

September 16, 2022

Ms. Karen Hamilton
Director
Above Ground (a project of MakeWay)

I am writing in response to your letter dated July 29, 2022, which posed a number of questions regarding EDC's support for the fossil fuel and cleantech sectors. I hope this letter provides additional insights into EDC's ongoing work to support the transition to a low carbon economy, as well as highlights EDC's relevant ESG policies and operations.

As you may know, in July 2021, EDC committed to achieve net zero emissions by 2050. While we continue to develop and refine our roadmap to achieve this goal, EDC is also working hard to reduce emissions associated with our portfolio, while also enhancing our support for sustainable finance. These initiatives include reducing our exposure to carbon intense sectors, including upstream oil and gas, as well as the recently announced science-based targets that will reduce loan-weighted production volumes of upstream oil and gas in our portfolio. Meanwhile, we also know that the shift to a low carbon economy will require supporting cleaner and more efficient technologies, and cleantech is a continuing priority.

With these initiatives, EDC is seeing strong outcomes. For example, EDC has achieved a 73% reduction in financing exposure related to upstream and downstream oil and gas, compared to the 2018 baseline, and in 2021, for the first time, EDC facilitated more business in cleantech (\$6.3 billion) than in oil and gas (\$4.4 billion). We are proud to be Canada's largest cleantech financier, and by working with companies as they work to lower emissions, our goal is to drive meaningful change.

Regarding your specific questions:

1. *Does EDC's definition of "international" companies include Canadian companies operating abroad – such as Calgary-based Parex Resources, a repeat client of EDC for its operations in Colombia?*

EDC supports the commitments made by the Government of Canada at COP26, and we are in position to meet them by the end of 2022. EDC has already taken specific concrete steps in this direction, including committing to net zero by 2050 and significantly reducing direct financing support to international fossil fuel companies and their projects in recent years.

Following COP26, EDC has been working with the Government of Canada to interpret the scope of the COP26 Statement and the Government of Canada's plans for implementation. The Government's policy work is underway and once completed will guide EDC's engagement with its customers and partners, as EDC will be fully aligned. We will not, however, comment on the implications for specific companies.

2. *Does EDC foresee any exceptions to its policy that would allow it to continue supporting gas projects? If so, under what circumstances and conditions?*
3. *Does EDC foresee any exceptions to its policy that would allow it to support companies that utilize carbon capture technology? If so, what are the criteria and process for companies to qualify for this exception? How would EDC ensure this support does not result in a net increase in global emissions?*
4. *Does the exclusion of “new” financing mean that EDC will exclude renewals of existing support agreements?*

It would perhaps work best to group these together. These questions demonstrate the complexity of implementing commitments amidst a range of public policy issues. EDC is working with the Government of Canada as it develops its interpretation of the COP26 Statement and its plan for implementation. Rest assured that EDC will be fully aligned with that direction

5. *What are the criteria and process for EDC’s classification of a company or project as “clean tech”? Is support approved and/or prioritized based on its potential to help reduce global emissions?*

To ensure transparency and alignment with Government of Canada partners, EDC’s definition of cleantech is aligned with that of the Government of Canada’s Clean Growth Hub (CGH).

Cleantech is defined as any process, product, or service that reduces environmental impacts and/or create environmental benefits through:

- Environmental protection activities that prevent, reduce, or eliminate pollution or any other degradation of the environment,
- Resource management activities that result in the more efficient use of natural resources, thus safeguarding against their depletion, or
- The use of goods that have been adapted to be significantly less energy or resource intensive than the industry standard.

6. *Are fossil fuel companies eligible for such a classification? If so, has EDC determined that this support contributes to the international obligations referenced above? If so, on what basis has this determination been made, and did it account for the lifecycle emissions of the clients’ products? If not, how does EDC justify this classification?*

Generally speaking, defining cleantech refers to the process, product, or service being used and the environmental impacts thereby reduced or environmental benefits created. The sector of the company is generally not the criteria used to denote whether something is or is not cleantech.

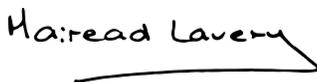
The transition to an efficient and low carbon economy will require significant investments in every sector of the Canadian economy, including oil and gas. Companies across the economy will need to make the needed investments to lower operational emissions, or to transition to new business models entirely. Each transaction is evaluated separately and on its own merits as it relates to a potential classification of cleantech.

7. *Can EDC provide us with the complete list of transactions that it has deemed “clean tech” over the last 10 years?*

As part of our commitment to transparency, EDC discloses all of our signed financing transactions, including guarantees and equity, on our website within 90 days of signing. Please note, however, that EDC’s disclosures do not include whether a transaction is, or is not, classified as cleantech. This is an enhancement that is under consideration and evaluation for feasibility in the future.

I trust the information provided here is helpful. In addition, I have copied Justine Hendricks, Senior Vice-President and EDC Chief Sustainability Officer, and she and her team would be pleased to organize a follow-up call with you should this be of interest.

Sincerely,

A handwritten signature in black ink that reads "Mairead Lavery".

Mairead Lavery
President and Chief Executive Officer

CC:

Hon. Mary Ng, Minister of International Trade, Export Promotion, Small Business and Economic Development
Martine Irman, Chair of the Board of Directors, EDC
Justine Hendricks, Senior Vice President and Chief Sustainability Officer, EDC
Todd Winterhalt, Senior Vice President, Communications, Marketing & Corporate Strategy Officer, EDC