



Bringing Export Development Canada's Climate Change Policy in Line with Canada's Commitments

A submission to Export Development Canada (EDC)

September 7, 2018

We welcome the opportunity to comment on Export Development Canada's climate change policy, which is under review as part of the agency's environmental and social risk management framework.

Context

As a Crown corporation, EDC is required to operate in a manner that is consistent with Canada's international obligations. It is crucial, therefore, that the agency's policies be aligned with commitments Canada has made to address the global climate crisis. Canada is bound by the Paris Agreement to put forward its "best efforts" to achieve the deep cut in greenhouse gas emissions needed to limit the global temperature increase to "well below" 2°C, ideally no more than 1.5°C.

The warming that has already occurred is having devastating effects worldwide. Every year hundreds of thousands of people lose their lives and hundreds of millions more are seriously harmed as a result of climate change.¹ Continued expansion of the fossil fuel industries will intensify this crisis. Recent research suggests that burning the oil and gas reserves in currently operating fields alone would warm the globe beyond the 1.5°C limit,² and that the world must achieve net-zero emissions by mid-century to avoid a 2°C increase.³

Wealthy nations including Canada have acknowledged the need to rapidly shift public financial support away from coal, oil and gas, with commitments such as the G7 pledge to end fossil fuel subsidies by 2025 and the Paris Agreement's aim of "making finance flows consistent with a pathway towards low greenhouse gas emissions."

A growing number of financial institutions have taken decisive steps to limit their support for fossil fuels. For instance, Norway's government pension fund and the insurance companies AXA and Generali have ceased investing in companies that derive 30 percent or more of their revenue from coal.⁴ At least seven major commercial banks will no longer finance the exploration, production or transport of oil from oil sands⁵ — a source associated with particularly high emissions. Significantly, the World Bank goes even further; by 2020, it will no longer finance *any* fossil fuel extraction, other than in exceptional circumstances.⁶

EDC's policy

While EDC claims to be working to "tackle climate change,"⁷ its policy does not reflect this ambitious goal. The agency has made only the following modest commitments:

- EDC will not finance new coal-fired power plants in a list of designated countries unless they employ carbon capture and storage "or equivalent emissions reduction technology."

- In other countries, EDC will not support new coal power plants unless it believes they meet certain international standards.
- EDC will support existing coal power plants if this support “will result in lower emissions.”
- EDC will rely on “sound financial and environmental risk management principles” when supporting companies in sectors with significant greenhouse gas (GHG) emissions.
- EDC will “consider various ways that balance cost and technical feasibility” when approaching the issue of climate change mitigation, such as “engaging with clients” to understand climate risks and opportunities, ensuring that projects incorporate “cost-effective” options for mitigation and adaptation, “expecting” that proponents of high-risk projects provide estimates of GHG emissions, and facilitating the export of “environmental goods and services.”⁸

EDC’s commitments do not include phasing out support for companies that mine coal or rely heavily on coal-fired power in their operations. The agency continues to provide very substantial support to oil and gas companies — including those involved in oil sands projects — and has made no commitment to reduce such support at any point in the future. EDC financing of oil and gas projects puts Canada among the top four export credit agency financiers of fossil fuel projects in the G20.⁹ In 2017 the agency provided \$10.4 billion in support to oil and gas companies,¹⁰ and only \$1.5 billion to “cleantech” companies.¹¹

Recommendations

- EDC should commit to no longer supporting
 - coal, oil and gas projects, including those to develop or expand infrastructure for the transport or consumption of coal, oil or gas;
 - companies significantly reliant on coal; and
 - companies whose primary business is in coal, oil or gas.
- EDC should commit to achieving a sharp reduction in GHG emissions across its business portfolio by shifting its support from high-emission sectors, companies and projects to those associated with low emissions.

Endorsing organizations

The recommendations made in this submission are endorsed by the following civil society organizations:

- | | |
|--------------------------------------------------|---------------------------------------|
| • Canadian Council for International Cooperation | • Friends of the Earth Canada |
| • Canadian Engaged Buddhism Association | • Greenpeace Canada |
| • Climate Action Network Canada | • Inter Pares |
| • Committee for Human Rights in Latin America | • Mining Injustice Solidarity Network |
| • David Suzuki Foundation | • Oil Change International |
| • Environmental Defence | • Vegans and Vegetarians of Alberta |

Notes and references

¹ In 2009 the Global Humanitarian Forum released a report estimating that climate change impacts kill 300,000 people and seriously affect 325 million more every year. (See *Human Impact Report: Climate Change - The Anatomy of a Silent Crisis*, www.ghf-ge.org/human-impact-report.pdf, p. 1.) More recently, a study commissioned by the governments of 20 countries found that approximately 400,000 people die each year — primarily children in poorer countries — as a result of climate change impacts. (See Fundación DARA Internacional, *Climate Vulnerability Monitor – Executive Summary*, 2012, daraint.org/wp-content/uploads/2012/09/EXECUTIVE-AND-TECHNICAL-SUMMARY.pdf, p. 17.)

² Oil Change International, *The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production*, Sep 2016, priceofoil.org/2016/09/22/the-skys-limit-report/.

³ “A roadmap for rapid decarbonization,” *Science* Vol 355, Issue 6331, Mar 2017, science.sciencemag.org/content/355/6331/1269.

⁴ Greenpeace, *The Norwegian Government Pension Fund and Coal: Time to Take the Next Step*, 2018, [www.greenpeace.org/norway/Global/norway/Klima/dokumenter/2018/The Norwegian Government Pension Fund and Coal Time to take the next step.pdf](http://www.greenpeace.org/norway/Global/norway/Klima/dokumenter/2018/The%20Norwegian%20Government%20Pension%20Fund%20and%20Coal%20Time%20to%20take%20the%20next%20step.pdf).

⁵ Banktrack, “Banks that ended direct finance for tar sands,” www.banktrack.org/campaign/banks_that_ended_direct_finance_for_tar_sands.

⁶ The World Bank, “World Bank Group announcements at One Planet Summit,” 12 Dec 2017, www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit.

⁷ EDC, *Responsibility Starts Here: 2015 Corporate Social Responsibility Report*, 2016, www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Documents/csr-report-2015.pdf, p.31.

⁸ EDC’s climate commitments related to coal are outlined on the “Environment” page of its website (www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Environment/Pages/default.aspx), while the others are included in its *Environmental and Social Risk Management Policy* (www.edc.ca/EN/About-Us/Corporate-Social-Responsibility/Environment/Documents/enviro-policy.pdf), pp. 5-6.

⁹ Between 2013 and 2015. See Oil Change International, Friends of the Earth U.S., the Sierra Club and WWF European Policy Office, *Talk is Cheap: How G20 Governments Are Financing Climate Disaster*, 2017, www.priceofoil.org/content/uploads/2017/07/talk_is_cheap_G20_report_July2017.pdf, p. 16.

¹⁰ EDC, “Canadian Industry Sub-sector 2017,” www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2017.aspx.

¹¹ EDC, *Trade Unlimited: 2017 Annual Report*, 2018, www.edc.ca/EN/About-Us/Corporate-Reports/Documents/annual-report-e-2017.pdf, p. 29. EDC defines a cleantech company as one that offers a “technology or service proven to reduce environmental impacts” (EDC, “EDC helps Canadian cleantech scale up to global markets,” edc.trade/canada-cleantech-financing/).