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Business

Bill C-12 can demonstrate environmental leadership to Canadian business | Janis Sarra

By **Janis Sarra**

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(November 25, 2020, 8:29 AM EST) -- The federal government's Bill C-12, the *Canadian Net-Zero Emissions Accountability Act*, tabled in Parliament on Nov. 19, is a welcome signal for Canadian businesses. Its aim is to create transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas (GHG) emissions by 2050. Net-zero emissions mean reducing human-caused GHG to the point that any carbon-emitting activity is offset by climate positive activities such as scaled-up renewable energy, building retrofits and enhancement of forests and other "natural carbon sinks."

Bill C-12 requires the federal government to set national targets for emissions reductions based on the best scientific information available. Canada has lagged other G20 countries in setting realistic targets to meet the urgent challenges created by climate change. The U.K. government has a specific action plan for achieving net zero; the European Union is increasing its 2030 target to 55 per cent reduction below 1990 levels in order to meet net zero by 2050; Japan and South Korea have committed net-zero GHG emissions goals by 2050 and China by 2060. U.S. President-elect Joe Biden made net-zero emissions by 2050 a major election promise.

What does it mean for the Canadian private sector? No direct requirements in this bill. Yet it is a signal that the federal government is going to lead by example in climate mitigation and adaptation. That involves its Crown corporations and its direct report ministries taking meaningful, measurable action to reduce emissions. It means that government procurement policies will hopefully require supply and service contract proposals to have action plans aimed at a transition to net-zero emissions, making renewals subject to having achieved meaningful targets. Such strategies would open up these contracts to local companies that have lower transportation emissions.

Bill C-12 requires the minister of finance to prepare an annual report on key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. That leadership is welcomed. The commissioner of the environment and sustainable development will examine and report on effectiveness of the government's actions.

In order to be truly effective, the federal government should require all federally regulated pension funds, financial institutions and publicly accountable enterprises to set and report on their efforts to meet net-zero targets. Institutional investors have been asking for stronger commitments to climate risk management and have been clear that a move to net zero is key to a more resilient, inclusive and competitive economy.

They are leading by their own actions. University of Toronto Asset Management Corporation is reducing the carbon footprint of its endowment and pension investment portfolios by 40 per cent by 2030. Caisse de dépôt et placement du Québec (CDPQ), with over $340.1 billion in assets, has committed to carbon neutrality of its investment portfolios by 2050. Pension funds, banks and insurers, and many Canadian corporations have coalesced around the support for the G20 Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) framework of strategy, risk management, governance and metrics and targets. TD Bank, Scotia Bank and BMO are already moving to align their disclosure to TCFD standards. Brookfield's Global Transition Fund will focus on investments that accelerate the world’s transition to a net-zero carbon economy.

Canadian companies are also stepping up in all sectors. Teck Resources has pledged to be carbon neutral across all operations by 2050. Suncor has publicly declared support for TCFD, for cost-efficient policy design contributing to net-zero by 2050, the *Greenhouse Gas Pollution Pricing Act* and clean energy technology development. Ikea Canada has committed to becoming a fully circular business by 2030, using renewable, recycled and recyclable materials and eliminating waste.

The minister designated under Bill-12 will be responsible for setting the targets, taking into account the best scientific information available as well as Canada’s international commitments with respect to climate change. The first reduction plan, aimed at 2030, must be in place within six months. The emissions reduction plan must set clear targets and disclose specific measures for federal government operations to achieve net-zero emissions by 2050. The bill expressly states that an emissions reduction plan may contain information on measures undertaken by provincial, territorial and municipal governments, Indigenous peoples of Canada and the private sector that are contributing to achieving the net-zero target. It embeds a public consultation process and advisory committee within the structure. The minister of finance must prepare an annual public report respecting key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change.

Canadian businesses understand that they have to transition in order to financially survive the physical and transition risks associated with global warming. The federal government’s bill signals that companies can expect greater certainty in government climate policies and leadership in climate action.

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