To: Diana Smallridge, team Leader, Review Team
Glen Hodgson, Stakeholder Liaison, Review Team

Re:	**Submission 2018 Legislative Review EDC**
Date:	**2 November 2018**

Dear Madam, Sir,

As civil society organizations working across a number of countries on issues of climate change and trade finance, we welcome the opportunity to share the following input for the legislative review of Export Development Canada (EDC).

In its 2017 annual report EDC reiterates its role as a federal Crown corporation that supports the Canadian economy and trade by removing barriers or risks that might impede Canadian companies from competing internationally. As a company wholly owned by the Canadian government, which benefits from the full faith and credit of the Canadian government, EDC's activities aim to enhance the leverage of Canadian companies abroad. In doing so, the legislation defining EDC's mandate must ensure that all rights and obligations defined in international treaties to which Canada is a party are protected, respected, and – in cases of violation – remedied.

We commend Canada's self-declared leadership on climate change and its prioritizing of climate-change action and clean economic growth.[1] We also welcome EDC expressing a "desire to be sustainable and embrace a future global economy that is less carbon dependent."[2] However, according to EDC's own disclosure, it has in the period of 2012 – 2017 provided an enormous amount of support – CAD $61.5 billion – to the oil and gas sector.[3] With this level of support EDC ranks amongst the top four export credit agencies in the G20 backing oil and gas projects,[4] and is the largest supporter of oil and gas among the G20 relative to the size of the national economy. EDC has made modest commitments to limit financing of coal-fired power plants[5] but these commitments do not appear to exclude support for coal mining activities.

---

[1] https://www.canada.ca/en/environment-climate-change/news/2017/06/canada_demonstratesinternationalleadershiponenvironmentandclimat.html
[2] EDC 2017 Annual Report, p. 5; https://www.edc2018.ca/media/documents/EDC_AR_2017_E.pdf
[3] 2012 = CAD $9.5 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2012.aspx ; 2013 = CAD $8.8 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2013.aspx ; 2014 = CAD $12.5 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2014.aspx ; 2015 = CAD $8.4 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2015.aspx ; 2016 = CAD $12 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2016.aspx ; 2017 = CAD $10.4 billion, https://www.edc.ca/EN/About-Us/Disclosure/Reporting-on-Transactions/Pages/industry-sub-sector-2017.aspx.
[4] Financing Climate Disaster: How Export Credit Agencies Are a Boon for Oil and Gas, 2017, p. 9; http://priceofoil.org/content/uploads/2017/10/Financing-Climate-Disaster.pdf
[5] https://www.edc.ca/en/about-us/corporate-social-responsibility/environment/Pages/default.aspx

The scale of EDC support for fossil fuel-related transactions clearly does not match Canadian leadership in international efforts to combat climate change. The recently released and internationally approved IPPC special report[6] confirms that the world already is seeing the impacts of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice, among other changes. The report finds that limiting global warming to 1.5°C would require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport and cities. Global net human-caused emissions of carbon dioxide (CO2) would need to fall by approximately 45 percent from 2010 levels by 2030, reaching 'net zero' by around 2050. It must be concluded from this report that all public support for new exploration and production activities of coal, oil and gas is to be stopped with urgency, while actions to limit global warming to 1.5°C must be accelerated.

In addition to the physical risks, climate change also brings about significant financial risks for the global economy. To respond to such risks, a wide range of institutions is working to enhance climate-related financial disclosure practices, in the context of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) for example.[7] The Norges Bank of Norway is contemplating the removal of oil and gas stocks from the benchmark index of the world's largest government pension fund, the Government Pension Fund Global (GPFG).[8] The World Bank Group decided in 2017 that - after 2019 - it will no longer finance upstream oil and gas.[9]

On the same day that the recent IPCC report was published, the Dutch central bank released a report on a stress test it did on the significant risks of shocks in energy transition/climate policies for the financial sector in the Netherlands.[10] The report concludes that the losses for financial institutions in the event of a disruptive energy transition could be sizeable. Individual financial institutions need to mitigate the risks of their portfolios by taking these energy transition risks into account. The report further signals that policymakers should help avoid unnecessary losses by implementing timely, reliable and effective climate policies. All these signals carry a significant warning for export credit agencies around the world – including in Canada.

Furthermore it is important to recall that the impacts of climate change are not only due in the future. Already in 2012 it was estimated that on average approximately 400 000 people – mostly children in developing countries – die every year because of climate change impacts.[11] Despite commitments of developed countries – including Canada – under the UN Framework Convention on Climate Change and the more recent Paris Agreement, greenhouse gas emissions continue to rise, endangering the fundamental human right to life of millions of people and the healthy ecosystems

---

[6] Global Warming of 1.5°C, an IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, http://www.ipcc.ch/report/sr15/

[7] It is noted with appreciation that EDC recently became the first export credit agency to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); https://www.edc.ca/EN/About-Us/News-Room/News-Releases/Pages/EDC-commits-to-climate-related-financial-disclosure.aspx

[8] https://www.nbim.no/en/transparency/submissions-to-ministry/2018/energy-stocks-in-the-government-pension-fund-global/

[9] https://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit

[10] https://www.dnb.nl/binaries/OS_Transition risk stress test versie_web_tcm46-379388.pdf

[11] Climate Vulnerability Monitor 2nd Edition, 2012; https://thecvf.org/web/publications-data/climate-vulnerability-monitor/2012-monitor/

that sustain those lives. Since governments seem to fail in their commitments to deliver effective measures to reduce greenhouse gas emission levels, climate change litigation is stepping in.[12]

To avoid such litigation being required to ensure an end to EDC's contributions to promote further and evermore dangerous levels of greenhouse gas emissions around the globe, and also to ensure that the Government of Canada will publicly commit to action that substantiates its leadership on climate change policies, we recommend that the Government of Canada amend EDC's governing legislation to ensure that EDC:

1. disclose information on all transactions that relate to the exploration, production and transportation of coal, oil and gas;
2. decrease the level of support to operations related to the exploration, production and transportation of coal, oil and gas in the near future, resulting in a complete phase out of such support no later than 2020.

In addition we recommend EDC to shape leadership on climate change policies by forming alliances with other export credit agencies to end all fossil fuel support from these government backed institutions as soon as possible.

Yours sincerely,

Wiert Wiertsema,
Senior Policy Advisor, Both ENDS

On behalf of the following endorsing organizations:

- Abibiman Foundation, Ghana
- Both ENDS, The Netherlands
- CEE Bankwatch Network, Czech Republic
- GegenStroemung – CounterCurrent, Germany
- Friends of the Earth-US, USA
- Oil Change International, USA

Contact address:

Both ENDS
Nieuwe Keizersgracht 45
1018 VC Amsterdam
The Netherlands

E-mail: w.wiertsema@bothends.org

[12] http://climatecasechart.com/