

Summary of Proceedings: Export Development Canada's ESG Advisory Council Meeting

Date: January 25, 2024

ESG Advisory Council Members:

Janet Annesley, Chief Sustainability Officer, Kiwetinohk Energy Corp.

Karen Clarke-Whistler, Senior executive, business strategist, and environmental scientist

Dave Collyer, Former President, Canadian Association of Petroleum Producers

Judy Cotte, Head of ESG, Onex

Fred Di Blasio, CEO and Managing Partner, Longhouse Capital Partners

Tomislav Ivancic, Global Advisor, Responsible Sourcing and Agricultural Supply Chains Food and Agriculture Organization of the United Nations (FAO)

Rosemary McCarney, Diplomat in Residence at Massey College and the James Coutts Scholar in International Relations at Trinity College, University of Toronto

Marie-Lucie Morin, Former Executive Director, World Bank

Anita Ramasastry, Dean, Roland Hjorth Professor of Law and Director of the Sustainable International Development Program, Washington School of Law

From Export Development Canada (EDC):

Mairead Lavery, President and Chief Executive Officer, and Council Chair

Lorraine Audsley, Senior Vice-President, Chief Risk and Sustainability Officer

Todd Winterhalt, Senior Vice-President, Communications, Marketing and Corporate Strategy

Rachel Guthrie, Vice-President, ESG Integration

Sophie Roy, Vice-President, ESG Advisory

Participant Guest Speaker:

Jackie Forrest, Executive Director, ARC Energy Research Institute

SESSION OVERVIEW

The January meeting of the ESG Advisory Council explored the complexities of the energy transition in Canada, with a special focus on EDC's unique role in accelerating progress through its support of Canadian companies' innovation and transition.

The session began with an introduction of three new Council members - Karen Clarke-Whistler, Fred Di Blasio and Tomislav Ivancic – who bring expertise in environmental strategy and due diligence, Indigenous

community engagement and partnership, as well as human rights, responsible sourcing and agricultural supply chains.

The Council heard from EDC's President and CEO Mairead Lavery and Chief Corporate Sustainability Officer Lorraine Audsley on key updates, including:

- An overview of 2023 results, which indicate that EDC supported more companies last year than the year before, specifically in the medium segment.
- With respect to cleantech, EDC provided a record of more than [\\$12 billion in support](#) last year, achieving its target two years ahead of schedule.
- In December, EDC became a founding member of the [Net Zero Export Credit Agencies Alliance \(NZECA\)](#), the first net zero alliance comprising public finance institutions globally. The objective of the alliance is to help decarbonise global trade and facilitate joint action from public and private finance.
- Last year, EDC launched its Sustainable Finance Framework, which will allow for greater visibility to how EDC tracks and reports on sustainable finance, and its progress toward our ESG objectives. This framework is meant to foster innovation and decarbonization while helping to make Canadian companies more competitive, and it will be crucial in supporting EDC's science-based targets and achieving net zero.

Following the opening remarks, the Council heard from Jackie Forrest, Executive Director of the ARC Energy Research Institute, and a leading voice in Canada's evolving energy landscape. Remarks focused on the current state of energy transition investment in Canada, the barriers that need to be overcome to accelerate the transition, as well as the positive developments to date. Highlights include:

- Investments today indicate world is not on track to reach net zero emissions by 2050. According to the International Energy Agency, USD 1.8 trillion is being invested in clean energy today, but the transition requires an increase of 150% growth. [Based on RBC's estimates](#) "governments, businesses and communities would have to spend at least \$60 billion a year to cut Canada's emissions by 75% from current levels...a significant jump from the estimated \$15 billion a year we currently spend."
- Barriers to the transition include:
 - Canada is not seeing growth in private capital. A significant portion of investments is from public funding, with the majority of spend being directed to two areas: electrified transport and renewable energy. Not enough support is being directed at higher-risk investments, such as infrastructure development.
 - Capital required for incremental transition gains can often be <25mIn allocations, thus not as attractive to institutional investors who are often looking for large capital deployment opportunities.
 - Sufficient capital for proven technology such as wind/solar, however insufficient capital for nascent/higher risk technology
 - The U.S. leads in providing a competitive environment for clean energy companies, including production-based incentives. The Inflation Reduction Act (IRA) is impacting Canadian companies who are looking to the U.S. to capitalize on incentives and subsidies.



- Canada’s policy landscape is complex, impacted by Canadian geopolitics.
- Positive developments include:
 - Engagement with Indigenous communities has driven an increase in Indigenous participation and partnership in clean energy projects.
 - Large renewables procurements are underway in British Columbia, Ontario and Quebec, increasing supplies in renewable electricity.
 - Nuclear developments are underway in Ontario (SMRs, Bruce Power, potential Pickering refurbishment of nuclear plant).
 - Electric vehicle sales continue to increase in Canada; [globally sales have risen 20% annually](#).

Following the presentation, the Council members engaged in a discussion on the energy transition, and EDC’s role in mobilizing private and public capital. Reflections include:

- Canada is on a dual track with respect to the transition and would benefit from increased clarity with respect to the role of fossil fuels.
- Clarity and simplicity with respect to policy will result in more private capital investments.
- Consumer behaviour is a critical factor in galvanizing support for clean technologies, with cost of infrastructure, electric vehicles, increasing mortgage prices and food costs impacting consumer affordability.
- EDC is in a unique position to take on more risk with respect to clean technology investment in Canada, and to lead the way for more private-sector capital.
- The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) can be a catalyst to economic reconciliation and to securing more private sector investment in clean energy, including foreign direct investment.
- EDC should expect to see an increase in biofuel-related transactions over time, particularly Sustainable Aviation Fuels. While Canada is facing an increase in demand, projects are being put on hold due to competition with the U.S. where production credits are being offered as incentive.
- Canada has proven reserves of renewable natural gas (RNG), with an expected increase in projects and RNG capacity.
- EDC has the opportunity to play a critical role in convening public and private stakeholders, bringing private-sector views/experience to inform policy.
- EDC’s support for the modernization of the OECD Arrangement on Officially Supported Export Credits framework allows for more flexible terms for climate-friendly transactions. Membership in the NZECA will also help to mobilize public and private sector capital, and level the playing field for Canadian companies.

The Council meeting concluded with private reflections from two outgoing members, Rosemary McCarney and Marie-Lucie Morin, who served on the Council for six years.

