# Re.Climate™

COMMUNICATING FOR CHANGE

Welcome!

# PULLING BACK THE CURTAIN ON CANADA'S BANKS AND NET ZERO

Insights and Lessons for Climate Communicators

Re.Climate is Canada's centre for training, research and strategy on climate change communication and engagement at Carleton University.

# MEET THE SPEAKERS

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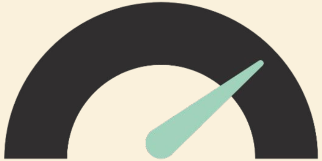
# SUPPORT VS. SKEPTICISM

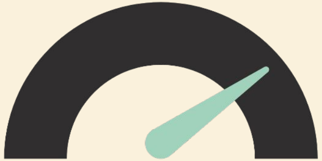


**76%**

Support their bank or financial institution practicing sustainable finance. (Pollara, 2023)

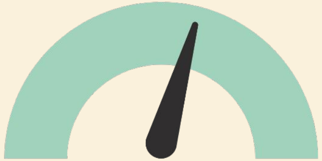
**65%**

Support their pension plan practicing sustainable finance. (Pollara, 2023)



**78%**

Support the government passing new greenwashing regulations in the financial sector. (Pollara, 2023)



**58%**

Believe “governmental leaders are unwilling to pass tough legislation to force businesses and individuals to make climate-related changes.” (Edelman, 2023)

InfluenceMap

# Canada’s Big Five Banks: Heading to Net Zero?

March 2024

# About InfluenceMap

- Climate-risk think tank founded in 2015
- HQ in London with offices in New York, Tokyo, Seoul
- Key workstreams:
  - LobbyMap
  - FinanceMap
- Objective, data-driven analysis of corporates and finance
- Extensive engagement with financial institutions, corporations, regulators, civil society, media, …

# Introduction

- Canada as an economy with significant fossil fuel sector and relatively concentrated banking sector
- Biggest actors: the "Big Five" banks
    - TD Bank
    - RBC
    - BMO
    - CIBC
    - Scotiabank
- Three assessment areas: (1) climate governance, strategy, & policies, (2) financial portfolios, (3) policy engagement

FinanceMap

## Key Findings

- Big Five banks are all Net Zero Banking Alliance members, but are undermining their own net zero commitments
- Lack of robust fossil fuel exclusion policies
- Fossil fuel proportion of total financing grew from 15.5% in 2020 to 18.4% in 2022
- All five are members of obstructive industry associations

FinanceMap

# Climate Governance, Strategy, and Policies – Methodology

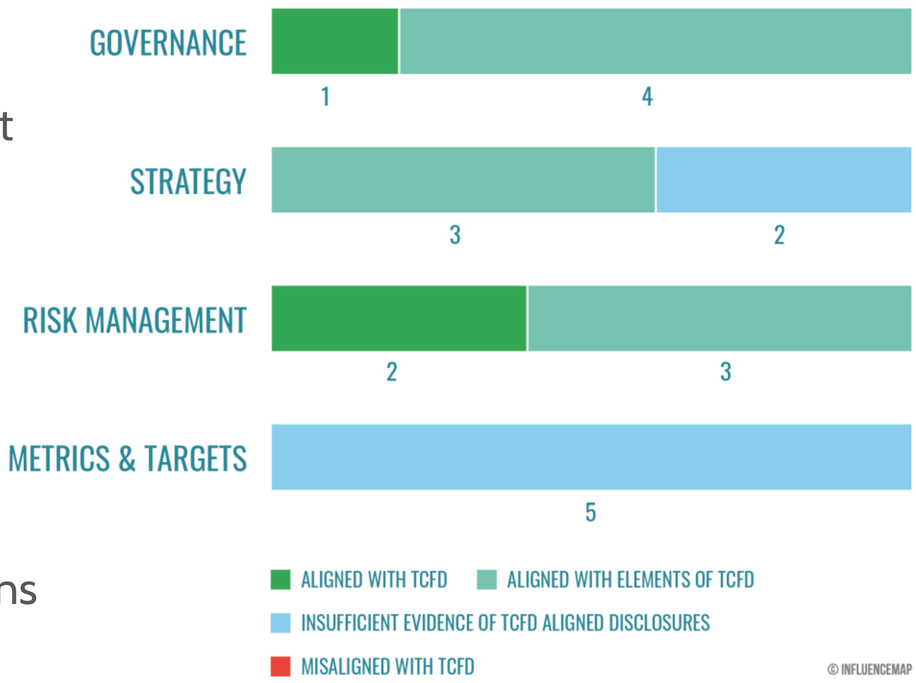
- Assessment area analyzes how banks are incorporating climate risk into decision-making and operations
- Adapted from Taskforce on Climate-Related Financial Disclosures (TCFD), Net Zero Banking Alliance (NZBA) reporting, and IPCC and IEA technology statements
- 16 queries/sub-areas assessed:
    - TCFD's 11 recommendations across 4 key areas: governance, strategy, risk management, and metrics and targets
    - SBP benchmarks used to measure technology positions on: coal, oil, gas, nuclear, and renewables

FinanceMap

# Governance – Findings

- Average score for region is D+ (US: D+, Europe: C+)
- Governance: Board and management oversight improving
- Strategy: Lack of disclosure around results of scenario analysis
- Risk Management: Stated risk management policies are not backed up by necessary risk  mitigation actions
- Disclosures in these 3 areas not backed up by necessary actions to reduce emissions

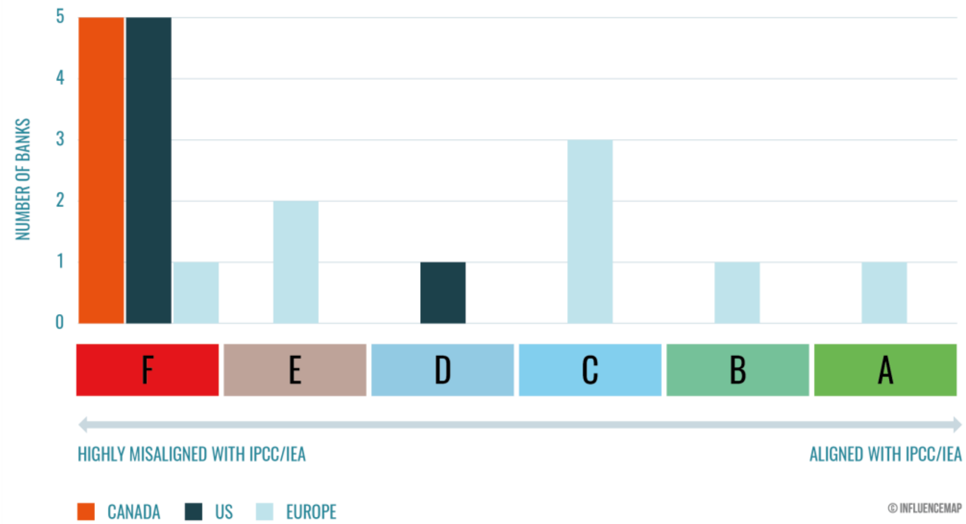
Big Five's Alignment with TCFD Pillars



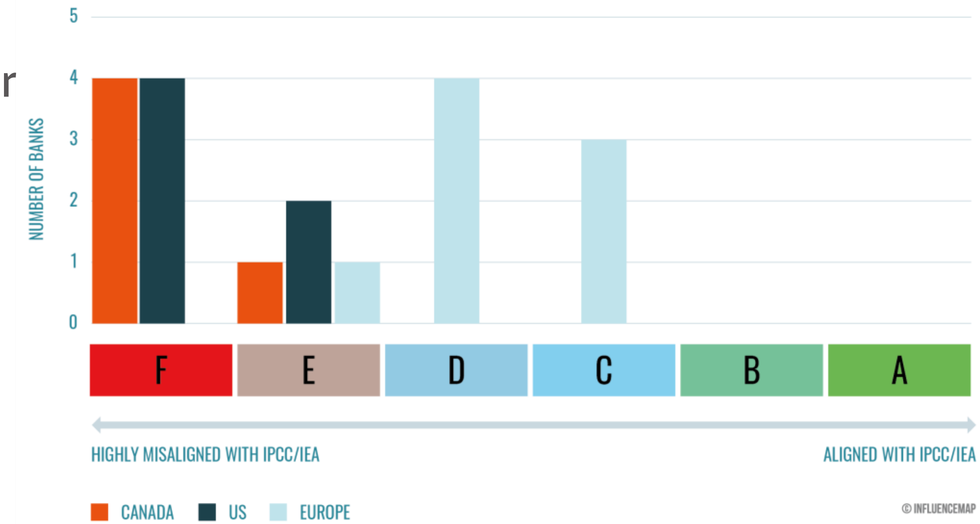
# Governance – Findings

- Targets: 2030 targets are not robust (in metrics or scope)
- Regional average for both coal and O&G exclusion policies is F
- Coal: No coal phaseouts set and all banks accepting new coal clients
- O&G: Only limited exclusions for unconventional O&G
- Most banks have not updated policies since joining NZBA

## Coal Exclusion Policy – Canada vs US vs Europe




## Oil & Gas Exclusion Policy – Canada vs US vs Europe



# Governance – Latest Updates

- Big Five released new climate reports in March
- No updates to fossil fuel exclusion policies
    - BMO removed its coal policy from its website
    - Scotiabank plans to update coal policy by the end of FY24
- Progress on interim targets for power sector, BUT reported absolute power emissions increased
- Focus on increased financing for renewables/decarbonization without addressing fossil fuel financing emissions
- New ‘client-engagement’ strategies and decarbonization assessment frameworks

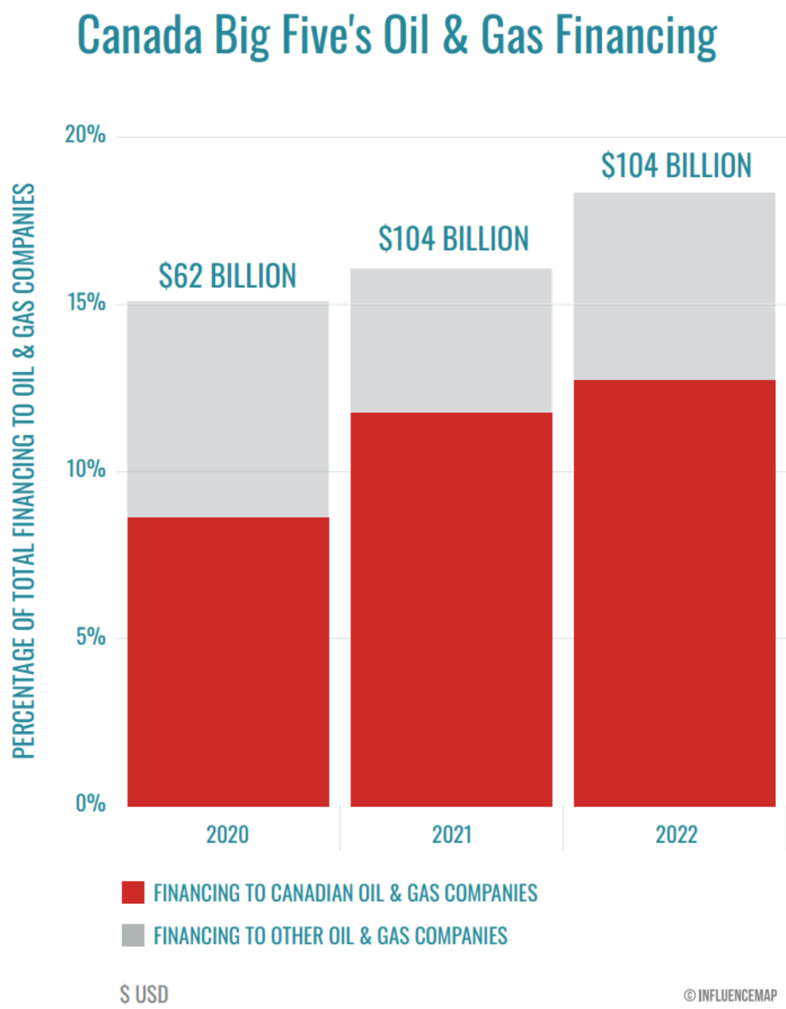
# Portfolio Analysis – Methodology

- Assessment covered $1.6 trillion in corporate lending and bond and equity underwriting in 2020–2022
- Three metrics:
    - Fossil fuel exposure
    - Green exposure
    - Portfolio Net Zero Alignment score (PACTA)

fM FinanceMap

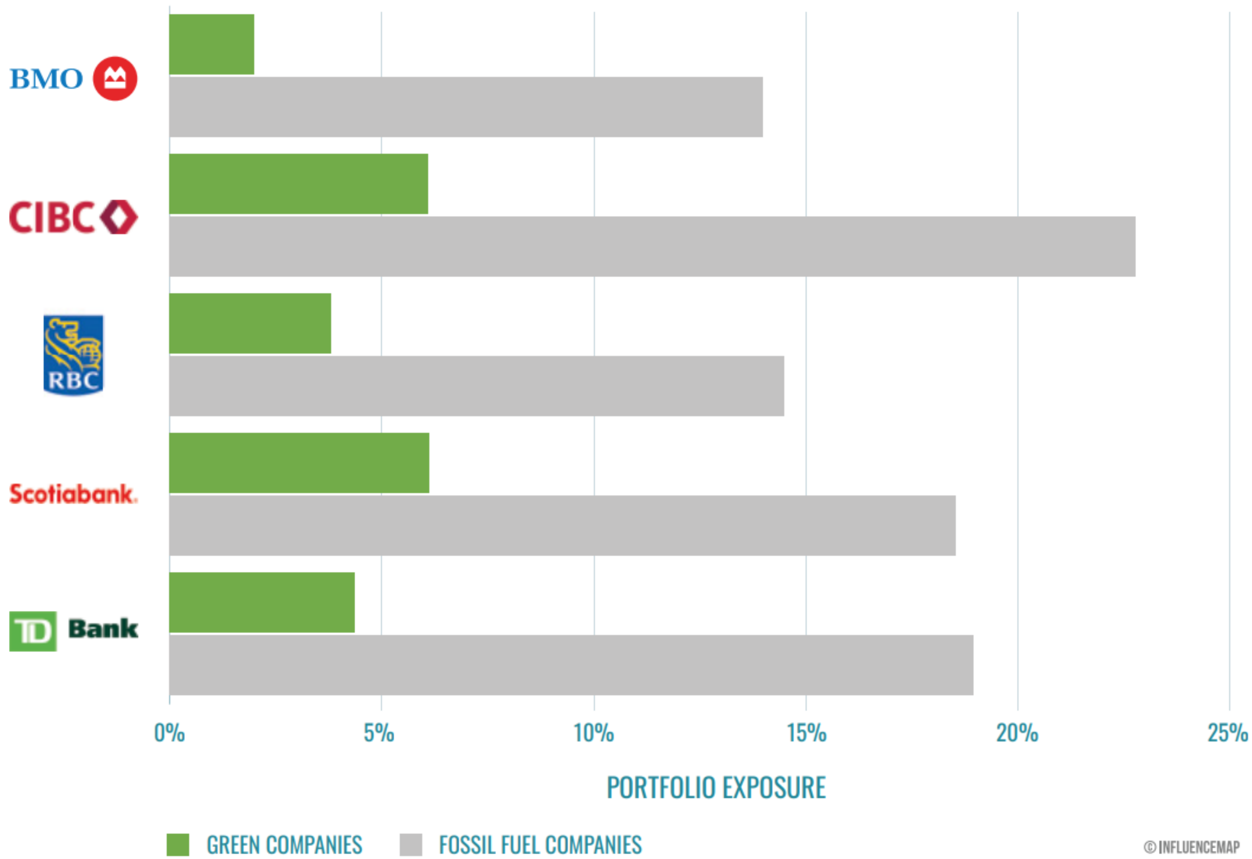
# Portfolio Analysis – Findings

- Fossil fuel financing 16.9% of total Big Five financing value
    - US: 6.1%
    - Europe: 8.7%
- $270 billion in financing to oil and gas companies
  → 68% of which domestic
- $62 billion in financing to just 3 Canadian O&G giants: Enbridge, TC Energy, and Cenovus



FinanceMap

# Big Five Fossil Fuel vs Green Financing (2020-2022)




| Region | Fossil fuel to green ratio |
|---|---|
| Canada | 3.9 : 1 |
| US | 2.8 : 1 |
| Europe | 2.0 : 1 |

# Portfolio Analysis – Findings

- All financing portfolios significantly misaligned with IEA Net Zero Scenario
- Big Five average: -27% misalignment
  - US banks: -30%
  - European banks: -26%

| Bank | Portfolio Net Zero Alignment |
|---|---|
| CIBC | -26% |
| BMO | -26% |
| Scotiabank | -27% |
| RBC | -27% |
| TD Bank | -29% |

FinanceMap

# Policy Engagement – Methodology

- Definition of policy engagement from UN Guide for Responsible Corporate Engagement in Climate Policy
- Seven publicly accessible data sources (corporate websites, social media, media, CEO messaging, investor communications, and direct consultations with governments)
- Policy neutral: company positions are assessed relative to the proposed policy ambition and science-based benchmarks
- Assessment includes direct and indirect engagement

# Policy Engagement – Findings

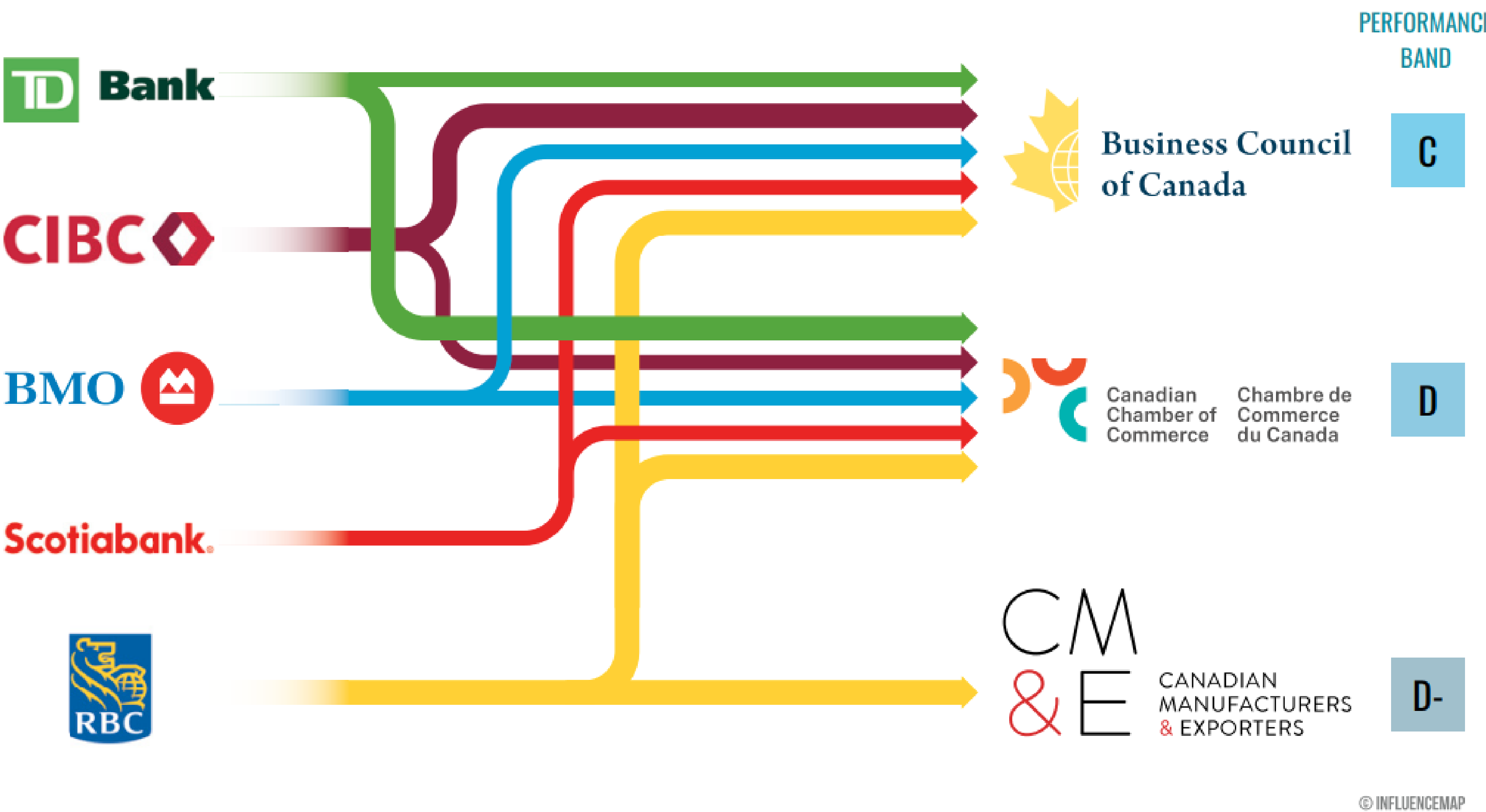
- Compared to US and European counterparts the Big Five are less actively engaged on sustainable finance policy:

| Banks by Region | Average Engagement Intensity |
|---|---|
| Canada | 11% |
| USA[28] | 17% |
| Europe[29] | 29% |

- All banks belong to industry associations working to dilute/block climate policies in Canada and globally
    - Finance: Canadian Bankers Association
    - Industry: Canadian Chamber of Commerce, Business Council of Canada, Canadian Manufacturers & Exporters

FinanceMap

# Bank Membership to Cross-Sector Associations



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# Lack of Transparency

- Banks report engagement on policy development but give few details about policy outcomes sought


- Banks do not report on engagement by industry associations
- Banks do not assess misalignment of industry associations with own policy positions

# Conclusion

- Big Five banks claim to recognize importance of role in transition through Net Zero Banking Alliance membership
- All 5 are undermining their own net zero commitments through:
  - High fossil fuel financing & low green financing
  - Lack of robust exclusion/financing policies
  - Inconsistent policy engagement
- Without climate-related financial regulation, banks have taken little voluntary action to align with net zero

FinanceMap

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A platform by InfluenceMap

# Q&A

# Thank You

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