

Testimony by Julie Segal to the Standing Committee on Environment and Sustainable Development

ENVIRONMENT AND CLIMATE IMPACTS RELATED TO THE CANADIAN FINANCIAL SYSTEM

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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 Environment (ENVI) on September 25th, 2024. She detailed public support for sustainable finance rules and recommended the government prioritize Credible Climate Transition Plans across the economy.

Good morning. My name is Julie Segal. Thank you for inviting me. I lead a program on climate finance policy at Environmental Defence Canada. I managed a portfolio of investments before working on policy, and am a member of the Quebec government’s Advisory Committee for their roadmap to a sustainable financial system.

This study about the environment and climate impacts from Canada’s financial institutions is important.

Canada needs policy to align our financial system with climate action, and Canadians want it. I am glad to detail solutions.

Globally, Canada is a “low regulation jurisdiction” on sustainable finance. The lack of climate-aligned finance policy in Canada harms our environment and people living across the country. The lack of climate-aligned finance policy also damages our competitiveness for business and investment - but for the benefit of this environment committee, I will focus on the environmental impacts.

Canadian financial institutions provide among the largest sums of money to oil, gas and coal. The harms from oil, gas, and coal are irrefutable when it comes to climate change (with fossil fuels being the leading cause), and are likewise obvious for other environmental harms like water pollution. Where our banks and pension managers place money determines these real world impacts. Climate ambitions do not match the urgency required to limit global warming; they are not investing sustainably enough.

Nearly all of Canada’s financial institutions have committed to reduce their climate-harming emissions, but very few have a plan or have started to act. **Data shows that financial institutions’ climate targets and plans improve when they are regulated to deliver them.**

People across Canada get this. In recent polling, people indicated they do not trust their financial institution to take meaningful climate action without mandatory regulations in place. The majority of people want rules to ensure that the financial system invests more sustainably; when the policy is framed as directly countering greenwashing, just **about 80% of people want the government to implement sustainability rules for the financial sector.**

Luckily, we have ready-made policies that can be executed. The Climate Aligned Finance Act (CAFA), introduced by Independent Senator Rosa Galvez, is currently being studied in the Senate. I had the pleasure of being an advisor for this bill. It outlines a set of policies that would align the financial system with Canada's climate commitment of limiting global warming to 1.5 degrees Celsius.

More broadly, **requiring plans from financial institutions – known as Climate Transition Plans – is key.** I noticed that all previous witnesses mentioned the importance of climate transition plans. This ensures that banks, pension funds, insurers, and large companies detail plans for climate action, which include short-term actions. Modernizing the mandates of financial regulators is another key point, as is clarifying that leaders of financial institutions should aim to help mitigate climate damages.

Public opinion supports these policies. Over 120 groups have specifically endorsed the Climate-Aligned Finance Act. Elected officials from four political parties, including members from this committee, endorsed a motion to align our financial system with safe climate action.

People in Canada understand that climate change is expensive. People understand that financial investments should serve their interests – people as the clients of banks and beneficiaries of pension funds – and that right now the financial sector is under-regulated on climate and environmental impacts.

Now **Canadians wait for outcomes.**

Climate-aligned finance is the missing piece of Canadian climate policy. In your committee report, I encourage you to **urge the federal government to prioritize using all tools at its disposal to align Canada's financial system with the Paris Agreement.** Canadians want mandatory policy that ensures finance is sustainable.

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

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ABOUT [ENVIRONMENTAL DEFENCE](#) : Environmental Defence is a leading Canadian environmental advocacy organization that works with government, industry and individuals to defend clean water, a safe climate and healthy communities.