INVESTORS *for*
PARIS COMPLIANCE

Peter Routledge, Superintendent
Office of the Superintendent of Financial Institutions
255 Albert Street, 12th Floor
Ottawa, Ontario K1A 0H2
Sent via email

April 7, 2022

Dear Mr. Routledge:

We are writing to ask that you take action regarding an issue that has the potential to undermine public confidence in the Canadian financial system - the issue of greenwashing of "sustainable finance."

Many Canadian financial institutions have made pledges to devote hundreds of billions of dollars to "sustainable finance," but clear definitions of what that entails are scarce, leading to a wild west of activity, undermining credibility.

Ultimately, this is an issue of fostering sound risk management and governance practices, squarely in your mandate.

As you know, financial regulators around the world are starting to address greenwashing with regards to ESG claims made by financial institutions in order to shore up public confidence. Some countries or groups of countries are also developing taxonomies to provide common definitions to use in sustainable finance.

To date, Canada has not had a public process to develop a widely accepted taxonomy, and financial institutions are therefore filling the void themselves, often using voluntary guidance from international industry associations like the Loan Syndications and Trading Association (LSTA) and the International Capital Markets Association (ICMA).

This guidance makes no effort to be Paris Aligned nor to address the math of net zero. Financial institutions are free to define their own metrics, which are often verified by outside parties, but are potentially counterproductive in the first place.

For example, this past February Canadian financial institutions helped structure a sustainability linked bond to the oil and gas company Tamarack Valley Energy. They used only intensity based targets for Scope 1 and 2 emissions in their metrics, leaving the company open to using the proceeds to acquire another oil and gas company, thereby expanding production and overall emissions.

Or, last year Canadian financial institutions participated in a sustainability linked loan and bond with Enbridge as it completed the expansion of the Line 3 pipeline, a project with the emissions impact equivalent to 50 new coal fired power plants. Again, the metrics relied only on intensity based targets for Scope 1 and 2 emissions, thereby allowing overall emissions to rise.

These examples are leading to cynicism about the entire sustainable finance enterprise if it can be called one thing while leading to opposite results. We call on you to review this issue with a view to issuing guidance to Canada's financial institutions in absence of a democratically-constituted taxonomy process.

Yours sincerely,

Matt Price
Director of Corporate Engagement