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Canada's biggest banks risk backlash by doubling their funding for highly polluting oil projects

Article

The news: The biggest Canadian banks more than doubled funding into highly polluting tar sands oil projects to $16.8 billion last year, according to a report by a coalition of environmental groups.

More on this: The report casts doubts over Canadian banks' commitment to reach net zero emissions by 2050, despite their having signed the UN-convened banking alliance pledge.

- Tar sands, or oil sands, emit substantially more climate-polluting greenhouse gas than conventional oil and are one of the most carbon-intensive oil sources.
- **Canadian banks make up five of the six biggest global investors in tar sands** since the 2016 Paris climate agreement.
- **TD Bank**, **Royal Bank of Canada (RBC)**, **CIBC**, **Scotiabank**, and **BMO** collectively channeled $88.8 billion into the top 30 tar sands producers and six tar sands pipeline companies between 2016 and 2021, **upping their financing by almost $9 billion** last year.
- Nearly two-thirds of directors at the five banks have past or present ties to high-carbon industries—meaning **Canadian banks have more climate-conflicted ties** than their US or UK equivalents, per DeSmog data.

Words versus actions: Banks face mounting pressure from the public to prioritize combating climate change but the actions of some banks don't reflect their stated good intentions:

- Last month, a report found that banks **invested $742 billion in coal, oil, and gas companies** last year, despite extensive public climate commitments.
- RBC, CIBC, and Scotiabank **shrugged off shareholder calls for more rigorous climate policies** last week, according to the Financial Times, while TD Bank and BMO will likely face similar challenges at their annual meetings this week.

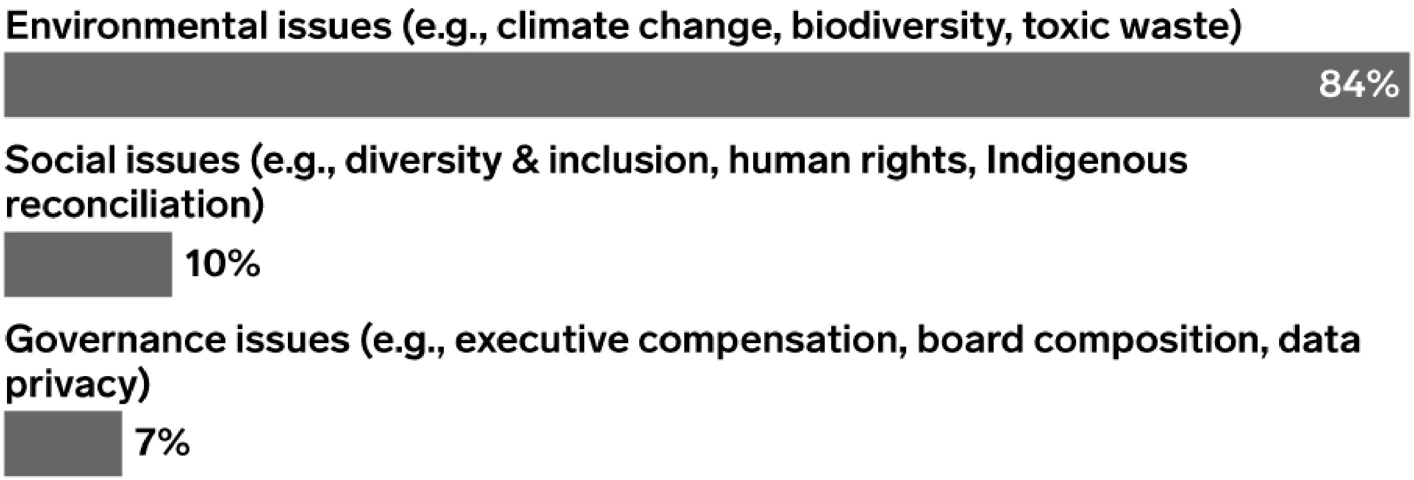
The big takeaway: Banks that fail to **move sustainability up the agenda** risk alienating clients.

Last year, over half of those surveyed in every Canadian province **showed some support for phasing out fossil fuel use**, per Environics. This concern for the environment will only strengthen as Generation Z takes up additional banking products.

Canada's biggest banks have yet to make the sweeping changes needed to hit their net-zero portfolio targets. At some point, **public pressure and growing concerns over environmental damage** will force them to act or face charges of hypocrisy. Long-term changes that drive sustainability across the organization will benefit banks more than short-term financing that could harm their brands and bottom lines.

Environmental, Social, and Governance (ESG) Issues that Are Most Important to Their Clients According to Financial Advisors in Canada, Sep 2021

% of respondents



Note: n=465; numbers may not add up to 100% due to rounding
Source: Responsible Investment Association (RIA), "RIA 2021 Advisor Opinion Survey Report" conducted by Newcom Media, Jan 20, 2022

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