

Testimony by Julie Segal to the Standing Committee on Finance

June 13th 2023

CURRENT STATE OF PLAY ON GREEN FINANCE, GREEN INVESTMENT, TRANSITION FINANCE AND TRANSPARENCY, STANDARDS AND TAXONOMY



environmental
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Julie Segal, Senior Program Manager of Climate Finance at Environmental Defence Canada, testified to the Canadian federal government's Standing Committee on Finance (FINA) on June 13th, 2023. She recommended Credible Climate Transition Plans across the economy.

Good morning. Thank you for inviting me to appear. My name is Julie Segal and I lead a climate finance policy program at Environmental Defence Canada. I am an author of a policy road map to a sustainable financial system in Canada, which we published last November. I also contributed key public input about the draft sustainable taxonomy and on the climate-aligned finance act that is currently in the Senate.

Thousands of companies, banks and pension funds, including all of Canada's big banks and about 60% of the largest companies globally, have committed voluntarily to reaching net-zero emissions. Of that group, only 4% have delivered basic requirements for meeting their own commitments, like publishing a plan or setting short-term, interim targets. This means **the majority of groups are not showing progress on their own commitments to reduce emissions**. They recognize that the action is important, but they have not demonstrated action.

If groups have promised to do something important but the majority are not delivering on it, **green finance policy should come in to set it on track**.

For consistency with Canadian climate commitments under the Canadian Net-Zero Emissions Accountability Act and under the global Paris Agreement, rules to align the financial sector with climate commitments are important. Other sectors of the Canadian economy are under rules to reduce emissions. Complementary direction is needed for the financial sector, above just the existing incentives, to mobilize green investment.

Climate finance rules are also important to remain consistent with global allies. I would invite you to focus on the U.K. and the EU, which have mandates for a net-zero financial system and have rules in place directly for the financial sector to advance action on climate commitments. The EU sustainable finance laws already affect over 1,300 Canadian companies, so getting in line with the global trajectory makes sense for Canada. That requires specific climate finance policy.

Recognizing this, I'm very glad to see the finance committee hosting this study. The recent motion that was tabled stating that the government should use all legislative and regulatory tools at its disposal to

align Canada's financial system with the Paris Agreement is a step very much in the right direction. That was tabled in the House. I'm thrilled by the multi-party support for this motion and commend many of you and your colleagues who seconded it.

I'll outline a few **specific policy measures** this Parliament can take to deliver on that motion.

First, a sustainable finance taxonomy should be brought into law. Its categories and parameters must be based on what's scientifically required to keep global warming below 1.5°C. We support the next step of a much broader consultation for a taxonomy, with input from climate experts, including civil society. Most importantly we support bringing the final product into regulation and linking it to disclosure requirements, like in the EU.

A transition definition is a tricky endeavour. We support introducing one. Sectors like steel and cement have high emissions today, but create materials that are important for a low-emissions economy. I would highlight that **carbon capture for oil and gas activities should not fall under the sustainable transition label.**

Second, we suggest requiring credible climate transition plans for all federally regulated financial institutions, companies and Crown corporations. A credible climate transition plan means following the pathway of what is scientifically required to keep warming below 1.5°C, which means ensuring that each institution's emissions peak by 2025 and decline by half by 2030. That's the requirement for a credible climate transition plan.

Regulation can deliver these credible climate transition plan requirements across the Canadian economy. Corporate transition plans can be required **through the Canada Business Corporations Act.** The Crown corporations can be directed **under the Canadian Net-Zero Emissions Accountability Act.** For federally regulated financial institutions, we have had positive conversations with **OSFI** (Office of the Superintendent of Financial Institutions) in an ongoing working relationship. It is our opinion that they can advance credible climate transition plans for federally regulated financial institutions.

Canada experienced over \$5 trillion in insurable losses in the past two years. Looking forward, over \$100 billion of Canadian assets are at risk of nose diving in value due to financial institutions moving too slowly on the climate transition.

The best way to reduce these climate-related financial losses is to reduce climate change. Requiring credible climate transition plans across the financial sector is a very important way to do that. To build an affordable economy for people across Canada and a climate that is safe from disasters like the wildfires currently happening in every single one of our provinces, a climate-aligned financial system is key.

I encourage all of you to **enact policies that ensure that federally regulated financial institutions reduce emissions and build resilience to climate change.**

The full meeting minutes can be found online [here](#) in text and [here](#) by video.

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