



EDC NET ZERO 2050

Steps, considerations and decisions
along the path to net zero by 2050

July 2021

Canada




TAKE ON **THE WORLD**

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NET ZERO AT A GLANCE

Export Development Canada (EDC) is committed to becoming a net zero institution by 2050. For EDC, net zero means emissions generated by recipients of our financial products are balanced by emissions removed by recipients of our financial products and services over a specified period. It does not mean zero emissions; there will still be emissions produced in a net zero world. However, under the net zero scenario, residual emissions are ‘neutralized’ by projects or companies that capture, use or store the emissions already in the atmosphere.

Our plan includes reducing emissions from our portfolio and our operations to net zero emissions by 2050. We will achieve this by first decreasing support for some high-emitting sectors, including a sharp reduction in support for foreign fossil fuel projects and companies. Then we will turn our focus to working with our customers to help them innovate to lower their emissions while increasing our support for business aligned with a low carbon transition.

Achieving our climate goals will require long-term commitment and significant work in partnership with our customers, stakeholders and peers. An integral part of this is ensuring a just and inclusive transition, recognizing the connection between the actions we take to address climate change and effects on development and poverty. We will factor in the needs of workers and communities to minimize any negative impacts on their rights and livelihoods.

WHY NET ZERO BY 2050?

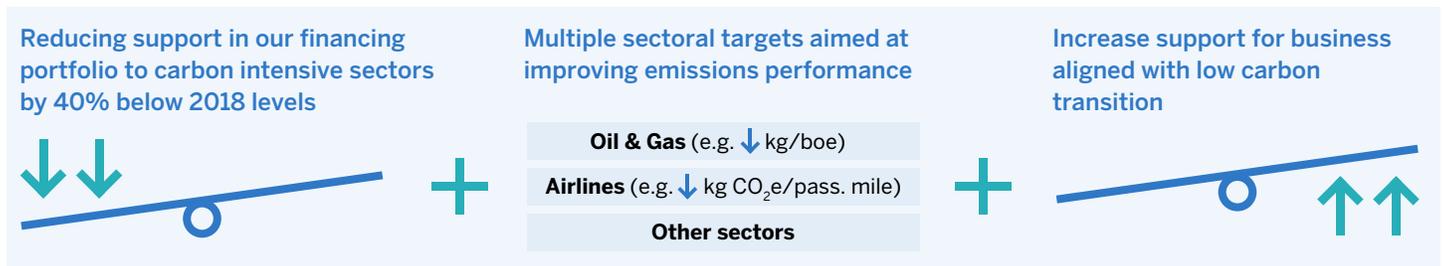
More than two decades ago, EDC began its journey to making responsible and sustainable business practices a priority, both for itself and our customers. During this time, we've developed and refined our due diligence process, and policies related to environmental and social risk management, and compliance. Given the growing imperative of environmental, social and governance (ESG) performance—for the betterment of society, to bolster trade and to pave the way for companies' long-term growth—we've now made it a key enabler of our long-term business strategy and corporate values, to guide our decisions and help us make a positive impact, while acting with integrity and transparency.

This commitment is a significant step along a path toward a more modern business and trade reality. As the transition to a low carbon economy accelerates, our commitment to net zero is a pledge to act decisively and responsibly, building on the momentum we have established over the past decade.

As we have been building and strengthening our climate and environmental commitments, we have seen governments, institutions and individuals voice their support for greater action. The Government of Canada, our shareholder, recently issued its annual [Statement of Priorities and Accountabilities](#) for EDC. The document articulates the need for us to act with authority, transparency and accountability in Canada's efforts to achieve net zero emissions by 2050. We understand the urgency for greater climate action and are firmly committed to doing our part in a meaningful way. We also understand the need to have a credible plan, based in science, to back up our commitment and will continue to engage with Canadian companies and industry associations as we build that plan.

We began work on carbon reduction targets relating to our financing portfolio after releasing our first-ever dedicated [Climate Change Policy](#) in 2019. The first, and best, opportunity for EDC to contribute is by supporting our customers in reducing their emissions and by reducing our own. We are now on the path to net zero by 2050 and as we reframe and refocus our business, that path includes:

- **By 2023, reducing our financing support to the six most carbon intensive sectors by 40% below 2018 levels.** This is the first step toward phasing out new direct government support for international carbon intensive fossil fuel projects and companies, as committed to by Canada and the G7.
- **By 2030, driving further emissions reductions through science-based, sectoral emission intensity targets.** These targets, which we will set and publicly disclose by July 1, 2022, will encompass those businesses operating in the most carbon intensive sectors.
- **Setting and disclosing a sustainable finance target by July 1, 2022** to increase our support for innovative Canadian business aligned with the low-carbon transition through mechanisms such as our cleantech solutions, Green Bonds, sustainability-linked lending and knowledge products.
- **Reducing our operational emissions to zero by 2030** and considering, only as a last resort, purchasing carbon offsets—a means of compensating for emissions—as an interim solution or where reasonable alternatives are not found.



We will roll these steps out in a phased approach, consistently reporting on and disclosing our progress in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which are published in our [integrated annual reports](#). As noted above, we currently have a 2023 target and are working on setting sector-based targets for 2030 as well as a target for sustainable financing. These will help ensure our transition is done in a responsible way that balances our mandate to support all sectors of the Canadian economy with the need to reduce the carbon intensity of our business.

2023 TARGET

Our dual role as a financial institution and as a Canadian Crown corporation has meant we have had to weigh several unique considerations as we continue along our path to net zero by 2050.

Our calculation for achieving net zero emissions in 2050 must include our [operational emissions](#)—that is the greenhouse gas equivalents associated with business travel and energy consumption. We are committed to doing so by further reducing our electricity and natural gas consumption and through travelling less for business. Only as a last resort, and if all reasonable alternatives have been exhausted, will we purchase offsets, and ideally as an interim solution.

The much more significant consideration is the composition of our portfolio, which is where the bulk of our emissions originate through the financial products provided to our customers. Our mandate is to support the Canadian economy, for the benefit of all Canadians, through trade facilitation. To accomplish this, we offer a variety of products and services to businesses operating in a multitude of industries, from those in carbon intensive sectors to those at the leading edge of the clean technology sector.

Businesses throughout that spectrum are vital to the long-term health of Canada's economy, and all have a role to play in the Government of Canada's objectives of net zero emissions by 2050. In 2019, we began work to set a target to reduce financing exposure to the most carbon intensive sectors by 15% over five years from a December 31, 2018 baseline of \$22.4 billion. EDC met that target in 2020 and has strengthened that target to a 40%, or \$8.9 billion, reduction. Part of this work will include a sharp reduction in financial support for foreign fossil fuel projects and companies.

Reduce absolute carbon intensive exposure by 40%



For context, the six sectors we identified as the most carbon intensive are:

- upstream oil and gas;
- airlines;
- cement manufacturing;
- metals smelting and processing;
- petrochemicals, refining chemicals and chemicals manufacturing; and
- thermal power generation.

As of 2020, those sectors collectively represent 26% of our financing business.

2030 TARGETS

To reach our climate targets, we will have to make tough choices. We will gradually and responsibly reduce our financial support for high-emitting business that we have identified as not consistent with our climate goals and corporate strategy. By July 1, 2022, we will set and disclose 2030 science-and sector-based targets for the most carbon intensive sectors, while considering how to expand the targets to all sectors we support. However, we will not stop supporting Canadian companies operating in carbon intensive sectors.

The reduction in financial support for foreign fossil fuel projects and companies will free up capacity at EDC to provide increased support for innovation and transition efforts within the domestic energy sector. We will enable and support these businesses to invest in their ESG performance to help drive further emissions reductions. The oil and gas sector, for example, while accountable for a significant portion of Canada's emissions, is critical to Canada's economy and will remain so during the transition to a lower carbon future.

In 2019, the sector supported more than 176,000 direct jobs and 422,000 indirect jobs in Canada. That same year, the sector contributed 7.8%, or \$167 billion, to nominal GDP, and energy trade accounted for 23% of total Canadian goods exports.

EDC is uniquely positioned to help Canadian exporters innovate, leverage emerging global opportunities and strengthen their ESG practices. We know first-hand the difference strong ESG practices can make in opening doors, mitigating risks and achieving long-term success. To that end, we are currently leveraging best available data aggregation and calculation methodologies to help set science- and sector-based targets, which will help drive further reductions for the carbon intensive sectors we support.

With targets in hand, we will support Canadian businesses in their ESG transition through sharing knowledge and advice and providing financial solutions that help their business succeed in a changing global marketplace.

Our 2030 carbon reduction targets will revolve around setting sector-based targets. We are not there yet, but by July 1, 2022, we will have set these targets for the most carbon intensive sectors, after analyzing the overall performance of each; this will align with the Government of Canada's commitment to the Paris Agreement. This work will enable us to benchmark customers against their peers and determine the pace at which our customers will need to transition. All this is with the goal of enabling focused engagement with our customers about how to make that change happen.

Of course, many customers in carbon intensive sectors have already invested heavily in reducing their emissions. Since 2012, major operators in Canada's oil and gas sector have invested more than \$1 billion per year in research and development initiatives, according to a 2020 BMO Capital Markets report.

At EDC, we have started requiring companies in the sector to publish climate-related disclosures within one year of receiving our services. Regardless of where a Canadian company is in their ESG planning and performance journey, we are here to support them. We take a proactive approach to helping our customers understand and mitigate ESG risks and to anticipate future growth opportunities that will accelerate their business in a changing global environment.

GOING FORWARD

The preceding section mentioned the work we are doing to establish our science- and sector-based 2030 targets for the most carbon intensive sectors. The data and methodology pilot, which we will continue over the next year, will help us determine how to best measure, monitor and report on the carbon intensity of our business. This work will also inform how we can expand the targets to other sectors and financial products. We are committed to continuing this examination and making choices to help meet our climate goals, and those of our country. We will also be transparent at every stage of our net zero journey.

Our 2019 [Climate Change Policy](#) is guided by our support for the 2015 Paris Agreement, which aims to strengthen the global response to the climate change challenge and spur a transition to a low carbon and climate resilient future. Action across all sectors is required to mitigate the effects of climate change and, therefore, the scope of our policy reflects that reality.

Sustainable and responsible business practices are central to every relationship, partnership and business deal we undertake. Developing and regularly updating our ESG practices helps ensure EDC and Canada remain leaders in proactive risk management and sustainable and responsible economic development. In short, supporting and enabling sustainable and responsible business are integral to EDC's core values and strategy as an organization.

We have an established history with ESG best practices: our [advisory council](#) includes leading experts in business and civil society; we are active members of and signatories to international fora, working groups, and industry standards; and we work to continuously improve our business practices with respect to sustainability, responsibility and transparency.

In 2021, we are joining two groups to support and advance our work in this space. We recently signed onto the Partnership for Carbon Accounting Financials (PCAF), which has emerged as the leading methodology for calculating portfolio emissions in the financial sector, will require EDC to track and disclose, within three years, financed emissions.

As a member of PCAF, we look forward to exchanging best practices with our peers in the financial sector who are also committed to developing the science-based methods necessary to address climate change and drive action in their portfolio. Likewise, we will be joining the Powering Past Coal Alliance (PPCA), a coalition of national and sub-national governments, businesses and organizations working to advance the transition from unabated coal power generation to clean energy, whose position on coal is well-aligned with EDC's.

These steps, and EDC's pledge to net zero by 2050, are the most recent examples of our commitment to supporting broader environmental objectives and those of the Government of Canada. EDC will continue to align with the Government of Canada in all aspects, including its recent [legislation](#) regarding interim targets along the pathway to 2050.

THE PATH THAT LED US HERE

We have taken a number of steps in line with our latest commitment to net zero by 2050 over the last several years.

In 2012, EDC identified cleantech as a corporate priority. Since then, we have facilitated approximately \$13.5 billion in Canadian cleantech exports, which include companies focused on either climate mitigation or environmental protection goods and services. And, as the amount of business support provided to carbon intensive sectors decreases, we have increased our support to the cleantech industry by more than 120% over the past three years. The Government of Canada has asked EDC to continue building support in this important sector and to regularly report on our progress, in terms of business volumes and the number of clients supported overall and by subsector.

In 2014, we issued our first Green Bond, making us the first Canadian financial institution—and the first export credit agency globally—to do so. In 2020, we had three outstanding bonds that financed 20 transactions. As a result, we anticipate 6.1 million tonnes of CO₂e will be avoided, representing a 46% increase in avoided emissions over the previous year.

Our indication of support, in 2018, for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is another landmark moment. The recommendations provide a best-in-class disclosure framework for climate change-related information, including risks and opportunities. With each disclosure, published in our integrated [annual reports](#), we are refining the granularity and sophistication of our data. Beyond that, however, the recommendations drive the decisions we take pertaining to strategy and policy, enabling us to consider the implications our business decisions have on climate change.

Last year, we took our support for the TCFD a step farther. As of January 2021, EDC began to require Canadian and international companies in the oil and gas sector, that have not already done so, to publish their own climate-related disclosure reports within one year of receiving EDC services.

Our first [Climate Change Policy](#), published in 2019, was the catalyst for much of the work now underway. Through the policy, we strengthened our position on coal and committed to no new financing for coal-fired power plants, thermal coal mines or dedicated thermal-coal infrastructure. Amongst other new measures, it also committed us to measuring, monitoring and setting targets to reduce the carbon intensity of our lending portfolio.

We published progress against our initial carbon target, which was to reduce our exposure to the six most carbon intensive sectors by 15% over five years from our 2018 baseline, in our [2020 climate-related disclosure](#). That target committed EDC to reducing our exposure to carbon intensive sectors in our lending portfolio by 15% over five years from our 2018 baseline. The deadline was set for Dec. 31, 2023 but, while we committed to supporting all Canadian businesses through the pandemic and toward eventual recovery, careful management of our portfolio in 2020 enabled us to meet that target three years ahead of schedule.

Meanwhile, the Government of Canada committed to net zero emissions by 2050, introduced legislation to formalize that goal and establish a series of interim carbon reduction targets for every five years leading up to 2050.

We have gradually reduced the amount of business support provided to the oil and gas sector. In 2020, we provided approximately \$8.1 billion in total business support to the oil and gas sector through our financing and insurance solutions, representing 7.9% of our total portfolio that year. This represents a 35% reduction since 2018, when we provided approximately \$12.5 billion to the sector.

Further, we are no longer providing new financing to international oil and gas customers under our Business Connections program. EDC's Business Connections program consists of forward-looking financing to international buyers in anticipation of future contracts won by Canadian suppliers facilitated by EDC introductions.

To meet our mandate of supporting the Canadian economy for the benefit of all Canadians, we will continue to support Canadian companies operating in the sector. Beyond our mandate, we believe the most important contribution we can make to our goal—and that of the Government of Canada—is to work with our customers to take climate action. That means continuing to provide products and services in support of our customers' innovation and transition and building a customer base that has Canada's climate goals at the forefront of its decisions.

In her 2021 [Statement of Priorities and Accountabilities](#) to EDC, the Minister of Small Business, Export Promotion and International Trade acknowledged EDC's efforts to help address climate change, and asked us to continue broadening and accelerating our efforts. Our pledge to net zero and the significant amount of work we will take to reach it underscore our commitment to doing our part to meet Canada's climate goals.

EDC CLIMATE ACTIONS TIMELINE



EDC identified **cleantech** as a corporate priority

2012



EDC issued its **first Green Bond**

2014



EDC approved its **cleantech 2.0 strategy**, which set ambitious targets of reaching 200 companies and supporting more than \$2 billion annually in cleantech exports by 2020

2016

EDC implemented the **OECD Coal Sector Understanding**, which limited export credit agencies' support to new coal fired power plants

EDC helped facilitate **more than \$1 billion** in cleantech exports for the first time

2017

EDC implemented a **new policy** regarding its support for **coal-fired power plants**, establishing even more stringent restrictions on EDC's support to the industry



EDC launched a comprehensive review of its **Environmental and Social Risk Management (ESRM) policies**

2018

EDC supported the recommendations of the **Task Force on Climate-related Financial Disclosures**



EDC begins work on establishing its **first carbon reduction target**, expiring in 2023

2019

EDC published its **first Climate Change Policy**



EDC supported 288 cleantech companies in 2020, facilitating **\$4.55 billion** in business

December 2020

EDC achieved an important milestone well ahead of schedule by **meeting its 2023 target** to reduce its lending exposure to carbon-intensive sectors



EDC fully **implemented the Climate Change Policy** and started identifying areas to continue evolving its approach

January 2021



EDC announced commitment and path to **net zero 2050** and a strengthened 2023 carbon reduction target

July 2021



EDC will set and disclose its **2030 science-based sector targets**

By July 2022

EDC will set and disclose its first **sustainable finance target**

EDC will launch an **updated Climate Change Policy**

2022



EDC will achieve a **40% reduction** in our exposure to the most carbon intensive sectors in our financing portfolio over 2018 levels

2023

ABOUT EXPORT DEVELOPMENT CANADA

Who are we?

Export Development Canada (EDC) is Canada's export credit agency. Our job is to support and develop Canada's export trade by helping Canadian companies respond to international business opportunities. We're a self-financing Crown Corporation that operates at arm's length from the Government of Canada.

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