KEY FINDINGS

- The investments of the Pathways Alliance members, the six largest companies operating in Canada’s oil sands, remain overwhelmingly concentrated on oil and gas and are not aligned with Paris Agreement goals. Over the last four years (2019-2022), they collectively invested at least CAD $47.3 billion (USD $34 billion) in their fossil fuel operations.
- Five of these companies recorded pre-tax profits of over CAD $45 billion (USD $33 billion) in 2022, more than double their profits in 2021 and four times their profits in 2019 (pre-pandemic).
- The Pathways Alliance claims that member companies have spent CAD $1.8 billion on phase one projects related to its proposed carbon capture network. This spending amounts to less than 4 per cent of the combined profits of five of six Pathways Alliance members.
- A windfall tax, which increases the headline corporate tax rate for oil and gas companies by 10 per cent, could have generated CAD $4.5 billion in the last year from these five companies alone.

Negligible spending on clean investment

Six companies operate 95 per cent of Canada’s oil sands production – Canadian Natural, Cenovus Energy, Conoco Philipps Canada, Imperial, MEG Energy and Suncor. Together, these companies form the Pathways Alliance.

Fossil fuels still dominate Pathways Alliance members’ investments. For four of the six, detailed information is available on their capital expenditure on oil and gas. Over the last four years (2019-2022), they collectively invested at least CAD $47.3 billion (USD $34 billion) in their fossil fuel operations (see Table 1). The only company (Cenovus Energy) where fossil fuel investment was less than 95 per cent of total capital expenditure was not reflective of a shift away from core fossil fuel investments but was due to significant investment in manufacturing.
Table 1: Fossil fuel capital expenditure, CAD billion

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Total fossil fuels</th>
<th>% of Total Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Natural</td>
<td>6.6</td>
<td>2.5</td>
<td>4.5</td>
<td>5</td>
<td>18.7</td>
<td>99.5</td>
</tr>
<tr>
<td>Cenovus Energy</td>
<td>1.0</td>
<td>0.5</td>
<td>1.4</td>
<td>2.4</td>
<td>5.4</td>
<td>65.2</td>
</tr>
<tr>
<td>Imperial</td>
<td>1.7</td>
<td>0.8</td>
<td>1.1</td>
<td>1.4</td>
<td>5.1</td>
<td>95.4</td>
</tr>
<tr>
<td>Suncor</td>
<td>5.4</td>
<td>3.7</td>
<td>4.3</td>
<td>4.7</td>
<td>18.1</td>
<td>95.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14.8</td>
<td>7.6</td>
<td>11.3</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg Terminal¹ ²

Table 1 illustrates how three Pathways Alliance members spent over 95 per cent of their total capture expenditure on fossil fuels.

**Record profits**

In 2022, five of the Pathways Alliance members, whose companies are headquartered in Canada, collectively made a pre-tax profit of CAD $45.5 billion. This is a dramatic increase from the CAD $10.8 billion in 2019, before the pandemic, and CAD $20.4 billion in 2021, when prices rose dramatically in the second half of the year as the current oil and gas energy price crisis escalated.

The Pembina Institute found that in the first half of 2023, rather than investing in efforts to cut emissions, 75 per cent of all available cashflow was returned to shareholders in the form of share repurchases and increased dividends.

Research by the Canadian Centre for Policy Alternatives found that over recent years, 25 cents of every dollar of inflation faced by Canadians has gone to the profits of oil and gas and mining extractions.

¹ Note: ConocoPhillips Canada is not included because it does not have a Canadian ticker – only a USA one. The other four companies listed all have Canadian tickers.
² Bloomberg research conducted by Zero Carbon Analytics.
Table 2: Pre-tax profits, CAD billion

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Natural</td>
<td>5.0</td>
<td>-0.9</td>
<td>9.9</td>
<td>13.7</td>
</tr>
<tr>
<td>Cenovus Energy</td>
<td>1.4</td>
<td>-3.2</td>
<td>1.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Imperial Oil</td>
<td>2.0</td>
<td>-2.4</td>
<td>3.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Meg Energy</td>
<td>-0.1</td>
<td>-0.5</td>
<td>0.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Suncor</td>
<td>2.5</td>
<td>-6.1</td>
<td>5.6</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.8</strong></td>
<td><strong>-13.1</strong></td>
<td><strong>20.4</strong></td>
<td><strong>45.5</strong></td>
</tr>
</tbody>
</table>

Source: Yahoo Finance

**Windfall tax:**

If Canada had introduced a simple windfall tax on these record oil and gas profits, by increasing their headline corporate tax rate by an additional 10 per cent, this could have generated CAD $4.5 billion in 2022, equivalent to CAD $112 per person when divided by Canada’s population.³

This sum could have:

- Helped Canada to increase investments in solar and wind, which are growing far slower than what is needed for Canada to reach net-zero greenhouse gas emissions by 2050.
- Helped even more Canadians install heat pumps, which can lower consumers energy bills and reduce emissions. The Canada Greener Homes Grant program, which offers financial incentives for home retrofits, is running out of funding.

In 2022, the Government of Canada introduced a 15 per cent windfall tax on excess profits in the banking and insurance sectors (the Canada Recovery Dividend). This tax credit is expected to generate $3 billion in revenue.

Oil and gas companies were not included in this new tax. Recent analysis from the Parliamentary Budget Office estimated that applying the Canada Recovery Dividend to oil and gas profits in 2022 would have generated $4.2 billion in one year alone.

³ On December 1 Canada’s population was 40.5 million.
Opposing Climate Action

The Pathways Alliance actively lobbied to weaken a proposed cap on oil and gas emissions – Canada’s biggest source of carbon pollution. The Pathways Alliance prefers to call for increasing government subsidies for carbon capture and storage (CCS). The alliance’s website claims companies have spent CAD $1.8 billion on phase one projects related to its proposed carbon capture network. This spending amounts to less than 4 per cent of the combined profits of five of six Pathways Alliance members.

Promoting Dangerous Distractions

The Pathways Alliance has the stated aim of achieving net-zero emissions by 2050. However, this promise only covers emissions from their own operations and not those from the oil and gas they sell (known as scope 3 emissions), which make up over 80 per cent of their carbon pollution.

All six companies are currently expanding fossil fuel operations to levels that would exceed what is required to limit global warming to 1.5°C. Climate Action 100, an investor-led initiative to ensure corporations act on climate change, assessed four of these six companies; Canadian Natural, Conoco Philipps, Imperial and Suncor. It found that none of these companies met sufficient criteria for decarbonizing their investments, including sufficient commitment to aligning capital expenditures with emissions reductions, the Paris Agreement or the 1.5°C temperature goal.

A new Influence Map report flags Pathways Alliance as a significant actor in lobbying for CCS, despite this not aligning with IPCC-recommended Net-Zero Pathways.

A whole host of reports published in recent weeks have flagged concerns about relying on CCS for decarbonization.

- The UN Production Gap report notes 80 per cent of CCS pilot projects have ended in failure over the past 30 years.
- An International Energy Agency report highlights that CCS, currently the linchpin of many firms’ transition strategies, cannot be used to maintain the status quo. Head of the IEA, Fatih Birol, called the oil and gas industry’s CCS plans a fantasy.
- According to the IEA, if oil and natural gas consumption were to evolve as projected under today’s policy settings, this would require an inconceivable 32 billion tonnes of carbon captured for utilisation or storage by 2050, including 23 billion tonnes via direct air capture, to limit the temperature rise to 1.5°C.
- A new report out of Oxford University finds that heavy dependence on CCS to reach net zero would be “highly economically damaging”, costing at least $30 trillion more than a route based primarily on renewable energy, energy efficiency and electrification.
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