



Decarbonizing the Business Portfolio of Export Development Canada

A submission for Parliament's review of the
Export Development Act

November 9, 2018

With recommendations for legislative reforms endorsed by

Climate Action Network Canada
Committee for Human Rights in Latin America
David Suzuki Foundation
Environmental Defence
Friends of the Earth Canada
Greenpeace Canada
Mining Injustice Solidarity Network
Oil Change International
Oxfam Canada
Projet accompagnement Québec-Guatemala
United Church of Canada

We welcome the opportunity to contribute comments for Parliament's review of the *Export Development Act*, the enabling legislation of Export Development Canada (EDC). In addition to the extensive recommendations we've submittedⁱ regarding EDC's management of environmental, human rights and corruption risks, here we present further recommendations to address EDC's climate impacts.

The scientific community recently warned of catastrophic and irreversible consequences if fossil fuel use is not halved by 2030.¹ Last year EDC provided over \$10.4 billion in support to oil and gas companies and has made no commitment to phase out fossil fuels from its business portfolio. EDC support for the fossil fuel industry contradicts Canada's stated commitments on climate change. Parliament must address this policy incoherence by reforming the *Export Development Act* to prohibit such support.

Context

As a Crown corporation, EDC is required to operate in a manner that is consistent with Canada's international obligations. It is crucial, therefore, that the agency's business portfolio reflect commitments Canada has made to address the global climate crisis. Canada is bound by the Paris Agreement to put forward its "best efforts" to achieve the deep cut in greenhouse gas emissions needed to limit the global temperature increase to "well below" 2°C.

In the landmark report released last month by the Intergovernmental Panel on Climate Change (IPCC), scientists from around the world agreed that the temperature increase must not exceed 1.5°C and that carbon pollution must be reduced much faster than previously thought.² The warming that has occurred to date is already having devastating effects worldwide. Every year hundreds of thousands of people lose their lives and hundreds of millions more are seriously harmed as a result of climate change.³ Continued expansion of the fossil fuel industry will greatly exacerbate these effects. Burning the oil and gas reserves in currently operating fields alone would warm the globe beyond the 1.5°C limit.⁴

Wealthy nations including Canada have acknowledged the need to rapidly shift public financial support away from coal, oil and gas, with commitments such as the G7 pledge to end fossil fuel subsidies by 2025 and the Paris Agreement's aim of "making finance flows consistent with a pathway towards low greenhouse gas emissions."

A growing number of financial institutions have taken decisive steps to limit their support for fossil fuels. For instance, Norway's government pension fund and the insurance companies AXA and Generali have ceased investing in companies that derive 30 percent or more of their revenue from coal.⁵ At least seven major commercial banks will no longer finance the exploration, production or transport of oil from oil sands⁶ — a source associated with particularly high emissions. Significantly,

ⁱ See our submission *Bringing Accountability and Transparency to Export Development Canada's Practices* (<http://aboveground.ngo/accountability-transparency-export-development-canada>).

the World Bank goes even further; by 2020, it will no longer finance *any* fossil fuel extraction, other than in exceptional circumstances.⁷

EDC's climate change policy

The *Export Development Act* grants EDC discretion in determining the composition of its business portfolio. In 2010 EDC developed a climate change policy in recognition of its “support to Canadian companies in carbon intense sectors.”⁸ EDC states that it is working to “tackle climate change,”⁹ but its policy does not reflect this ambitious goal. The agency has made only the following modest commitments:

- EDC will not finance new coal-fired power plants in a list of designated countries unless they employ carbon capture and storage “or equivalent emissions reduction technology.”
- In other countries, EDC will not support new coal power plants unless it believes they meet certain international standards.
- EDC will support existing coal power plants if this support “will result in lower emissions.”
- EDC will rely on “sound financial and environmental risk management principles” when supporting companies in sectors with significant greenhouse gas (GHG) emissions.
- EDC will “consider various ways that balance cost and technical feasibility” when approaching the issue of climate change mitigation, such as “engaging with clients” to understand climate risks and opportunities, ensuring that projects incorporate “cost-effective” options for mitigation and adaptation, “expecting” that proponents of high-risk projects provide estimates of GHG emissions, and facilitating the export of “environmental goods and services.”¹⁰

EDC has not committed to phasing out support for companies that mine coal or rely heavily on coal-fired power in their operations. As mentioned above, the agency continues to provide substantial support to oil and gas companies — including those involved in oil sands projects — and has made no commitment to reduce this support at any point in the future. EDC financing for oil and gas projects puts Canada among the top four export credit agency financiers of fossil fuel projects in the G20.¹¹ In 2017 the agency provided over \$10.4 billion in support to oil and gas companies,¹² and only \$1.5 billion to “cleantech” companies.¹³

EDC support for the fossil fuel industry is at odds with Canada's international commitments to address climate change. Parliament must reform the *Export Development Act* to ensure that EDC operations are consistent with Canada's climate goals.

Recommendations

- The *Export Development Act* should be amended to prohibit EDC from supporting
 - coal, oil and gas projects, including those to develop or expand infrastructure for the transport or consumption of coal, oil or gas;
 - companies significantly reliant on coal; and
 - companies whose primary business is in coal, oil or gas.

- This amendment to the *Export Development Act* should apply to all EDC accounts, including the Canada Account.ⁱⁱ

Endorsing organizations

The recommendations made in this submission are endorsed by

- Climate Action Network Canada
- Committee for Human Rights in Latin America
- David Suzuki Foundation
- Environmental Defence
- Friends of the Earth Canada
- Greenpeace Canada
- Mining Injustice Solidarity Network
- Oil Change International
- Oxfam Canada
- Projet accompagnement Québec-Guatemala
- United Church of Canada

ⁱⁱ The Canada Account enables EDC to support transactions that it would normally deem too risky to support but that the Minister of International Trade considers to be in Canada's national interest. Earlier this year over \$1 billion of the account was used to facilitate the Government of Canada's purchase of the Trans Mountain Expansion Project. EDC, "About Us: Canada Account," <https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/canada-account.aspx>.

Sources

¹ Intergovernmental Panel on Climate Change, “Summary for Policymakers,” *Global Warming of 1.5°C: An IPCC Special Report on the Impacts of Global Warming of 1.5°C above Pre-industrial Levels and Related Global Greenhouse Gas Emission Pathways, in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty*, 8 Oct 2018, http://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf, p. 15.

² Ibid, p. 21.

³ In 2009 the Global Humanitarian Forum released a report estimating that climate change impacts kill 300,000 people and seriously affect 325 million more every year. (See *Human Impact Report: Climate Change - The Anatomy of a Silent Crisis*, www.ghf-ge.org/human-impact-report.pdf, p. 1.) More recently, a study commissioned by the governments of 20 countries found that approximately 400,000 people die each year — primarily children in poorer countries — as a result of climate change impacts. (See Fundación DARA Internacional, *Climate Vulnerability Monitor – Executive Summary*, 2012, daraint.org/wp-content/uploads/2012/09/EXECUTIVE-AND-TECHNICAL-SUMMARY.pdf, p. 17.)

⁴ Oil Change International, *The Sky’s Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production*, Sep 2016, priceofoil.org/2016/09/22/the-skys-limit-report/.

⁵ Greenpeace, *The Norwegian Government Pension Fund and Coal: Time to Take the Next Step*, 2018, [www.greenpeace.org/norway/Global/norway/Klima/dokumenter/2018/The Norwegian Government Pension Fund and Coal Time to take the next step.pdf](http://www.greenpeace.org/norway/Global/norway/Klima/dokumenter/2018/The%20Norwegian%20Government%20Pension%20Fund%20and%20Coal%20Time%20to%20take%20the%20next%20step.pdf).

⁶ Banktrack, “Banks that ended direct finance for tar sands,” [www.banktrack.org/campaign/banks that ended direct finance for tar sands](http://www.banktrack.org/campaign/banks%20that%20ended%20direct%20finance%20for%20tar%20sands).

⁷ The World Bank, “World Bank Group announcements at One Planet Summit,” 12 Dec 2017, www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit.

⁸ EDC, *Review of Environmental & Social Risk Management Policies: Discussion Paper*, May 2018, https://www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Documents/CSR%20Policy%20Review%20Discussion%20Paper%202018_e.pdf, p. 5.

⁹ EDC, *Responsibility Starts Here: 2015 Corporate Social Responsibility Report*, 2016, www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Documents/csr-report-2015.pdf, p.31.

¹⁰ EDC’s climate commitments related to coal are outlined on the “Environment and People” page of its website (www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Environment/Pages/default.aspx), while the others are included in its *Environmental and Social Risk Management Policy* (www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Environment/Documents/enviro-policy.pdf), pp. 5-6.

¹¹ Between 2013 and 2015. See Oil Change International, Friends of the Earth U.S., the Sierra Club and WWF European Policy Office, *Talk is Cheap: How G20 Governments Are Financing Climate Disaster*, 2017, [www.priceofoil.org/content/uploads/2017/07/talk is cheap G20 report July2017.pdf](http://www.priceofoil.org/content/uploads/2017/07/talk%20is%20cheap%20G20%20report%20July2017.pdf), p. 16.

¹² EDC, “Canadian Industry Sub-sector 2017,” www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2017.aspx.

¹³ EDC, *Trade Unlimited: 2017 Annual Report*, 2018, www.edc.ca/EN/About-Us/Corporate-Reports/Documents/annual-report-e-2017.pdf, p. 29. EDC defines a cleantech company as one that offers a “technology or service proven to reduce environmental impacts” (EDC, “EDC helps Canadian cleantech scale up to global markets,” edc.trade/canada-cleantech-financing/).