things that governments can do.

One of the things that is often said is that there are a lot of small projects that cannot be aggregated to the degree that maybe a pension plan as big as the CPPIB would need in order to make an investment decision, so aggregation is one thing.

What I'm wondering is this: Are we doing a good enough job at that? Are there any ways we could improve as a government to facilitate more aggregation?

Michel Leduc: We see ourselves as a commercial entity, and operational excellence is a cornerstone of how we continue to invest for Canadians—

The Chair: Thank you, Mr. Leduc. We'll have to continue this conversation in the next round.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

Jean-Denis Garon (Mirabel, BQ): Thank you very much, Madam Chair.

Good morning, Mr. Leduc. Thank you for being with us today.

The federal government has decided to get involved in the Alto high-speed train project. We recently met with representatives from the Canada Infrastructure Bank, and I asked them whether they planned to invest in the project. They told me that the project was not sufficiently developed and that the information was not clear enough for the bank to decide on whether it was interested in investing money in it.

Where does the Canada pension plan stand on this issue?

Michel Leduc: I don't believe we've done an in-depth study on the project. In general, we don't publicly discuss the details of the types of investments we make. It's certainly confidential. However, I believe that—

Jean-Denis Garon: You don't have to discuss it in public.

Are you confirming for us that you have not done any studies on the project?

Michel Leduc: No, we have not done any studies on that particular project.

Jean-Denis Garon: Okay.

I don't really sense much enthusiasm from you, judging by your body language.

I have another question for you. I must say it's a bit unusual for a Bloc Québécois MP to welcome you today. As you know, we have the Caisse de dépôt et placement du Québec, or CDPQ. We have a hybrid system. Quebec has its own share. That said, I have a question about some of the more structural aspects to ask you.

At the federal government level, obviously, we have several pillars for retirement. We obviously have the Canada pension plan. We also have the old age security pension and the guaranteed income supplement.

We know that having prefunded retirement benefits has a significant effect on the economy. Even though the investment rate in Canada is 12%, if we had more money to invest, we would have a significant impact on the economy. We could have mechanisms to ensure that these benefits become real investment-based pensions, and perhaps Quebec could even manage its own share of these pensions through the CDPQ.

I know you won't give a specific opinion on the matter, but in your view, would that be something worth considering? If we went in that direction, and even if Quebec managed its portion through the CDPQ, what effect would it have on investment in the country, on our momentum and on growth?

● (0840)

Michel Leduc: I'll go back to the comments I made in my opening statement. In general, what makes us successful is our focus on our specific goal, which is managing Canadians' pensions. I'm not saying that other goals aren't good goals, but it can reduce our focus on that work.

Jean-Denis Garon: Let me clarify what I mean. I am not talking to you about goals, national projects and so on, or about incorporating social objectives. I am talking about a situation where a significant portion of Canadians' retirement income comes from the old age security benefit, for example, a program that is funded each year by taxpayers' money. It is in the form of benefits.

Do you think it could be a good solution to ensure that these benefits can come from contributions and investments? This could increase the resources you have to invest, as you follow the same investment policy you currently have. Do you think this is something that parliamentarians should consider?

Michel Leduc: It's certainly something worth exploring. It is a bit difficult to say exactly whether it's a good idea, but it is certainly something that should be looked at.

Allow me to return to your first question. It's not that we have no interest; it's that we are investors. We don't build things, and there's a great deal of risk when something doesn't get built. In general, we will invest in projects that provide us with a bit more certainty as to what the return on our investment will be.

Jean-Denis Garon: I understand. I'll stop there, but I do want to highlight that the Caisse de dépôt et placement du Québec did indeed move in that direction.

Moreover, I know that 12% of your investments are made in Canada, but I would like to know what percentage of your entire portfolio worldwide, including Canada, is invested in oil, directly or indirectly.

If you are not able to give me the answer today, could you please provide us with a written response regarding your investment portfolio in oil, gas and hydrocarbons, broken down by province and by country?

Michel Leduc: I have the exact data at hand, but I think it might take me a little time to find the information. However, it's certain that—

Jean-Denis Garon: That's why I asked for a written response, but can you tell me what it looks like, roughly?

Michel Leduc: We can give the information to you before the end of today's meeting, for sure.

Jean-Denis Garon: When you invest in oil, a highly fluctuating market that will eventually have to deal with the energy transition, do you consider those investments as having particular risks that give rise to certain considerations or concerns for you?

Michel Leduc: Yes, absolutely. We see our investments in high-emitting sectors as a risk, but we also see an opportunity to help companies in these sectors make the transition. We see—

Jean-Denis Garon: Is that part of your mandate?

Michel Leduc: According to our interpretation of things, it is absolutely within our mandate.

Jean-Denis Garon: You interpret it that way.

Thank you very much.

The Chair: Thank you.

[*English*]

We now will continue with Ms. Cobena for five minutes, please.

Sandra Cobena (Newmarket—Aurora, CPC): Thank you, Madam Chair.

Thank you, Mr. Leduc, for being with us this morning. I want to say that any recommendations you make or any legislation you would recommend are incredibly valuable to us, because, of course, we're looking at that closely. The topic of the study today is incredibly important for us.

We recently saw one RBC report published this week with a finding that between 2015 and 2024 more than a trillion dollars in investments exited Canada. It is the largest capital exodus in Canadian history. As a major independent institutional investor, CPPIB presumably would be reflected in that figure.

Could you speak to the scale of this capital flight and what is driving it?

Michel Leduc: I'll speak from our perspective, rather than being able to interpret what other investors are doing.

I'll just reinforce that we see Canada as a very solid market, a place where we want to continue to invest. Insofar as the percentage of our exposure to Canada that has decreased over the last 15 years, let's say, it is not a judgment on whether Canada is a good place to invest. It is more a focus on seeking the highest possible returns. As it turns out, those decisions really favour the best interests of contributors and beneficiaries.

It's more in terms of the.... If you're faced with 100% of the investable universe and Canada provides less than 3%, by definition the opportunity is 97% outside the country. If we're looking at only the public markets over the last 15 years, that made a difference of about $100 billion in terms of the performance of the global markets versus, say, only a Canadian-focused investable universe.

● (0845)

Sandra Cobena: Your mandate is to get the greatest return for your Canadian investors. You spoke a bit about, obviously, going after investments that provide you the greatest returns, the highest returns, and that is one of the main guides for your investment decisions.

Where do you see those big returns today? How did that guide your investment decisions over the last 15 years? Presumably, it's fairly similar to what other institutional investors and other investors are looking at.

Michel Leduc: At the risk of oversimplifying things, if there's one thing that we had to pick, it would be diversification: looking not only at diversification in terms of emerging and developed markets but also at diversification in terms of a broad range of asset classes, from private assets to public markets to real assets such as infrastructure, ports and toll roads.

Part of the benefit of having the scale that we have and the sheer size of the fund is that we can access things that very few investors around the world can access.

Sandra Cobena: The data I have is as of 2025, just last year, for the geographic breakdown of your investments. One of the largest ones there is the U.S. at 47%.

Within this report, they also talk about the biggest opportunity: an opportunity of over $700 billion in the oil and gas sector. What conditions would you need here in Canada to take advantage of those opportunities, and are you looking at those opportunities today?

Michel Leduc: We are looking at those opportunities. Favourable conditions are ones that we see in almost every market we are engaged in. There are things that would not be surprising. It's the predictability and credibility of the overall approval process. It would be things like the part on a value chain of investing where you can identify various risks and where those risks are applied. Governments may be better able to deal with aspects of permitting risks.

The Chair: Thank you, Mr. Leduc. We are going to have to end this round there.

We are going to continue now with Mr. Fragiskatos for five minutes.

Peter Fragiskatos (London Centre, Lib.): In fact, it's Mr. MacDonald.

The Chair: Mr. MacDonald, please go ahead.

Kent MacDonald (Cardigan, Lib.): Thank you, Madam Chair.

Welcome, Mr. Leduc.

To review the information available, there's a lot of investment. Could you break down the specifics of your portfolio?

For instance, I come from an agricultural world. I think I saw some investments in grain-handling facilities in Argentina. Is there a specific breakdown that would align with the Canadian economy and expansion going on?

● (0850)

Michel Leduc: The short answer is that we deploy our capital in Canada wherever Canada has its strengths.

One of these is the financial services sector, if you look at the public side. You would also see us investing significantly in energy on the conventional side, on the renewable side and—increasingly—on the transition side. How can our capital help high-emitting sectors transition over time? It is strategic capital for that purpose.

We're not heavily invested in agriculture and farmland, other than in companies that are significant players—as with potash, for example. Sadly, we started a strategy to invest in farmland, largely in Saskatchewan. They did not like that. They passed a law preventing us from investing in farmland. This meant we could no longer invest in farmland. That is an example of political risk.

Kent MacDonald: We farmers tend to be very protective of our land.

I have another question, though I know you can't speak to the specifics.

In Atlantic Canada, sometimes the scale of projects isn't large enough to attract large investment. Here I am. I'm going to speak to specifics: Is the wind west project—you may have read up on it—the scope of project that would fall within your jurisdiction to invest in?

Michel Leduc: We would absolutely look at that. It's all about risk-adjusted returns.

I will just complete my answer to the previous question.

There are various risks associated with long-term investing, so we look at who is best positioned to bear that risk. Investment risk is obviously our specialty. Permitting risk is something we would want to work on closely with government to handle. Those are just two examples. There's a wide array. That would be one of the things that make us look much more seriously and carefully at opportunities.

On scale, if I may, it's not that some of the smaller investments aren't good investments. If we're going to deploy capital efficiently, we want to make sure our performance is strong after all costs. We simply can't afford to spend a lot of time on, say, 1,000 $25-million opportunities, rather than 10 $1-billion opportunities. It is about efficiency and performance after all costs.

Kent MacDonald: I was reading, recently, that Australia has identified Canada as a great place to invest its pension funds.

Is the environment changing in such a way that your investment group will see more opportunities in Canada down the road, in your opinion?

Michel Leduc: The short answer is yes. We see Canada as having a number of strengths in its core sectors. Like a company, it can't be all things to all people. It has to pick its focus strategically. We think Canada has a number of strengths that would make a global investor look carefully at the opportunities here, more so than we have seen in the last few decades.

Kent MacDonald: Here's another issue that I think you're aware of, because you've been identified and won awards for transparency in your investments. The Canadian electorate, whom we interact with daily, still has conspiracy theories about what the Canada pension plan does and that it doesn't invest enough in Canada.

Is there more that could be done to interact with or educate Canadians that would bust those myths?

Michel Leduc: You've hit the nail on the head. We think we could do a much better job of communicating with Canadians about what we do and what we do here. In venture capital, for example, we have $3 billion invested through a fund called Northleaf. It's a partner and it gets all the credit—

The Chair: I'm sorry, Mr. Leduc. We're going to have to continue that conversation in another round.

[*Translation*]

I now give the floor to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I understand, Mr. Leduc, that you do not have a social mandate and that the objective of your investment strategy is to achieve what the actuaries require of you to be able to pay the pensions. It's a complex calculation, but still, you need to pay attention to your image and the reputational risk. You are not going to invest heavily in a good company that uses child labour or engages in human exploitation, for example, a company that would benefit from what the Chinese are doing to the Uyghurs. I understand that, even though you do not have that explicit mandate, it is one of the things you take into account.

I was just talking to you about oil. You told me that you do not have a social mandate per se, but that you also invest in technologies. I imagine you were specifically talking about carbon capture, but many scientists have told us that those technologies are not particularly cost-effective and, in any case, not particularly reliable on a large scale.

If you're continuing to invest in a sector that presents a significant risk in terms of the energy transition, a high-emitting sector whose popularity and social licence are on the decline, isn't it to keep making money, a return on investment and dividends? Isn't that somewhat why you say that you invest in all kinds of technologies? Is it to make people believe or at least put out the perception, that dirty oil is a little less dirty than it actually is?

● (0855)

Michel Leduc: I'll answer you in English because it is a question I often get in English, and I am a bit more comfortable in that language.

Jean-Denis Garon: It's because the response was prepared in English. That said, go ahead.

[*English*]

Michel Leduc: If I could focus specifically on climate change...because I think you're focusing on fossil fuels if I've interpreted that correctly. Please let me know if I haven't.

[*Translation*]

Jean-Denis Garon: It was pretty explicit.

[*English*]

Michel Leduc: The world will continue to have a significant demand for energy, and climate change is one of the single biggest risks we face as a long-term investor. Getting to a low-carbon world will require a whole-of-economy transition. It is, of course, fossil fuels, but there's also a broad range of other parts in terms of high-emitting sectors like cement, etc.

The Chair: I apologize, Mr. Leduc. We're going to have to end this round there.

Michel Leduc: I'm sure I'll have an opportunity to address this question later.

[*Translation*]

Jean-Denis Garon: The Conservatives will definitely ask you this question.

Voices: Oh, oh!

The Chair: You are funny, Mr. Garon.

It's now Mr. Lefebvre's turn for five minutes. We'll see what questions he is going to ask.

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you, Madam Chair.

Thank you for being here, Mr. Leduc.

I want to greet my colleague from the Bloc Québécois. Unfortunately, I already have my questions, and since I have very little time, I will focus on mine.

Mr. Leduc, thank you for the transparency in your presentation. You spoke about the fund's sustainability for the next 75 years and the importance of a well-balanced and well-diversified portfolio.

You invest about 47% of capital in the United States and 12% in Canada. What currently makes the American market so attractive to you in terms of investments?

Michel Leduc: Thank you.

[*English*]

This is another myth that we've encountered, which is that we are too heavily invested in the United States. As an active management platform, we're actually diversifying away from the United States.

I'll start with the positive. The reason we invest heavily in the United States—let's say 47%, which would be considered a pretty significant exposure—is that it's the largest economy in the world. It also has the greatest opportunity across a wide range of sectors, from technology to manufacturing, energy and even the entertainment industry, where Canadians, through us.... On the port system across the U.S. and Ports America, it's a land of opportunity from an investment perspective because of its sheer size and what it offers a global investor across the full spectrum of economic sectors.

If we were to invest passively and if we were to buy, say, the MSCI global world index or the same version on the S&P side, on average, we would be exposed to 70%. For any investor around the world that wants to invest globally and acquire the best available global index, it's about 70%. We're at 47% because we see broader opportunities in having things that don't correlate, so we want exposure to, say, emerging markets as well.

We want to invest in the U.S. because of its sheer, broad opportunities, but it also presents concentration risk.

● (0900)

[*Translation*]

Eric Lefebvre: Do you agree with the governor of the Bank of Canada, Mr. Macklem, when he describes Canada's productivity crisis as the country's Achilles heel? We have a significant productivity lag in Canada, which makes us less attractive in terms of investment.

Michel Leduc: Unfortunately, I'm not an economist like Mr. Macklem. I don't really have much expertise when it comes to the economy, Canadian businesses or how they invest in research. However, according to the documents and studies we've reviewed, some Canadian companies could invest more broadly in innovation.

Eric Lefebvre: Can you tell me the first two or three criteria you consider when making investments?

Michel Leduc: Yes, absolutely.

[*English*]

It's a bit like baking something. You need ingredients, and in some things, you need all of the ingredients. If you're making bread and you miss one core ingredient, it will fail. Either it will not rise or it will miss an important part of the flavour. We see five ingredients that are core, and all of them have to exist: a predictable, rules-based policy environment; bankable projects and a bankable pipeline at scale; attractive, risk-adjusted returns; efficient execution with low friction; and openness to foreign capital that we can partner with on big projects.

I have a lot of detail on each one of those five, but I'll keep it at the headlines to respect the time we have.

[*Translation*]

The Chair: You have five seconds left.

Eric Lefebvre: Thank you very much for your clear answers, Mr. Leduc.

The Chair: Thank you, Mr. Lefebvre.

We now go to Mr. Leitão for five minutes.

Carlos Leitão: Thank you very much, Madam Chair.

Good morning, Mr. Leduc. Thank you for being here.

We can continue the conversation you had with my colleague Mr. MacDonald, to give the public more information about what you are already doing in Canada. I'm talking about the $117 billion in the Canadian portfolio. Could you tell us how that portfolio is currently allocated?

Michel Leduc: Are you talking about the allocation in Canada specifically or the global allocation?

Carlos Leitão: I'm talking about the Canadian portfolio.

Michel Leduc: We could write a letter identifying all the sectors, but the portfolio certainly includes the big financial companies. For example, last month, we made a fairly significant investment in Wealthsimple. I also mentioned the energy sector. We're also actively looking at opportunities to invest more in data centres. We've invested in data centres, but we want to invest much more in that specific sector.

In general, if we look at the performance of Canada's various sectors, we see that our Canadian portfolio probably mirrors those top economic sectors in Canada.

Carlos Leitão: Thank you very much.

I also assume that the $117 billion includes provincial bonds, meaning that it's part of the total.

● (0905)

Michel Leduc: Yes, exactly.

Carlos Leitão: Now I'd like to talk about another subject. You might think it's a bit simplistic, but I believe it's important to be clear, not necessarily for you, me or my colleagues here, but for the members of the public who are watching us.

You have spoken several times about the participating provinces. Can you explain a bit about what the provinces have to do with this?

Michel Leduc: Certainly.

The Canadian Constitution really gives the provinces power when it comes to pensions, with the exception of sectors that fall under federal jurisdiction, such as banks and airports.

When it comes to our business, the provinces and the federal government are equal partners. There are 10 finance ministers. I know you were Quebec's minister of finance at the time the plan was expanded, and I believe it was you who signed the agreement, so thank you for that.

The provinces are absolutely important when it comes to our public accountability.

Carlos Leitão: Thank you. Yes, it's important to point that out to everyone.

Since you spoke about that meeting a few years ago, when the CPP2, or the second additional CPP contribution was created, could you quickly explain to those following these proceedings why the federal and provincial governments and your organization decided it was a good idea to create another plan?

[*English*]

Michel Leduc: If you look at the average benefits for someone who retires at age 65 and has contributed their entire life, before the recent reforms, they would have received the equivalent of 25% of their pre-retirement income. With a lot of study, including after the global financial crisis, it became clear that Canadians were not necessarily investing sufficiently in their RRSPs, because they're living longer lives, or that they did not have access to a workplace pension, so the reforms marginally increased the contribution rate. However, when they retire now, the replacement is not 25% but 33%.

It's elegant, because if you save at home, you save at work and you save through the CPP, with the three pillars equal at 33%, you retire with almost 100% of your pre-retirement income—again, on average.

Carlos Leitão: I think that's a very good way to make sure that younger folks—much younger than me—when they retire, can have access to a decent....

By the way—

The Chair: I'm sorry, Mr. Leitão. That's your time.

Carlos Leitão: Okay. I'll come back to that.

The Chair: Thank you, Mr. Leitão.

We'll continue now with Mr. Hallan for five minutes.

Jasraj Hallan (Calgary East, CPC): Thank you, Chair.

Mr. Leduc, thank you for being here.

You mentioned earlier favourable market conditions. You said something along the lines of the credibility of the approval process playing a factor in them and that predictability plays a factor in where you guys are investing. Can you tell us a bit more about that credibility of the approval process? What is it about Canada, specifically, that made you say the credibility of approval process and the predictability...?

Michel Leduc: As a global investor and in my role specifically in engaging with governments, whether it's in the U.K., India or the U.S.—all of our core markets—the sorts of assets that we want access to, where there are few bidders because it's just too complex.... Complexity is actually an advantage that we have. We see the same thing. It's the same pattern, so we've been engaging with governments to develop a clear framework that makes our money more accessible to them.

Governments around the world are falling over themselves to attract patient, productive, constructive.... What we see in Canada is comparable to what we see around the world. The credibility that I mention is an outcome of a good, transparent, predictable framework. Credibility is a brand attribute. If you're thinking about Canada Inc. and you want these attributes and these features for global investors to want to come here, one of the attributes should be credibility. If I'm going to come in here and spend a lot of time acquiring things, you want to have this attribute of being predictable, of having scalable projects—

● (0910)

Jasraj Hallan: That's right.

In Canada, let's take a project like.... The most recent one I can think of is Teck's Frontier mine project here. Goalposts were moved. They stopped the project and got up and left. In my mind, the government itself was a big part in not letting that project go through.

Are these some of the things that you are looking at in why there aren't more investments here in Canada?

Michel Leduc: What I'll say is that, as an institution, we have the benefit of hard battles. We've experienced some, and that's the nature of taking on risk. We've experienced some pretty difficult things in places like New Zealand and Norway, and I mentioned other places. We've learned from that, and we're trying to bring those learnings to Canada.

Jasraj Hallan: I guess what I'm trying to understand is this: We have abundant resources here. They're not being developed. There are obviously projects like energy east and like Teck's Frontier project that did not go through under this government. In fact, RBC's report said there's $10 trillion of U.S. capital available in Canada between pension funds and asset managers, but it's not going anywhere right now because there are three areas where the government needs to remove barriers.

I just want to know if you agree with this or not. The report says to raise risk tolerance and remove burdensome regulations and red tape, which includes permitting—like you talked about. It says to ensure process certainty with regard to shifting rules and vague government priorities, and to reward risk-taking and entrepreneurship.

Would you agree that these barriers need to be removed?

Michel Leduc: I'd say that there's room for improvement, and we absolutely see also, on the other side of the coin, that there's momentum. There's clear.... We're seeing expression of interest and a level of enthusiasm to attract our capital in ways that we haven't seen in quite some time.

Are there areas that need to be made more clear? There are, for sure.

Jasraj Hallan: Would permitting be one of those here in Canada?

Michel Leduc: Permitting would be one of them.

Jasraj Hallan: What is the problem with permitting here?

Michel Leduc: Typically, it's the uncertainty and the time.

Jasraj Hallan: Do bills like Bill C-69 play a part in that? Do anti-development laws play a part?

Michel Leduc: I would have to be more familiar with that particular piece of legislation.

Jasraj Hallan: Okay.

With regard to permitting itself, do you have more specifics on that? There is a report that says that Canada is second-last in the OECD.

The Chair: You will have to answer that in another round because that is your time.

We are going to continue now with Mr. Turnbull for five minutes.

Ryan Turnbull: Wonderful.

I'm going to pick up on some of these themes anyway, so maybe we'll get a chance to answer some of your other questions.

I know that there are things governments can do when it comes to helping manage climate risk and perhaps deploy capital. I know that OSFI put out their B-15 guideline for federally regulated financial institutions. That sort of mandated across our financial institutions a level of having to manage climate risk.

You mentioned climate change as the single biggest risk for long-term investment—I think that's a direct quote—and I was glad to hear you say that. We've done such things as clean economy investment tax credits, the Canada Infrastructure Bank, the strategic innovation fund and the Canada Growth Fund. The government is doing a lot in terms of hopefully increasing the risk-return profile, perhaps, by de-risking some of those investments.

We also have had green bonds, which I'm sure you've participated in. We've also committed to $10 billion per year of green and transition bonds in 2027 and beyond. Can you speak to CPPIB's interest in the Canada green bond and transition bonds program?

● (0915)

Michel Leduc: We're actually an issuer of green bonds. Canadians may not be familiar with the fact that we issue more than $100 billion in CPPIB capital bonds around the world. Our green bonds then allow us to fund our green investments. The wide range of the tool kit, say, and some of the things you've described are critically important. Obviously, it's a global phenomenon to help investors navigate through climate change risk.

If I may, to discuss a little bit our approach around what I indicated, we see the path to a low-carbon world to be a whole economy transition, but when we look at high-emitting sectors, including conventional energy, faced against growing demand for energy from all over the world, the world will not get to a low-carbon world without the patient capital that is necessary to transition. When we're faced with calls for divestment, the world can't get there without the type of capital we bring—the constructive, productive, patient capital. It just won't happen. Those companies will not be able to go from grey to green.

That is how we see managing the risk.

Ryan Turnbull: I agree completely, although I will say that I think there are things the Government of Canada can do to help with the transition. I think our planning to pilot the first transition bonds, for example, might perhaps be one of the things.

The other thing I'm particularly passionate about is the two pieces of financial infrastructure that have been missing—that is, to have a green and transition taxonomy for Canada and to have climate-related financial disclosures. I'm wondering if you could speak to how those create more transparency in the market, allowing you better and more useful information for investment decisions and allowing you to manage climate risk more effectively, etc.

Would you speak to whether CPPIB is supportive of those two initiatives that the federal government has recommitted to and is moving forward on?

Michel Leduc: Mr. Turnbull, you've hit a very important point, which is the level of uncertainty around measurement for global investors. There's an expectation, a genuine and legitimate one, from the public and from our shareholders, the contributors and beneficiaries, to better understand how we're managing risk around climate change. We want to be as transparent as we possibly can. In terms of the taxonomy, having a standard that is broadly available is fundamentally critical for us to be able to demonstrate, from year to year to year, the progress we are making and also, very importantly, the progress of the portfolio companies, and the assets we're investing in, to be able to give us transparency.

Our portfolio is made up of assets. The carbon exposure we have is determined by having a clear line of sight into that data. The taxonomy is so critical to that.

The Chair: Thank you, Mr. Leduc.

Thank you, Mr. Turnbull.

[*Translation*]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Mr. Leduc, I would just like to clarify a few things. You are told that 60% of your investments are in the United States, for example, and you are criticized for that. In my mind, I always had the sense that the U.S.'s share of global market capitalization was larger than its economy. The reason is that many companies listed on the exchange in the United States do business all over the world, including Canada, while companies listed on the exchange in Canada tend to operate mostly in Canada.

When you speak about the percentage invested in the U.S., is that percentage based on the market capitalization you have, or is it a measure of the business operations that take place in the U.S.? How is that calculated? Do those companies do business in Canada?

● (0920)

Michel Leduc: That is a very good question and a good observation.

For us, it is the value of the investments. I will use a simple example. I mentioned that we are investing in ports in the United States. Let's say that the value of those investments is $10 billion. We also have investments in the five big tech companies, including Google or Alphabet, which are actually the same company. Let's say that those investments total $15 billion. To obtain the value of all our investments in the U.S., we add all of that up. The percentage is the value of our investments in the U.S. out of $800 billion.

Jean-Denis Garon: That means Canadian business operations represented on the U.S. stock market are counted as an American investment.

When a company is listed on both the Toronto Stock Exchange and the NASDAQ, for example, how is that calculated in your portfolio in terms of geographic allocation?

Michel Leduc: If the companies are headquartered in the U.S. and listed on the NASDAQ, for example—I believe they are only American companies, but I am not certain—that would be included in the percentage of our U.S. investments.

Jean-Denis Garon: Thank you very much.

The Chair: Thank you, Mr. Garon.

Thank you, Mr. Leduc.

[*English*]

We'll continue now with Mr. Kelly for five minutes.

Pat Kelly: Thank you.

Earlier, you spoke of the diversity of your investments spread out across 154 countries. I think you said that.

Michel Leduc: It's 55.

Pat Kelly: I'm sorry. It's 55 countries. Okay. The United States is at 47%. Canada is at 12%.

What's China at, right now?

Michel Leduc: It's at about 5%.

Pat Kelly: How does that compare over the last five years?

Michel Leduc: It's been reduced, I think, from just under 12% to just over 5%.

Pat Kelly: Wow. That's a significant divestment from China over this time period.

Michel Leduc: We haven't significantly divested. We allowed the fund to grow around.

Pat Kelly: That's a distinction without a difference.

You've gone from 12% to 5%. Why?

Michel Leduc: Largely, it's about some of the broader geopolitical concerns. When you have the two largest economies in the world in what is essentially an economic trade war, it adds a level of uncertainty and investment concern. We've paused making a lot of more significant investments in China.

As the fund continued to grow by, say, $150 billion over the last two or three years, you would have seen that percentage lower.

Pat Kelly: Whether the allocation is done by selling in one place and buying in another, or simply by not buying somewhere—call it attrition or however you want to put it—it's still a conscious decision in the risk assessment of your global portfolio.

Michel Leduc: That's correct.

Pat Kelly: It is the assessment of Canada's pension investment board to de-risk by way of....

Michel Leduc: I would say it's maintaining our optionality.

I will make a distinction. A number of other institution investors made a point to say they were stopping investments in China or they were divesting. We've never done that. We've continued to invest in China, in terms of maintaining.... There's buy, hold and sell. We bought and we held.

One way or the other, we have a strong investment sentiment that China will emerge as the largest economy. If we think of the best interests of contributors and beneficiaries.... Let's say I'm here—hopefully I'm not—testifying 15 years from now. If your successors were here and we had not maintained an optionality, and China became the largest economy in the world and we had held back, then they would say, “Shame on you.”

● (0925)

Pat Kelly: I don't think any of us, certainly not on this side, have questioned the wisdom of the investment decisions you're making. It's curious, given the signals from the government on a strategic partnership with China, that Canada's investment board has perceived investment risk at the same time.

Michel Leduc: We've maintained our optionality. It's very important.

Pat Kelly: In response to some earlier questions, you talked about risk associated with high-emitting industries. I think you were asked about how you measure these kinds of risks. In fact, you have your own note on ESG policy. It's been noted, though, that rating these kinds of measurements is a very scattered thing, in that an ESG rating usually has less than a 50% correlation between rating agencies, whereas credit-rating agencies usually correlate at virtually 100%.

How does an investor know what they're doing if they can't even quantify these risks that they say are of concern to them?

The Chair: Give a very brief response, please.

Michel Leduc: It's fortunate that we're a direct investor and have sophisticated teams. When we make a specific large investment in an energy company, we engage with the board and the management team to understand the risks more directly. We're waiting for broader standards, but in the meantime, we have our own approach.

The Chair: Thank you, Mr. Kelly.

Thank you, Mr. Leduc.

My Liberal colleagues have been kind enough to give me a round, so I'm going to ask some questions.

Mr. Leduc, thank you so much for being here.

I want to give you the chance to expand on the uncertainty we're seeing in the global market and how the CPPIB is responding to that. Perhaps you could also talk about what is making Canada attractive at this moment.

Michel Leduc: Yesterday was a personal milestone for me. It was 35 years ago that I started working consistently in the intersection of public policy and global finance, so I hesitate to say that we've never seen it as bad as it's been. I've lived through the global financial crisis and a number of things. I will say, though, I've never seen it as bad as it is in terms of the global turmoil and the uncertainty.

I said in my opening remarks that we need to invest globally not only for managing the downside risk, for the resilience of the portfolio, but also for seeking the full universe for higher returns. Therefore, diversification is not an option for us.

The other side of it is that there's no place to hide. If we have to be globally diversified, with what is going on in the world today, there is no safe harbour. Everything is relative. All this to say that if you look at the different safe harbours, Canada is increasingly looking like one of those places that, although it's not free of risk, I would say, on a relative basis, it might be a friendlier place for global investors to invest.

The Chair: That's great. Thank you.

I was in Washington earlier this week at the World Bank spring meetings. A comment that came out during those conversations was about how emerging markets are trying to attract Canadian pension plans to invest, because they have so much confidence in them. They kind of know that when a Canadian pension plan is investing, it's because it's a safe investment.

On that, my colleague was asking you a bit about transparency for Canadians. You didn't have a full chance to answer that. I think it's really important for Canadians, particularly in this moment of global uncertainty and worrisome outlooks, to hear about how CPPIB is managing its money and how they can have confidence in those investments. Can you talk a little more about the work you're doing in that regard?

● (0930)

Michel Leduc: Sure. Like every other commercial enterprise, we're trying to leverage social media to reach people where they're at. I mentioned that we have to hold public meetings. We're working harder to attract the highest levels of participation.

Recently, we had two sessions in Alberta. Combined, between the two meetings, we had over 500 people. That does not seem like a lot, but when I started doing them, sometimes someone literally would walk in, grab a donut and leave. Now the interest is much higher.

We're working hard through retirement groups and unions for them to hear the story, ask us questions and hold our feet to the fire. We're very judiciously using public service announcements to try to deal with some of the myths. We try to do more activities in November, because that's financial literacy month.

We're looking at greater opportunities to reach Canadians where they're at.

The Chair: That's great.

The CPP is so important for Canadians' retirement security. One of the things the Liberal government did, going back to the 2015-19 period, was, as Mr. Leitão mentioned, to create CPP2. As someone who was formerly young, I was very excited about that, because it meant greater retirement security for young Canadians moving forward. I'm wondering, recognizing that Quebec is outside of this, if you can comment on the importance of having the rest of the provinces stay within the CPP and how important that is for the retirement security of all Canadians.

Michel Leduc: If I could use the current debate in Alberta as an example, that was a moment of truth for CPP Investments. One of our strengths and one of our inherent advantages is certainty of assets, because it's a compulsory plan. If you work in Canada in a participating province, you have to join it. Also, there are no redemptions. That means we can take on illiquidity risk, as one example.

When Alberta started this debate around maybe leaving the CPP and creating their own plan, it was a bit of a wake-up call. A province can leave and take with it millions of contributors and beneficiaries. The provinces are so critical to staying engaged and to feel part ownership, if I can use that word, in the Canada pension plan.

The Chair: Thank you, Mr. Leduc. I appreciate that.

We're going to continue with Ms. Cobena.

Mr. Hallan, are you taking her place? Please continue.

Jasraj Hallan: Chair, I'd like to take this time to move a motion that I had tabled before. I move:

> That, given that Canadians are facing rising fuel costs that are increasing the cost of living for families and the cost of doing business across the country;
>
> That higher global oil prices have resulted in significant additional revenues to the federal government, including increased income tax revenues from the oil and gas sector;
>
> That every $10 increase in the price of a barrel of oil is estimated to generate approximately $2 billion in additional federal revenue;
>
> That current oil prices remain substantially above pre-war levels, resulting in billions of dollars in additional annual federal revenues;
>
> That the federal government is therefore collecting more in additional revenue from higher oil prices than it would cost to provide relief to Canadians by suspending federal fuel taxes;
>
> The committee recommend that the government immediately suspend all federal taxes on gasoline and diesel, including the federal fuel excise tax and the goods and services tax, for the remainder of 2026;
>
> The committee further recommend that the government eliminate the clean fuel standard charge and industrial carbon pricing as they apply to fuel costs;
>
> And that the chair report this to the House at the earliest opportunity.

We've seen, after 10 years of this government, that Canadians now are in a very tough spot. In fact, Canada has the highest food inflation in the entire G7. A study that we're currently doing in this committee shows that Canadians also have the highest household debt in the entire G7. We have a shrinking economy. We see this reflected in the amount of food bank usage. Food bank usage has doubled under this government. In fact, 2.2 million Canadians are going to a food bank every single month. If I talk about my riding alone, our Salvation Army's food security program usage has gone up 500% because of the cost of food. Of course, we're seeing increasing gas prices.

We announced that we would like to see all federal fuel taxes eliminated for 2026. Those three taxes include the excise tax, the GST and, of course, the Liberal fuel standard. All in all, this would be a savings of 25¢ per litre for Canadians, which roughly works out to about $1,200 in savings for a family.

Compared to the Americans, we pay about 20¢ more per litre than the Americans do, and a big part of that has to do with federal fuel taxes. Yesterday we tried to pass a motion in the House of Commons. Of course, the Liberals voted that down. This is just another chance for Canadians to get relief at the pumps, which is the ultimate goal of what we're trying to do. The Prime Minister stole our idea, of course, but as typical Liberals, they only implemented one-third of the entire ask of the Conservatives.

Only the excise tax was removed. We're asking for the GST as well as the Liberal clean fuel standard to be removed as well. Comparatively, where the Liberals are saving Canadians only 10¢ per litre, our plan would save Canadians 25¢ per litre. This should be a very straightforward, common-sense thing to do for Canadians who are struggling with the cost of living under this government, a cost of living crisis, after the last 10 years, that we haven't seen before in this country. The numbers show that Canadians are not doing well right now. This is one more chance we're giving to the Liberals, one more chance that we can show some relief to Canadians at the pumps so they can save 25¢ per litre. I hope we can get to a vote quickly. Let's get this done for Canadians.

Thank you.

● (0935)

The Chair: Seeing as there is no one who is looking to intervene, we'll move to a vote on this motion.

(Motion negatived: nays 5; yeas 4)

The Chair: We will continue with the meeting.

Mr. Hallan, you still have the floor. You'll pass it to Mr. Kelly.

Please go ahead.

Pat Kelly: It's Ms. Cobena.

The Chair: We're just going down the line.

Ms. Cobena, please go for it. You have five minutes.

Sandra Cobena: Mr. Leduc, I'd love to get some specific recommendations from you as to what specific federal policies are currently discouraging domestic investment. I ask this in the context of our needing legislation and wanting to put in effective legislation to encourage domestic investment.

I'd love to hear your thoughts on that.

Michel Leduc: If I had to pick one single thing that would enable greater deployment of global capital, it's bankable, at-scale projects.

I don't know if I'll get into trouble for saying this, but we might be an enthusiastic acquirer of a large airport in Canada. We look at the opportunities we've seen around the world and ask, "Why airports?" They're like big shopping malls. People have a lot of disposable income. They will park there. They will spend their money there. All of the global airlines pay fees to land there. They're long term. They're like a high-paying bond.

● (0940)

Sandra Cobena: I used to work at an airport. I agree with the longevity of it, but if I could follow up—

Michel Leduc: I would say, make these projects available. That would be the single biggest thing.

Sandra Cobena: Be as concrete as possible because, as you can see, we have only minutes.

What would be the top three changes that the government could implement to unlock that capital to come back into Canada?

Michel Leduc: It would be to bring a greater level of efficiency in terms of approvals. I'll say bankable projects again.

It would also be to have efficient regulation. That means, if there are multiple regulators, there could be an overarching clearing house that would work to coordinate all of the different regulatory milestones.

Sandra Cobena: All of us—every Canadian—are eager to see our country grow and see that wealth and job creation here.

If those changes were made tomorrow—hypothetically—how quickly could you redeploy capital here in Canada?

Michel Leduc: We're already in the system. We're looking at several opportunities today. It would be a continuation of what we're trying to do.

Sandra Cobena: In that train of thought, what is the realistic or short-term ceiling for Canadian allocation, given the current market conditions?

Michel Leduc: We don't put specific targets around countries. We don't have a specific target for the U.S. We don't have a specific target for the United Kingdom, Germany or France. We need to leave a certain level of flexibility. We have a number of investments in Australia, and we feel that we're comfortable with that exposure today. It doesn't mean that if a great opportunity came along we wouldn't look at it.

We don't have specific targets, but from a portfolio construction perspective, there would be a ceiling at some point—not an arbitrary one—where we would feel we'd be too concentrated in Canada. Because of what I've said about the other factors that affect the CPP, we would have to prudently ensure that we are always dealing with that concentration risk.

Sandra Cobena: I suppose there's a trade-off between the greatest rate of return and diversification. It's which of the two is trump, at that point.

If all of us here could focus on one change, what would be the one change you would like to see to make Canada more investable?

Michel Leduc: I will reiterate what I've said. Make these at-scale investments available to us.

Sandra Cobena: You mean, in the short term.

Michel Leduc: Yes.

Sandra Cobena: I have 30 seconds.

We heard recently from the Enbridge CEO. You may have heard his comments around how market conditions do not exist. In fact, he briefly talked about how they had invested funds—I think it was $600 million—and then felt like the rug was pulled out from under their feet. Obviously, they are scarred and other investors are scarred from that condition.

As an independent investment fund, do you find, through your own discussions with project developers, that federal permitting remains a persistent obstacle in preventing projects from becoming investment-ready?

The Chair: Give a very brief response, please.

Michel Leduc: It's a global phenomenon. It's not particular to Canada.

Sandra Cobena: No, here in Canada—

The Chair: Thank you. That concludes the time for this round.

We'll continue now with Mr. Leitão for five minutes.

[*Translation*]

Carlos Leitão: Thank you very much, Madam Chair.

[*English*]

Let's continue where we left off.

This is not so much a question for you as it is a comment in the context of the question the chair raised about the importance of the CPP staying a united entity.

Quebec has its own separate system. It's totally harmonized with the CPP in order for pension benefits to be portable. Quebeckers can retire elsewhere in Canada and get their pension payments. Canadians can retire in Quebec and get their pension payments. That principle is absolutely necessary and will be maintained. That's what was done with CPP2. This puts pressure on the premiums Quebeckers pay to ensure that they have the same benefits, given the lack of economies of scale. Then there is pressure on the premium. That's a hugely important issue. The CPPIB does a good job of maintaining premiums so they can be as affordable as they can be.

You mentioned earlier that one of the things the CPPIB does is the Northleaf investment fund, but you didn't have time to expand on that. Could you elaborate a bit on that?

● (0945)

Michel Leduc: I mentioned, as well, that one of the challenges we have is around scale. Some of the opportunities in Canada are related to venture funds—smaller technology-related funds. In trying to manage our costs, we don't have teams large enough to go and spend enough time to conduct due diligence across hundreds of technology clusters—to do that efficiently.

What we can do is partner. We do this around the world, frankly. In the Canadian venture capital space, we work closely with Northleaf. We've partnered with them so far. We did a recent enhancement in terms of allocated capital going to them. It's roughly around $3 billion. Their team and expertise can efficiently work in that space. It's been very successful. We hope this partnership will continue to grow. It gives us the opportunity to efficiently access that Canadian innovation space as well.

Carlos Leitão: At some point, it might even justify an increase in contributions, but I'm not telling you to do that. I'm just saying that it might happen. It would be fine if it does indeed happen.

Something you also mentioned that I find interesting—perhaps it's not fully understood, or people haven't paid attention to it—is your issuing of green bonds. With that, you fund green investment.

Michel Leduc: Yes, that's correct.

Carlos Leitão: Could you expand a bit on that?

Michel Leduc: We issue a broad range of bonds, but the green bond is one segment of our larger...and that is to fund our ability to achieve the level of risk we've set for the fund and to do so prudently.

We could certainly provide the clerk with more specificity on the current value and issuance, on the cadence of when we made those investments over the last five years and on the investments we made using those bonds. We issued, in our annual report, some specificity, but we could give you a one-pager that describes this in a very coherent way. We'll do that.

Carlos Leitão: Yes, I would really appreciate it if that could be made available to us. Thank you very much.

Somewhat related to this is the fact that, in the context of big projects the CPPIB could fully participate in like Canadian utilities.... I can talk about Hydro-Québec because I know it well, but BC Hydro and OPG also have their long-term investment plans. Hydro-Québec, for example, is going to invest massively to expand capacity in the coming 10 to 20 years.

The Chair: My apologies, Mr. Leitão, that concludes your time. We might need more of a follow-up conversation.

[*Translation*]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I won't pursue my colleague Mr. Leitão's question, but I will still stay within the same line of questions.

Mr. Leduc, you talked about airports. At one time, it struck me that the Caisse de dépôt et placement du Québec was part owner of Heathrow Airport, whereas at Aéroports de Montréal, for example, it's a non-profit business model. There's a kind of long-term lease in place, and every time we want to build a station or a transportation corridor, it's the taxpayer who has to pay, to the tune of billions of dollars.

When our own pension funds want to look for infrastructure investments, which have proven to be very good investments, they are forced to go all over the world. Those who ultimately pay are both the pensioners, in a way; you, since you have investments here and it makes your job more complex; and the taxpayers. Ultimately, it's far from certain that the service provided by the airport is as good as it should be. On top of that, it affects the customers.

How is it that this kind of model is still in place at Aéroports de Montréal, for example, which is missing out on large investments? How do you explain that?

● (0950)

Michel Leduc: I believe these decisions are made by the decision-makers. That's why—

Jean-Denis Garon: Why do they make these decisions? Why not change the model? Have you pursued that at all? We need investments.

Michel Leduc: I have not spoken with Aéroports de Montréal specifically, but we've certainly had discussions about the possibility of investing in Canadian airports.

Jean-Denis Garon: What was the answer?

Michel Leduc: We were told that they would look into it.

Jean-Denis Garon: You are used to speaking with politicians. When they tell you that they're going to look into something and issue a report, generally, what does that mean?

Michel Leduc: It means exactly that: They will continue to look into the situation.

Jean-Denis Garon: Ha, ha! Exactly.

I'm going to ask you one last question quickly. Your returns are often compared with your benchmarks. What is your benchmark? Is there a good benchmark for your returns?

Michel Leduc: Yes, absolutely. All of that is detailed in our annual report. It's a bit complicated, but basically, we want to make sure that our strategies are compared to something that is investable. Since we have more than a dozen investment strategies, it's important that they can be directly compared with a specific benchmark.

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Leduc and Mr. Garon.

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

Eric Lefebvre: Thank you, Madam Chair.

Mr. Leduc, I want to say that I really appreciate the discussions we've had with you this morning, as well as your openness.

When my colleague Mr. Leitão was minister of finance, I was a member of the National Assembly and my party's critic for forests and mines. You raised several points that catch my attention. You spoke about efficiency in obtaining approvals. One of the current issues is precisely the time it takes to obtain approvals. I heard about that when I met with people on mining investments.

You spoke about efficient regulation. That's music to my ears. Once, I visited a mine and the people there told me how they had to provide so many files and documents they had to use a wooden pallet to hold them all. I figured they were using a metaphor to illustrate to me how much paperwork was involved. They said that it wasn't a metaphor; they really had sent a pallet full of documents. To be much more efficient, the regulations need to be simplified. I think that's one of the key points.

You also spoke about a one-stop shop. I think that is important, too. We are talking about regulation. Currently, there is an environmental study being done by Quebec and another one by the federal government. Why do the same study twice? We could be more efficient. What you said is very worthwhile.

Now, I want to talk to you about an article in this morning's La Presse about a lithium mine in Shaakichiuwaanaan, in northern Quebec. The project involves critical minerals and batteries. It represents a significant energy transition and a $3-billion investment. Apparently, the proponent is currently seeking capital for the project.

Earlier, you said that the size of your portfolio gives you access to investments that few can access. Is this the kind of project that would be of interest to you?

Michel Leduc: Probably, although I can't say for sure.

● (0955)

Eric Lefebvre: I understand.

Michel Leduc: Critical minerals is an area we have started looking at a bit more recently.

Eric Lefebvre: Timing is everything. I saw the article this morning, and here you are before the committee. I hope you'll at least have the chance to take a look at it. I think it's something that could be very worthwhile.

I would like to give you the two minutes I have left to give us any other important information you would like to provide this morning, if there are any issues that have not been raised, on either side.

Michel Leduc: I just want to reiterate that there are difficulties given the global context and that the time is right for Canada to take advantage of this unique situation, not only concerning the Canada pension plan, but also for global funds, which are becoming increasingly interested in Canada. If I say Canada Inc., what are the unique aspects that will attract investors and make them want to work with us? They are partners that we have all over the world. We compete against them, but they're also partners, and they're becoming increasingly interested in Canada. That's an advantage we need to use.

Eric Lefebvre: Again, I like the message you're getting across to us this morning. We haven't talked about it, but we're having tariff issues with the United States. When these types of problems exist, we need to work with our other partners around the world to seize worthwhile and significant opportunities for our country's development.

I'll close by thanking you again, Mr. Leduc, for this morning's good discussions.

Michel Leduc: Thank you.

The Chair: Thank you, Mr. Lefebvre. You were brief, so that gives us a bit more time.

Mr. Turnbull, you have the floor.

[*English*]

Ryan Turnbull: Thanks. It's great to pick up on this.

I have a few leftover bits and pieces of questions that I want to ask you, but I'd like to start by asking you about venture capital investments.

I know our federal government has numerous co-investment programs and initiatives, and one that I'm particularly fond of is the venture capital catalyst initiative, but there's also a national housing co-investment fund and some other co-investment programs, like the global innovation clusters, etc.

Can you speak specifically to VCCI and how those programs help with venture capital investments?

Michel Leduc: My colleague here is more of an expert in that area. We were having a discussion yesterday, and he reminded me that it is an area we're very interested in. We've participated in it, and we are looking at how we can continue to expand our approach. It's a great platform for us to access that space, which would not otherwise be available to us because of the scale challenge.

Ryan Turnbull: Does it help aggregate?

Michel Leduc: It does. It's a good program.

Ryan Turnbull: That's great to hear.

I wanted to go back to a question that Mr. Kelly posed to you about ESG and the correlation challenges there, which I think are well known globally.

That's exactly why groups like the international sustainability standards board, which is a branch of the International Financial Reporting Standards Foundation, is doing such great work to create a global standard for sustainability reporting, including climate disclosures. We've seen from the latest data that over 60% of the world's GDP is already aligned with ISSB standards. We also see that the latest data shows that 93% of Canada's non-U.S. trade partners, which we're deepening trade ties with, are already aligned with ISSB standards.

Getting back to my previous line of questioning about taxonomy and disclosure, I see disclosure as essential for market transparency. We've seen reports recently that say that if we want to give access to lower-cost capital, markets restructure themselves whenever there's better transparency, more data and standardized data consistently available.

Would you agree that ISSB standards and climate disclosures are going to be helpful in ensuring that there's enough reward for those performers out there?

Michel Leduc: We're a little bit concerned around false perfection in trying to achieve the best possible standard in understanding the difficulties in multilateralism in these bodies and trying to arrive at.... What we would say is that hopefully it's as competent as possible, but having any global standard is better than not having any.

It's critical for global investors, because we don't have control over, for example, carbon intensity. It resides in thousands of different companies. Our ability to measure the risks that we hold in the portfolio requires good measurement and consistent measurement, so that we can be transparent with our stakeholders year after year.

● (1000)

Ryan Turnbull: Fair enough. What we've heard from asset managers.... Many of the big banks are also asset managers. They have whole divisions. They've said that a lot of the data is not currently available and they have to supplement that with estimates. It's not actually verifiable data; it's estimates.

To my mind, if we have climate disclosures and sustainability disclosures eventually, there's going to be a lot more verifiable data that's accurate that you can then use to weight your portfolios, manage climate risk, etc. I assume that's only going to improve your governance in terms of making investment decisions—would it not?

Michel Leduc: That's absolutely correct. It would also manage risk in a way that is much more precise. As the global transition continues at its pace, we're able to have a better line of sight as to how we measure up against that pace.

Consumers and corporations making different decisions, how technology is having an impact and global regulatory changes—those are the forces that are going to move the planet to low-carbon situations.

Ryan Turnbull: Thank you.

The Chair: Colleagues, we have time for one more round.

We have Mr. Kelly.

Pat Kelly: Thanks.

Earlier you spoke of the five must-have criteria to make something investable by the CPPIB. You said that the first one was predictability. I took that to mean, when we were talking about project investment approval, predictability of the rules or the governance structures into which you would be proposing investment.

Over the last 10 years, we have seen exactly zero pipeline proposals in Canada, despite overwhelming global demand for Canadian energy. We hear repeatedly that it is the uncertainty and the unpredictability of the regulatory environment in Canada that is the chief barrier to companies like Enbridge or like TransCanada, as it was formerly known, to actually invest and be prepared to put money at risk to build in Canada.

We're in a productivity crisis. We're two years into the deputy governor of the Bank of Canada's break-glass emergency speech. What can you say about the necessary policy conditions and government actions that need to be taken to actually have a predictable system to make the Canadian economy investable for large projects?

Michel Leduc: Maybe I could provide more specificity around that category, which is the first one I mentioned, to be a little bit more concrete in terms of what that looks like.

The regulations are very clear, but they're also applied consistently—that would be one of the first elements out of that category. Another is that there is a very low risk of abrupt policy changes. We've seen that around the world. We buy something, we have a base case, we've calculated what the rate of return will be over a 10-year period, and then there's a change and the entire base case flies out the window.

There are independent regulators. If you have clear regulations and they're applied and administered by a regulator, and they're subjected to a level of political interference, you can't really count on the clarity if they are applied differently.

The fourth one is respect for contracts and property rights. The risk of appropriation can be high. If you've negotiated a contract with a third party, it should be respected—or a contract with the government, for example, if it's the client.

Those are the things we look for.

● (1005)

Pat Kelly: That's great. You listed several really concrete reasons why specific projects were abandoned over the last 10 years.

The solution the government has offered, through legislation that passed with Conservative support, to allow the government to suspend its own laws to approve projects doesn't really speak to stability or predictability. It is, specifically, political interference. It gives the minister the power to make a political decision favouring one project over another.

Would it not be a better approach to actually repeal the laws that have been cited as barriers to investment, rather than to simply give the minister the power to selectively apply the law?

Michel Leduc: I'm not close enough to that situation to give an opinion on taking one policy direction or the other. However, I think some of my comments on what would be the ideal scenario are pretty concrete and specific enough.

For us, it's the policy implementation. You could create a policy framework that, on the face of it, looks wonderful—it makes a lot of sense and has a lot of integrity—but it ultimately comes down to the real world and how it's executed. It's a bit like a commercial entity, like CPP Investments. Strategy is important, but it all comes down to execution in a consistent way to achieve the goals you have set out to achieve.

The Chair: Thank you, Mr. Leduc.

Thank you, Mr. Kelly.

Go ahead, Monsieur Leitão.

[*Translation*]

Carlos Leitão: Thank you, Madam Chair. I will be sharing my speaking time with my colleague.

Since this is our last turn, I'll be quick.

[*English*]

I would like to continue with what we were saying before about provincial utilities. The provinces have massive investments planned over the next 10 years or so to expand capacity. Again, we know about Quebec, but the others have plans too.

The CPPIB would consider participating in that, but I think it's mostly through debt, so buying bonds from Hydro-Québec and things like that.

Michel Leduc: Speaking to climate change and the whole-of-economy transition, electrification is obviously critical to that transition. We are very interested in regulated utilities, and we would not rule out equity positions. We would not rule out being an active owner in that space.

Carlos Leitão: That's interesting. The CPPIB would look favourably upon being an equity participant in Canadian public utilities because, I would assume, among other things, when you talk to your counterparts elsewhere, they're also interested in doing that.

Michel Leduc: Yes.

Carlos Leitão: Okay. That's where I wanted to go.

I think my colleague also has questions.

Thank you very much for your participation.

Ryan Turnbull: I was going to ask, Mr. Leduc, before our time runs out here, about renewables. You mentioned conventional energy and renewable energy. I'm seeing opportunities for a transition investment as well, but we covered that a bit.

The economics of renewables globally have really shifted with the cost per kilowatt hour having come down quite considerably for renewables. We see the uptake in many countries around the world, such as Spain, China and India. Pretty much everybody is deploying renewables at scale.

Does the CPPIB see itself as participating in that side of the transition? Can you speak to any opportunities that you see?

● (1010)

Michel Leduc: For sure. Over the last five years, we've made some very major investments in renewables on the global.... Admittedly, though, it's slower in the U.S. There's been a policy change around the ability to make investments in renewables, but elsewhere it's quite innovative.

Wind turbines in the Mediterranean, off the coast of Provence, are, ironically, using the same technology as the oil rigs you see in the sea. They're floating. These wind turbines are actually floating right off the coast of Marseille. We're a significant investor. It's innovative. It's one of the new things that have happened, and we're looking at opportunities to scale that up elsewhere.

Ryan Turnbull: I have a last question, if I can sneak one in.

The investment pipeline, certainly in Canada, must have improved with the major projects.... Contrary to some other comments that were made here today, I see our government designating national interest projects that are in the public interest but also basically changing our legislation with Bill C-5 in order to be able to streamline that process, really reduce those times and have scalable projects for institutional investors like you.

Has that dramatically improved the investment conditions?

Michel Leduc: I would say it's a duality of things. You're not going to find something unless you're looking for it, so when I've painted the picture of global turmoil, seeing us as a global investor and looking for those safe harbours, we're looking harder deliberately, consciously, at the Canadian market as an investor.

We're seeing things that we had not necessarily seen before. Also, we're sensing that there is a palpable momentum that is providing a catalyst for us to be encouraged to not only look and to identify but spend the money to do the due diligence. It's costly to look at something for, say, six months and have conversations with all the stakeholders just to see that it won't happen. That's the opportunity cost that we could have spent on that team by deploying them in another part of the world. Having that certainty that maybe something will come out of it is obviously an important catalyst for us.

Ryan Turnbull: I'm sure that moving the timeline from five to seven years down to two has to improve things dramatically in how—

Michel Leduc: It makes a big difference and builds global credibility.

The Chair: Thank you, Mr. Leduc.

Thank you, Mr. Turnbull.

[*Translation*]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Mr. Leduc, earlier in the conversation, you said that as a large institutional investor, you have investment opportunities that ordinary people do not have, particularly in infrastructure. Maybe the Prime Minister has them, but I certainly don't, with my pocketbook.

You also said that you didn't have a particular interest in the Alto project. You told us that, generally speaking, you tend to want to invest in infrastructure projects that are already built, rather than those that are still just on paper, especially since the Alto project could cost up to $225 billion—not $90 billion—because the revenues were seriously overestimated.

Can you confirm for me today that, in the CPP's recent history, you have never taken the risk of investing in a project that was in its early stages, and that you have always invested solely in projects that were completed or nearing completion?

Michel Leduc: We have previously taken the risk of investing in a project that was in development. I remember a project being developed in London called Victoria Circle. It was not built yet, but we had a partner with a lot of experience who shared the construction risks with us.

For us, it's a matter of who will assume the risks related to construction. We are investors, not a construction company. Therefore, if we can be satisfied that the risk is being taken by the—

Jean-Denis Garon: I will interrupt you there.

That means that, in a case like the Alto project, where sufficient financial details aren't available yet—similar to the case in Quebec City with the REM and the Caisse de dépôt et placement du Québec—you would need a guarantee on passenger-kilometre revenue or a guaranteed minimum rate of return to ultimately say that investing taxpayer money in the project was worthwhile, that the taxpayer would take the risk, and that you would go ahead and invest.

Is that a good way of putting it?

● (1015)

Michel Leduc: In general, yes.

Jean-Denis Garon: That would mean that, in this project, for there to be investors, the taxpayer has to take the risk.

Michel Leduc: Yes.

Jean-Denis Garon: Thank you very much, Mr. Leduc.

I can assure you that we will say it over and over again.

Thank you.

Michel Leduc: You are welcome.

The Chair: Thank you, Mr. Garon.

[*English*]

I'd like, on behalf of the committee, to thank Mr. Leduc for coming and spending two hours with us. I think you answered a lot of our questions and we really appreciate your time.

Before I let committee members go, however, I just wanted to mention that we've received a request from the Committee on Economic and Monetary Affairs of the European Parliament. They are going to be coming to Canada on a fact-finding mission, and they requested an informal discussion with us in the morning of Tuesday, May 26. The objective of the meeting would be to discuss the ongoing co-operation and priorities between the EU and Canada, notably when it comes to co-operation in the financial sector. If it is the will of the committee, we'll schedule an informal dialogue. It's not a mandatory meeting, but I would hope that committee members would be interested and willing to engage in that conversation. Unless there are any objections, we will move forward with that.

If it is the will of the committee, shall we adjourn?

Some hon. members: Agreed.

The Chair: We are adjourned.