Climate Pension Quarterly
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shift ACTION FOR PENSION WEALTH AND PLANET HEALTH

The international community agrees to transition off of fossil fuels, and Canada's financial institutions need to catch up

In December, I travelled to COP28 in Dubai where, for the first time at a global climate conference, the international community formally recognized the need to transition away from fossil fuels. This was long overdue acceptance of what climate science has shown for decades, most recently from the authoritative International Energy Agency *Net Zero Roadmap* reports and the United Nations Environment Programme *Production Gap* report calling for an immediate shift of finance out of fossil fuels and a tripling of renewable energy by 2030. Given the challenge of having 198 countries to agree on anything, recognition of the need to rapidly transition away from fossil fuels is both significant and long overdue. Expect the urgency of this call to only accelerate in the coming years.

Acceptance of the urgent need for a fossil fuel phase-out is also long overdue for Canada's financial sector and Canadian pension funds, who have been slow to grasp the requirement to end fossil fuel finance. Thankfully we are seeing signs of progress in our work. We have now seen partial fossil fuel exclusions from the **Caisse de dépôt et placement du Québec**, Ontario's **University Pension Plan**, **Investment Management Corporation of Ontario**, **Healthcare of Ontario Pension Plan** and **OMERS**.

However, Canadians should be concerned by just how far offside the **Canada Pension Plan Investment Board** has become when it comes to the imperative to phase out fossil fuels. On the opening day of COP28, Canada's $576-billion national pension fund manager put up a politically-charged LinkedIn post celebrating its oil and gas investments and bragging about its portfolio companies increasing fossil fuel production. The fund's empty commitments to engaging with oil and gas companies greenwash the reality that none of them have credible or profitable climate transition strategies. This untenable position is financially risky for Canadians and bad for our climate.

Thankfully, we are seeing real leadership from key stakeholders of Canadian pensions. Last fall, the Registered Nurses' Association of Ontario, representing more than 50,000 nurses, nurse practitioners and nursing students, sent a letter to the **Healthcare of Ontario Pension Plan** asking the health workers' pension manager to phase out investment in coal, gas and oil by 2025. The letter captured the urgency needed to preserve climate stability and called on the fund to *"engage its substantial financial and institutional power to help mobilize a quick transformation in the broader financial industry in Canada – from one that has funded the climate crisis, to one that funds the transition to a just, equitable and sustainable future."*

Canada's pension funds should read the writing on the wall. The fossil fuel era is ending. Continuing to make and defend fossil fuel investments that serve to slow this transition is not in the best long-term interest of pension beneficiaries. Shift will keep working with Canadians to turn their pension fund managers into climate leaders.

Thank you for diving deep on pensions and climate with us. Learn more in this newsletter as we cover:

- Canadian pension funds' climate-related announcements, including a new *Climate Stewardship Plan* and *Climate Transition Investment Framework* from Ontario's **University Pension Plan**, a climate strategy update from **OPTrust**, and a climate-focused ESG Report from the **Investment Management Corporation of Ontario**;

- News about pension fund investments in climate solutions and fossil fuels, including a lengthy list of **Canada Pension Plan Investment Board**-owned companies undertaking fossil fuel expansion;
- Updates on the controversial Coastal GasLink pipeline (co-owned by the **Alberta Investment Management Corporation)** and the beleaguered Thames Water (**OMERS** and the **British Columbia Investment Management Corporation** are owners)-- both putting Canadian pension funds' "responsible investor" claims in jeopardy; and
- Updates from around the world on how pensions are aligning with climate safety (including from the United Kingdom's **Wiltshire Pension Fund**, whose *Climate Report* specifically named Canadian oil sands companies as unacceptable investments).

Happy new year, and read on for a particularly juicy edition of Shift's *Climate Pension Quarterly*.

-Adam Scott, Director, Shift: Action for Pension Wealth and Planet Health

Climate Strategies, Reports and Announcements

Ontario Teachers' reports issuing $2.87 billion in green bonds since 2020
The **Ontario Teachers' Pension Plan (OTPP)** reported in August that it had issued over $2.87 billion in CICERO-rated "dark green" bonds since 2020. The bonds financed renewable energy, energy efficiency and climate change adaptation.

IMCO reports scope 3 and sovereign bond emissions, limits investment in thermal coal and Arctic oil and gas
The **Investment Management Corporation of Ontario's (IMCO)** 2022 ESG Report, released in September 2023, saw the fund report a 40% reduction in portfolio emissions intensity since 2019 and 11% of its assets invested in climate solutions (en route to a target of 20% by 2030). The Ontario investment manager also enhanced its carbon footprint accounting, reporting portfolio scope 3 and sovereign bond emissions for the first time. IMCO has placed a screen on companies that derive more than 10% of their revenue from thermal coal mining or Arctic oil and gas production.

CPPIB's Sustainable Investing Report eschews fossil fuel divestment, reports $79 billion in green and transition assets
The **Canada Pension Plan Investment Board's (CPP Investments, or CPPIB)** 2023 Report on Sustainable Investing (SI Report) reported $79 billion in "green and transition assets", well on the way to CPPIB's goal of $130 billion by 2030 (although CPPIB does not provide a breakdown of the assets it considers to be "green" vs. "transition"). The SI Report, as well as related documents and website updates, reinforced the CPPIB's opposition to fossil fuel divestment 11 different times.

CPPIB Road to Zero report provides update on Abatement Capacity Assessment Framework
CPPIB's Road to Zero progress report summarizes how CPPIB is trialling its Abatement Capacity Assessment Framework on more than 10 existing and new assets. The framework lays out a methodical approach to help companies develop decarbonization roadmaps. The progress update highlights uncertainties about the development of carbon capture, utilization and storage (CCUS) and the available supply of green hydrogen, and recognizes the potential need for some companies to close or shut down operations.

UPP Climate Stewardship Plan sets clear climate expectations for 27 companies across three focus categories
Ontario's **University Pension Plan's (UPP)** Climate Stewardship Plan, released in November, represents one

of the strongest approaches to climate-related engagement and stewardship in the Canadian pension sector, reaffirming UPP's position as a climate leader. UPP committed to engagement with the goal of Paris-alignment, and identified banks, high-emitting Canadian companies and oil companies as focus categories for engagement. UPP will make "targeted written requests" for information about oil companies' alignment with the Climate Action 100+ (CA100+) or Climate Engagement Canada Net Zero Benchmarks, and "refine UPP's position on ongoing investment in these companies as appropriate." *See Shift's analysis.*

UPP's Climate Transition Investment Framework fails to acknowledge need for fossil fuel phase-out
UPP also released a Climate Transition Investment Framework in December, which provided welcome transparency on the fund's decision-making process for aligning its portfolio with climate safety and made a modest commitment to invest $1.2 billion into climate solutions by 2030. But the confusing framework lumped oil and gas with other "High Impact Sectors" and failed to acknowledge the reality that it's not possible for oil and gas companies to have credible net-zero targets or climate transition plans without a plan to phase out production. *See Shift's statement.*

OPTrust provides climate strategy update
In December, OPTrust published an update on its climate strategy, a 2022-2023 TCFD report, and a climate metrics framework. OPTrust committed to reduce its portfolio emissions intensity by 30% below 2022 levels by 2030, disclosed that compensation at the pension manager is in some way linked to climate targets, and reported that nearly a quarter of the fund's external managers and funds have net zero by 2050 commitments. But the climate strategy update contained no mention of OPTrust's fossil fuel assets– an unacceptable oversight in the same year that OPTrust increased its joint stake in Superior Midstream, a fossil gas transportation company, from 50% to 100%. *See Shift's analysis.*

An Eventful Quarter for the Canada Pension Plan Investment Board

The final quarter of 2023 put CPPIB's stark climate contradictions on full display. CPPIB is making big investments in renewable energy and deploying a sophisticated approach to managing climate risk and decarbonizing portfolio companies. But our national pension manager continues to make troubling statements and spread dangerous myths that serve to prop up the fossil fuel industry and prolong the use of oil and gas.

CPPIB delegation reflects on Climate Week NYC
CPPIB blogged about the five-person team it sent to Climate Week NYC in September. The CPPIB delegation recognized the urgent need to reduce emissions and mobilize the financial system to invest in the energy transition. But CPPIB also rejected fossil fuel divestment three times in the short post and made an alarming reference to carbon capture, geoengineering and AI as technologies and innovations that "could dramatically alter the prospects of how we adapt to climate change."

As climate scientists begged the world to phase out fossil fuels, CPPIB cheered on Alberta's oil and gas industry
Shift's Director Adam Scott attended COP28 in Dubai, where thousands of climate scientists, health advocates, civil society organizations, international institutions and government delegates called for a global agreement to phase out fossil fuels. But CPPIB chose to mark the first day of COP28 with an absurd, tone-deaf, anti-science, politically-charged LinkedIn post.

The post referred to a November speech to the Calgary Chamber of Commerce by CPPIB's CEO John Graham, where he was joined on stage by oil and gas executives to highlight CPPIB's $6 billion in investments in Alberta's oil and gas industry, and committed to invest even more in fossil fuels.

In the speech, Graham:

- falsely claimed that “some of the most responsibly produced energy in the world is in Western Canada… something every Canadian should be proud of" and that “the global investment community has changed its tune when it comes to fossil fuel divestment”;
- bragged about a CPPIB-owned oil and gas company, Teine Energy, that "in the first nine months of 2023 drilled the third most wells in Canada, behind Cenovus and CNRL"; and
- said "Canada has the potential to continue to be a global leader through innovation in traditional energy production with initiatives like the Pathways Alliance and significant potential to deliver LNG to global markets."

Read Shift’s op-ed pushing back against CPPIB’s cheerleading for the Alberta oil and gas industry.

CPPIB’s FY Q2 2024 results recap investments in renewables, carbon removal, and oil and gas

CPPIB’s second quarter activities, covering the period from July 1 to September 30, 2023, included:

- investing £93 million in Vårgrønn, which owns a 20% stake in the Dogger Bank offshore wind farm under construction off the coast of the United Kingdom (UK).
- investing US$40 million in Redwood Materials, a US company developing a closed-loop supply chain for lithium-ion batteries. This is CPPIB's third investment in Redwood, for a total of US$150 million.
- forming a partnership to invest €130 million in Power2X and purchase a majority stake in the Dutch energy infrastructure firm. Power2X focuses on developing green hydrogen, methanol and ammonia.
- investing US$500,000 in Mombak, a Brazil-based carbon removal startup investment manager focused on reforesting the Amazon, and committing up to US$30 million to The Amazon Restoration Fund.
- receiving net proceeds of US$581 million from the sales of U.S. oil and gas mineral and royalty interests owned by LongPoint Minerals, LLC and LongPoint Minerals II LLC, in which CPPIB owns stakes of 72% and 44%, respectively. Selling oil and gas mineral and royalty interests enables oil and gas producers to explore for and extract more fossil fuels, which is incompatible with CPPIB's net-zero commitment.
- partially divesting 12 North American energy funds, generating gross proceeds of approximately US$860 million. CPPIB did not provide further details of the divestment.

CPPIB continues its role as a powerhouse in renewable energy investment

CPPIB finished off 2023 by:

- Offloading its 24.5% stake in two German offshore wind farms, generating $374 million in net proceeds since first investing in 2018.
- Committing an additional $511 million to Octopus Energy, increasing its stake from 6% to 11%. Octopus Energy is the UK’s largest power retailer and a leader in clean energy technology and services, including renewable energy, heat pumps, energy demand management, and electric vehicle charging and leasing. With this new investment, CPPIB increased its stake in Octopus Energy from 6% to 11%.
- CPPIB portfolio company Pattern Energy, one of the world’s largest privately-owned developers and operators of renewable energy, announced the closing of US$11 billion in financing for SunZia Transmission and SunZia Wind. Together, SunZia represents the largest clean energy infrastructure project in U.S. history.
- Partnering with Goldman Sachs to provide US$100 million in financing for Altus Power, a Connecticut-based commercial-scale provider of clean energy solutions, including solar power, energy storage and electric vehicle charging infrastructure.

More Canadian Pension Mentions

AIMCo CEO calls “no-hydrocarbon world” a “dreamland”, considers buying stake in TransMountain
In December, less than a month after the world agreed to transition away from fossil fuels at COP28 in Dubai, **Alberta Investment Management Corporation (AIMCo)** CEO Evan Siddall said that he thinks that a “no-hydrocarbon world” is a “dreamland” and insisted that AIMCo would continue investing in oil and gas. Siddall also suggested that AIMCo and other pension funds would consider buying a stake in the Trans Mountain Expansion pipeline, which is designed to transport 890,000 barrels per day of diluted bitumen for export from Canada’s west coast for 50 years or more.

Ontario Infrastructure Bank
In November, the Ontario government announced plans to create an "arms-length and board-governed" Ontario Infrastructure Bank (OIB) and provide it with an initial $3 billion in funding. Modelled after the Canada Infrastructure Bank, the OIB will help leverage investments from public sector pension plans and other institutional investors to fund large-scale infrastructure projects across Ontario, particularly long-term care homes, energy infrastructure, affordable housing, municipal and community infrastructure, and transportation. We'll be watching closely to ensure that the OIB invests in projects that reduce emissions and build a zero-carbon economy, particularly renewable energy, electricity transmission, energy efficiency and conservation, public transit and other climate solutions. **OTPP**, **OMERS** and **IMCO** released statements welcoming the creation of the OIB.

Climate Engagement Canada’s (CEC) Net-Zero Benchmark Company Assessments revealed a Canadian corporate sector that is off-course for climate safety and shows little regard for Indigenous rights
CEC’s **Net-Zero Benchmark Company Assessments**, released in December, must spur investors to set stringent and timebound climate expectations and institute escalatory engagement strategies, up to and including divestment. CEC participants include **AIMCo**, **Canada Post Corporation Pension**, the **Healthcare of Ontario Pension Plan (HOOPP)**, **IMCO**, **OMERS**, **UPP**, and **Public Service Pension Investment Board (PSP Investments, or PSP)**. *See Shift’s statement*.

Climate Action 100+ Net-Zero Company Benchmark shows the oil and gas industry is not Paris-aligned
While October’s release of Climate Action 100+’s latest company assessments generally found that focus companies are behind on progress against short-term targets, decarbonization strategies, and capital allocation, the oil and gas sector stood out for the extent to which it is not aligned with net-zero. **AIMCo**, **British Columbia Investment Management Corporation (BCI)**, **Caisse de dépôt et placement du Québec (CDPQ)**, **Canada Post Corporation Pension Plan**, **IMCO**, **OMERS**, **Ontario Teachers'**, **OPTrust** and **UPP** are members of CA100+.

Four Canadian pension funds back CDP Science-Based Targets initiative
In November, 367 financial institutions and multinational corporations worth a combined US$33 trillion backed CDP's Science-Based Targets (SBT) Campaign to request that the world's highest-emitting companies set credible emissions reduction targets. **BCI, IMCO, OPTrust and UPP** backed the SBTi campaign.

Divestments, Investments and Commitments

UPP commits €150 million to renewable energy infrastructure fund
UPP committed €150 million to the Copenhagen Infrastructure V fund, which is dedicated to greenfield renewable energy infrastructure investments.

CDPQ acquires a power transmission network in Brazil
CDPQ signed a deal to acquire a 695-km power transmission network in central Brazil in a transaction valued at up to $108.5 million.

AIMCo invests in Asian energy transition fund
In December, Singapore-based Seraya Partners closed an US$800 million financing round of its energy transition fund, which will focus on green data centres, offshore wind vessels and renewable energy in Asia. AIMCo was an anchor investor in Seraya Partners Fund 1.

AIMCO finances Capital Power's purchase of two US gas plants
In November, Edmonton-based power producer Capital Power announced that it's partnering with Blackrock to buy two gas plants, in California and Arizona, for US$1.1 billion. The gas plant purchase was supported with US$100 million in financing from AIMCo, which says that the gas plants "(provide) our clients with a compelling opportunity to invest in a high-quality company that is pursuing robust growth, diversification, and decarbonization strategies." It is not clear how a company expanding its portfolio of gas plants is aligned with decarbonization. **CPPIB** Director Barry Perry sits on the board of Capital Power.

Your Pension Fund's Assets in the News

Clean energy investments must not come at the expense of workers and communities
In *Pension Investment in Renewables May Be Undermining a Just Transition*, researchers investigated the renewable energy investments of Canadian pension funds, including "responsible investors" **CPPIB**, **CDPQ** and **Ontario Teachers' Pension Plan (OTPP)**, finding a pattern of poor working conditions, low wages, disregard for community concerns and forced labour in company supply chains. Without addressing these concerns, Canadian pension funds' investments could undermine public support for a just transition away from fossil fuels and prevent workers from making the switch to sustainable jobs. Meanwhile, the companies and their investors open themselves up to regulatory, reputational and legal risks.

CDPQ-owned Énergir trying to prevent Quebec town from banning fossil gas in new buildings
Énergir, Quebec's fossil gas distribution utility, which distributes 97% of the fossil gas burned in Quebec and is 80% owned by CDPQ, is pursuing legal action against Prévost, Quebec in an attempt to prevent the town from banning fossil gas in new buildings. Énergir's undemocratic attempt to force Prévost to continue using fossil gas undermines CDPQ's net-zero emissions commitment and its claims to climate leadership. A coalition of citizens' and environmental groups are calling for CDPQ to intervene and push Énergir to abandon its legal action and reorient its business model to accelerate decarbonization, not impede it.

Northvolt
OMERS, IMCO, CPPIB and CDPQ are investors

Swedish lithium-ion battery producer Northvolt announced it would open a $7-billion manufacturing facility in Quebec, the largest private investment in the province's history and the latest in electric vehicle battery manufacturing capacity in Canada. OMERS first participated in a round of financing for Northvolt in 2021, and again in 2022. IMCO invested $400 million in June 2023. In August, Northvolt received a further US$1.2 billion in financing from Blackrock, OMERS, IMCO and CPPIB to fund European and North American expansion. And in November, CDPQ announced it would also invest $200 million in Northvolt.

Your Pension Fund's Assets in the News (continued)

Thames Water
32% owned by OMERS, 9% by BCI

The financial and environmental problems beleaguering UK utility Thames Water only got worse heading into 2024. In fall 2023, the UK's water regulator slapped Thames Water with a penalty of over £100 million after an annual review showed the company missed 45% of its performance commitments in 2022, badly missing targets for customer service, environmental protections, sewage overflows, and investment pledges to fix leaking infrastructure. Thames Water has pumped at least 72 billion litres of sewage into the Thames River since 2020-- roughly equal to 29,000 Olympic swimming pools. The company's proposed five-year £18.7 billion infrastructure plan would increase bills for water customers by at least 40%, angering UK residents who are outraged by Thames Water's record of pollution and financial mismanagement. The plan is also being criticized by bondholders for being incomplete and lacking crucial information on how it will manage its financial situation and reduce debt while investing billions to make critical repairs to its failing infrastructure. Thames said its investment plan is only "financeable" if no dividends are paid to its shareholders (including OMERS and BCI) during the five-year period. At the start of 2024, Thames Water's second largest shareholder, British pension fund **USS**, slashed the value of its stake in the company by 62%, and reported a loss of almost £600 million on the company in 2023. Thames Water also scrapped its net-zero operational emissions by 2030 commitment in December, saying it must prioritize its sewage pollution performance. This is a credibility challenge for OMERS, whose climate plan says the 20 companies which contribute most to OMERS' financed emissions intensity would have credible net-zero transition plans in place by 2030. OMERS declined to respond to multiple media requests related to Thames Water throughout fall and winter 2023.

Civitas Resources
CPPIB is the largest shareholder in Civitas, at about 20%

In October, a week after the International Energy Agency (IEA) released its Net Zero by 2050 Roadmap update, which reinforced that limiting global heating to 1.5°C requires no new oil and gas field development, Denver-based oil and gas producer Civitas Resources announced it's spending US$2.1 billion to increase oil and gas production by 62,000 barrels per day in Texas and New Mexico. In November, Civitas' Q3 2023 financial and operating results showed that the CPPIB-owned oil and gas company drilled 57 wells and increased production by 33% over Q3 2022. After spending billions of dollars to acquire new oil and gas assets this year, Civitas plans to increase production in 2024 by at least another 38%. Responding to Civitas' absurd claim of being "Colorado's first carbon-neutral energy producer", an oil and gas analyst at Carbon Tracker called Civitas' sustainability plan "near useless."

Puget Sound Energy
Owned 23.9% by OMERS, 20.9% by BCI, 15.8% by OTPP, and 13.6% by AIMCo

In October, a coalition of 17 environmental groups asked Puget Sound Energy (PSE), the largest gas and electric utility in Washington State, to end its membership in the American Gas Association. The company refused to disclose its contributions to the powerful gas industry lobby group, which is fighting tooth and nail to obstruct climate change policies. PSE remains a member. In December, PSE faced stiff public opposition over its request to raise residential gas rates to help pay for the construction and operation of an LNG facility that was opposed by residents and Indigenous communities and which is still facing a legal challenge to its environmental review and granting of permits. On a positive note, PSE exceeded its renewable energy goal in 2022, through a combination of utility-scale renewables, new customer programs, distributed energy resources, and continued energy efficiency. The utility is on track to meet or exceed its obligation to achieve

Your Pension Fund's Assets in the News (continued)

80% non-emitting energy by 2030 and 100% by 2045. PSE also announced plans in December to develop a 248-megawatt wind project in Montana which will aid PSE's transition away from coal, replacing two-thirds of the electricity currently generated by PSE's 25% ownership of Montana's Colstrip coal plant, which PSE is divesting in 2025. In January, PSE announced it would invest US$10 million in Energy Northwest, a Washington state public power joint operating agency comprising 28 public power utilities, to accelerate the agency's program examining the feasibility of developing and deploying a next-generation nuclear energy facility, including small modular reactors.

Encino Energy Partners
98% owned by CPPIB

Oil production in Ohio shattered records in the 2023 third quarter, with the increase largely attributable to new wells drilled by CPPIB-owned Encino Energy Partners. A spokesperson for the oil and gas producer said Encino plans to keep growing.

Aera Energy
California's second largest oil and gas producer - 49% owned by CPPIB

An analysis from Sierra Club finds that it would cost US$1.8 billion to plug Aera Energy's inactive wells, and US$4.7 billion to ultimately plug all of Aera's wells, which will have to be plugged if CPPIB intends to "ramp down production over time", as it promised after its purchase of Aera last year. In October Aera announced its first CCS project, claiming that by 2030 it will capture "up to" 1.6 million tonnes per year of carbon dioxide from its operations and store it in depleted oil and gas reservoirs. The proposed CCS project covers a tiny fraction of Aera's operational greenhouse gas emissions and will do nothing to decrease emissions from the company's oil and gas when it's eventually burned. The Intergovernmental Panel on Climate Change considers CCS to be one of the most expensive and least effective options to mitigate climate change. The IEA called the history of CCS "largely one of unmet expectations" and reduced its projections for CCS deployment in 2030 by 40% in its most recent net-zero scenario. And in November, an analysis by California's Climate Centre found that Aera spent US$1.5 million in the third quarter of 2023 to fund oil industry front groups and lobby to obstruct ambitious climate and energy policies in California. Similarly, a December report from Consumer Watchdog found that the oil industry front group Californians for Energy Independence ran a barrage of deceptive Facebook and television advertisements falsely claiming that limiting oil drilling in California will raise gasoline prices and blaming state policies that limit oil and gas production. CEI was created by the Western States Petroleum Association, which received US$1 million in donations from Aera Energy in 2023.

National Gas
80% owned by a BCI-Macquarie consortium

In October, the UK's energy regulator announced that it will grant BCI-owned National Gas an additional £17.35 million to tackle methane emissions in its fossil gas transmission system, a significantly lower amount than the initial £29.91 million requested by National Gas. And in an interview with the *Telegraph*, National Gas CEO Jon Butterworth publicly opposed the UK's move away from fossil gas and spread misinformation about renewable energy. National Gas Transmission seems determined to prolong the UK's reliance on fossil gas. The company is banking on dubious early-stage projects to assess the potential repurposing of its gas network for hydrogen transport. Meanwhile, the UK's National Infrastructure Commission unequivocally recommended decommissioning gas distribution networks for the country's energy decarbonization, asserting that electrification, particularly through heat pumps, is the only viable option.

Your Pension Fund's Assets in the News (continued)

Transportadora Associada de Gás S.A.
CDPQ increasing its ownership from 35% to 50%

In December, CDPQ announced that it plans to pay $848 million for an additional 15% stake in Transportadora Associada de Gás S.A. (TAG), which owns and manages a 4,500-km fossil gas pipeline network in Brazil, bringing CDPQ's stake to 50%. While ENGIE Brasil Energia, from whom CDPQ will acquire the stake, calls the sale "in line with our investment plan in new renewable power plants, as well as transmission lines," CDPQ bizarrely calls its decision to increase its exposure to Brazil's fossil gas network "consistent with our infrastructure strategy."

Coastal GasLink
65% co-owned by AIMCo and private equity firm KKR

Coastal GasLink faces declining gas demand and risks becoming a stranded asset for AIMCo, whose ownership in the controversial pipeline renders its commitment to "responsible investing" essentially meaningless. In October, construction was completed on the 670-km fracked gas pipeline in British Columbia, despite significant budget overruns and controversy over the militarized RCMP interventions that removed Indigenous peoples from their unceded lands. In December, Amnesty International called for the withdrawal of police and private security forces from Wet'suwet'en territory in northern B.C., which is traversed by Coastal GasLink, after documenting human rights violations and a "years-long campaign of violence, harassment, discrimination, and dispossession" against Indigenous communities. Coastal GasLink is also seeking $1.2 billion in damages from one of its main contractors over pipeline construction delays. If an arbitrator rules against Coastal GasLink, the pipeline company could be liable for those costs.

Net4Gas
50% owned by OMERS until it was re-nationalized this fall

The Czech government announced in late September that it would re-nationalize fossil gas transmission operator Net4Gas, hinting that the company may be in a precarious financial position. Net4Gas was previously 50% owned by OMERS. Following the invasion of Ukraine, Russia cut gas supplies to Europe and stopped paying Net4Gas. The operator lost a major driver of its revenue (75% of its shipping contracts were tied to Gazprom). Reuters reported that OMERS and Allianz will be paid a small amount for their shares, and the Czech electric grid operator will assume Net4Gas debt of around €1.4 billion. OMERS and Allianz paid €1.6 billion for Net4Gas in 2013 when the gas transmission operator was privatized.

OMERS faces delays in Australian renewable energy projects
OMERS, which owns renewable energy company FRV Australia and New South Wales electric grid operator Transgrid, reported that it was struggling to close investments in Australian renewable energy projects because of rising interest rates, higher inflation, supply chain disruptions as well as scarce and expensive labour.

Velto Renewables
Velto is a subsidiary of CDPQ

CDPQ subsidiary Velto Renewables announced it would team up with renewable energy developer Kenergy Ventures BV to finance, develop and operate a one-gigawatt portfolio of new solar and wind projects in Spain.

In the House - Sustainable Finance Policy Updates from Canada and Around the World

Canada's Fall Economic Statement moves green and transition taxonomy forward
The federal government's Fall Economic Statement (FES) allocated $1.5 million to the Department of Finance to support the development of a green and transition taxonomy. The FES also tasked three departments with developing options for mandatory climate risk disclosures from private companies, encouraged Canadian pension funds to invest more in Canada, and announced that the Canada Growth Fund (CGF) will be the principal federal entity issuing all carbon contracts for difference (CCfDs), among other climate/pension updates. *See Shift's statement*.

Canada Growth Fund Watch
In October, **PSP** said it was preparing to deploy about 60 potential investments through the $15-billion Canada Growth Fund (CGF), which is designed to de-risk emissions reductions projects. About two-thirds of the investments under consideration will reportedly involve concessionary finance for "major industrial decarbonization projects, such as carbon capture," with PSP hinting at the steel, cement and electricity generation sectors. The other third will be investments in Canadian clean-tech companies trying to scale up. PSP said that the biggest potential carbon capture projects in the fossil fuel industry, such as the dangerous distractions proposed by the Pathways Alliance of oil sands companies, are not being considered by the Canada Growth Fund because they're so big that the projects could consume too much of the fund's budget. The CGF announced its first two investments in fall 2023.

EavorTechnologies - geothermal
In October, the CGF announced $90 million in financial backing for Eavor Technologies, a Calgary-based geothermal energy company that uses an innovative closed-loop system to generate zero-carbon baseload heat and power.

Entropy - CCS for a gas plant
Just before the holidays, the CGF announced it would invest up to $1 billion in an oil and gas company's risky, unnecessary and likely ineffective CCS schemes. The CGF investment includes $200 million in debt financing for Entropy, a subsidiary of Calgary-based oil and gas producer Advantage Energy, to help equip a fossil gas power plant in Alberta with unproven CCS technology. It also includes a "carbon credit offtake agreement", valued at up to $800 million, that commits the CGF to buy carbon credits from Entropy for any "emissions reductions" the company achieves over the next 15 years from its risky CCS schemes at a price of $86.50 per tonne. The CGF press release includes a long disclaimer that acknowledges a lack of certainty about Entropy's CCS technology, anticipated emissions reductions, use of carbon credit proceeds, or alignment with the CGF's mandate or Canada's economic and policy goals. PSP already owns a 1% stake in Entropy through PSP's participation in the Brookfield Global Transition Fund, which provided Entropy with $300 million in financing in 2022.

CDPQ gets transit mandate for Quebec City
In November, CDPQ received a mandate from the Government of Quebec to study current and projected transportation needs for the metropolitan Quebec City area.

France says sustainable investing can't include fossil fuels
France ruled that investment funds can only use an ESG or sustainable investing label if they blacklist fossil fuel companies that are expanding production. "It is fair to assume that virtually every company focused on oil and gas exploration, production and refining is continuously looking to expand its oil and gas activities," said Hortense Bioy, global director of sustainability research at Morningstar.

Planetary Pension Progress

ClientEarth warns pension funds to stop providing capital to oil and gas companies
Non-profit environmental law organization ClientEarth wrote to the trustees of the UK's 12 largest pension funds warning that they could be in breach of their fiduciary duties if they fail to take climate risk more seriously. The letters asked pension trustees to stop providing capital through bond purchases to oil and gas companies unless these companies start following through on credible climate transition plans. “Every incremental increase in global temperature makes climate impacts more severe, catastrophic tipping points more likely… and gives rise to increased financial risk,” ClientEarth’s letters said.

Eni excluded by Danish Pension Fund AkademikerPension
AkademikerPension had excluded most oil majors from its portfolio several years ago, but Eni remained an eligible investment while the fund tried to influence the fossil fuel company via active ownership. However, after a meeting with Eni in spring 2023, AkademikerPension said it was clear that fossil fuel expansion and exploration remained a central part of Eni's business strategy. “This [fossil fuel expansion] is the main reason for the exclusion, as there is no room for new fossil fuel projects in Paris-compatible scenarios, according to the International Energy Agency, and we believe that doing so exposes Eni to unacceptable long term risks,” said the pension fund’s CIO.

Three pension funds become first to have climate targets approved by the SBTi
Denmark's **AkademikerPension** and **Pension Danmark** and Finland's **Varma Pension Insurance Co**. have become the first pension funds in the world to have their climate targets approved by the SBTi, verifying that their goals are science-based, in line with the Paris Agreement, and include scope 1, 2 and 3 emissions.

Australian pension fund investing in distributed solar projects at scale
Aware Super, Australia's third largest pension plan, is planning to invest up to AU$2 billion in distributed renewable energy projects, mostly between 30 and 100 MW, through Birdwood Energy, a venture specializing in smaller-scale solar projects clustered with batteries. “The structure we've tried to set up is to create a platform at scale so we can more efficiently manage and invest,” said portfolio manager Jired Zhou.

What We’re Reading

Economic models fail to adequately account for climate change impacts
Finance in a hot-house world - *Finance Watch*

The chief economist of Finance Watch warns that “The economic risks of climate change are currently modelled in a similar way to traditional financial risks. But unlike past financial losses, the losses from climate change will be disruptively large, unpredictable, and permanent.” Yet regulatory agencies and governments still largely rely on outdated traditional economic models.

The oil sector is behaving like an industry facing structural decline
Oil companies are preparing for a lucrative decline - Kate MacKenzie, *Heatmap*

Kate MacKenzie outlines how oil companies’ consolidation of supply, dividend payouts to shareholders, and doubling down on core business are consistent with an industry that understands that it’s facing structural decline.

What We're Reading (continued)

IEA calls oil and gas sector's bluff
The Oil and Gas Industry in Net Zero Transitions - *International Energy Agency*

In its November special report, the IEA:
- warns that "the USD 800 billion currently invested in the oil and gas sector each year is double what is required in 2030 on a pathway that limits warming to 1.5°C;"
- finds that "producers looking to align with the aims of the Paris Agreement would need to put 50% of their capital expenditures towards clean energy projects by 2030, on top of the investment required to reduce emissions from their own operations." The oil and gas industry invested around 2.5% of its total capital spending in clean energy in 2022;
- tells oil and gas producers they need to "let go of the illusion that implausibly large amounts of carbon capture are the solution;"
- gives investors notice that "oil and gas is set to become a less profitable and riskier business over time … the current valuation of private oil and gas companies could fall by 25% from USD 6 trillion today if all national energy and climate goals are reached, and by up to 60% if the world gets on track to limit global warming to 1.5°C."

Production Gap Report finds planned production of fossil fuels in 2030 is 110% more than is consistent with 1.5°C
2023 Production Gap Report - *Stockholm Environment Institute, Climate Analytics, E3G, IISD, UNEP*

The November report finds that fossil-fuel-producing countries, including Canada, are planning to produce 110% more fossil fuels in 2030 than is consistent with limiting global warming to 1.5°C above pre-industrial levels, and 69% more fossil fuels than what's in line with a 2°C target. The report also warns that CCS is best reserved for hard-to-abate sectors, and notes that gas, often falsely touted as a transition fuel, "could hinder or delay the transition to renewable energy systems by locking in fossil-fuel based systems and institutions."

About Shift

Shift Action for Pension Wealth and Planet Health provides tools and resources for pension beneficiaries who want to engage with their pension managers on the climate crisis.

Canada's largest pension funds manage over $2 trillion: their investment decisions can influence whether businesses in Canada and around the world build electric cars and solar panels, or expand oil production and fossil gas pipelines.

Email us at info@shiftaction.ca to learn more about how your pension fund is handling climate-related risk, and to get involved.

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