Press release: Perspectives Climate Research publishes study on the alignment of Export Development Canada (EDC) with the Paris Agreement

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This study demonstrates that despite important commitments made at and after COP26 in Glasgow, officially supported export finance in Canada is still not in line with the Paris Agreement. This is largely due to continued domestic support for Canadian fossil fuel value chains. The study provides recommendations for the new Canadian cabinet under Prime Minister Justin Trudeau as well as for EDC itself on how to align the Export Credit Agencies' portfolio with the objectives of the Paris Agreement.

Key messages on the case study #4: Canada (Export Development Canada)

Export Development Canada (EDC) was rated 'Unaligned' with the Paris Agreement (assessment score 0.47/3.00) – at the upper threshold to 'Some progress' – based on a multidimensional methodology developed to assess the 'Paris alignment' of Export Credit Agencies (see below). This outcome is largely due to continuing to support domestic oil and gas companies and related value chains through EDC. Next to an in-depth assessment of government policies for EDC and the 'Paris alignment' of its portfolio, the study discusses key concepts and definitions of high political currency in Canada. These include:

- **'Fossil fuel subsidy *versus* public financing for fossil fuels':** Against the background of recent mandate letters from Prime Minister Justin Trudeau to Ministers of Natural Resources, Finance, and Environment and Climate Change, the study finds that there are legal grounds to define EDC's (domestic) financing activities as 'subsidy';
- **'Net Zero *versus* global 1.5°C consistency':** The study highlights the absolute limits to fossil fuel extraction in Canada (and globally) based on the latest available science and discusses the implications in the context of Canada's national Net Zero target ('Bill C-12');
- **'International *versus* domestic support':** Jonathan Wilkinson, Minister of Natural Resources Canada, signed the Statement on International Public Support for the Clean Energy Transition at COP26 which implies the end of international support for new and unabated fossil fuel after 2022. The study shows that 'international' and 'domestic' support urgently need an official definition and that, independently of the definition, in line with the latest climate science all public financial support for fossil fuel value chains needs to end by the end of 2022 and resources be freed up for renewable energy technologies.

Background of the project and methodology:

In 2021, Perspectives Climate Research (PCR) developed a tailor-made Paris alignment methodology for Export Credit Agencies (ECAs). This **methodology** assesses ECAs and their respective governments based on 18 key questions and 72 benchmarks across five dimensions: transparency, the ambition of fossil fuel phase out policies, overall climate impact of the ECA, its contribution to financing the global climate transition as well as on the outreach and climate 'pro-activeness' of the ECA and its government. In line with latest climate research, the ambition of fossil fuel phase out policies is the most heavily weighted dimension. Overall, an ECA can receive the label 'Unaligned', 'Some progress', 'Paris aligned' or 'Transformational'. So far, the methodology was applied to Germany (Euler Hermes), the Netherlands (Atradius DSB) and Japan (NEXI and JBIC).

"*Based on the findings in our study, we urge the Canadian government to acknowledge the absolute limits to fossil fuel production in a 1.5 degrees warmer world – with strict implications for the mandate and operations of Export Development Canada. The milestone steps taken at and after COP26 went into the right direction; now the phase out of domestic public support for fossil fuel value chains and the massive scale up of well-defined and high-quality cleantech is needed to align officially supported Canadian export finance with the Paris Agreement"* **says Philipp Censkowsky**, researcher at Perspectives Climate Group and lead author of the Canadian case study.

"*The latest climate science unequivocally points to the need to cease new investments in the supply of fossil fuels and related value chains in order to keep global warming under 1.5℃. In stark contrast to this, Canada continues supporting investments in domestic fossil fuel value chains through EDC contributing to carbon lock-in. In this light, our study identifies key gaps in the Paris alignment of EDC and provides concrete recommendations for reforms*", **says Igor Shishlov**, Senior Consultant at Perspectives Climate Group and project manager of the research program on Export Credit Agencies.

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