

## **CANADA SIGNALS FORWARD MOVEMENT ON MANDATORY CLIMATE-RELATED DISCLOSURE AND OTHER CLIMATE-RELATED INITIATIVES**

Canada is joining the European Union and the United Kingdom in moving forward towards mandatory climate-related financial disclosure, based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD). (For a discussion of these global efforts, see my prior briefing notes [UK Efforts](#), [EU Sustainable Finance](#), [EU Taxonomy](#) and [ISSB developments](#)). The move is set out in mandate letters sent by Prime Minister Justin Trudeau to his Deputy Prime Minister and Minister of Finance, Chrystia Freeland (available [here](#)), and his Minister of Environment and Climate Change, Steven Guilbeault (available [here](#)).

Both mandate letters contemplate that the Canadian federal government would work with Canadian provinces and territories (whose securities regulators have jurisdiction over corporate disclosure) to develop the mandatory disclosure rules and separately would develop mandatory disclosure requirements for federally regulated institutions, including financial institutions, pension funds and government agencies, in respect of climate-related financial disclosure and net-zero plans.

The direction on mandatory climate-related financial disclosure is part of a comprehensive set of mandates to combat climate change and achieve net-zero emissions by 2050. The mandate for the Deputy Prime Minister/Minister of Finance also includes launching an annual green bond issuance program, with an initial issuance of \$5 billion of green bonds, and working with the Prime Minister to champion the adoption of a global minimum standard on carbon pricing in coordination with key trading partners, including the United States and the European Union, as part of a broader effort to establish a Border Carbon Adjustment regime, applicable in particular to emissions-intensive products, such as steel, cement and aluminium.

Other climate-related objectives included in the mandate letter sent to the Deputy Prime Minister/Minister of Finance include:

- accelerating Canada's G20 commitment to eliminating fossil fuel subsidies from 2025 to 2023;
- developing a plan to phase out public financing of the fossil fuel sector, including by federal Crown corporations;
- eliminating flow-through shares for oil, gas and coal projects;
- introducing an investment tax credit for capital invested in carbon capture, utilization and storage projects;
- introducing additional investment tax credits for renewable energy and battery storage solutions;
- doubling a tax credit for minerals essential to the manufacture of vital clean technology; and
- establishing an investment tax credit for a broad range of market-ready and emerging clean technologies.

Other climate-related objectives included in the mandate letter sent to the Minister of Environment and Climate Change include:

- by the end of March 2022, bringing forward an updated Emissions Reduction Plan to achieve a 40-45% reduction in emissions by 2030 from 2005 levels;

- capping oil and gas sector emissions at current levels, which will require the oil and gas sector to reduce emissions at a pace and on a scale needed to align with the achievement of net-zero emissions by 2050, with five-year targets to stay on track;
- requiring through regulations the reduction of oil and gas methane emissions in Canada by at least 75% below 2012 levels by 2030;
- introducing a Clean Electricity Standard to achieve a net-zero clean electricity grid by 2035 and achieve a 100% net-zero emitting electricity future; and
- accelerating Canada's G20 commitment to eliminate fossil fuel subsidies from 2025 to 2023, and developing a plan to phase out public financing of the fossil fuel sector, including by federal Crown corporations.

The foregoing action items, as well as other elements of the Canadian plan to combat climate change, track many of the whole-of-government themes set forth in the [Build Back Better Act](#) passed by the House and pending before the Senate. It would be a shame if the Canadians are able to move forward on their climate-related efforts and we remain hindered by partisan politics in the Senate in doing so, not because of any notion of national rivalry or the potential for Canada to be far better placed to reap the benefits of a sustainable economy, but rather because efforts to combat climate change will only succeed if they are embraced on a global scale, and that includes the United States. In terms of climate-related financial disclosure on the part of public companies and financial institutions, US market and financial regulators (see [Direction of Travel](#)) thankfully are moving forward on rulemaking, preferably in line with global standards.

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