Climate Pension Quarterly
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As Canadians bake in 40°C, their pension funds inch toward fossil fuel exclusions.

Ontario, Quebec and New Brunswick are suffering through feels-like-40°C temperatures in June as this edition of the *Climate Pension Quarterly* arrives in your inbox. The oppressive heatwave, which the federal environment ministry is now able to attribute to human-induced climate change, is passing the costs of continued fossil fuel expansion on to children sweating through classes, workers gulping down water to avoid heat stress on the job, and seniors struggling to stay cool in homes without air conditioning.

There's no dignified retirement on a burning planet

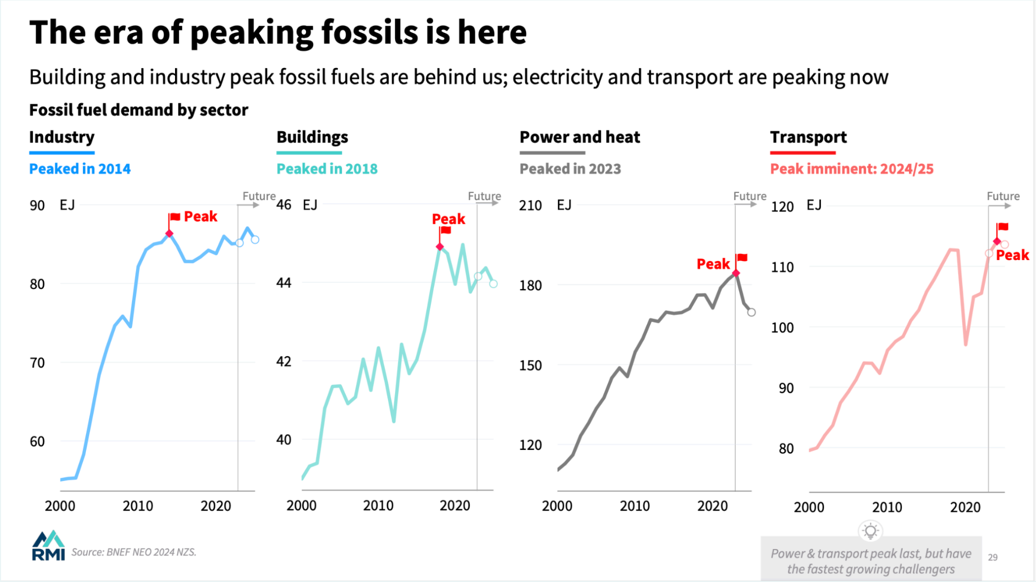
In April, Generation Investment Management, an investment firm founded by climate hawk Al Gore, spelled out a truth that's on the minds of most of the pension plan members we hear from at Shift:

"A pensioner living in a 3.0°C hotter world, with degraded ecosystems and significant economic inequality, will not enjoy the fruits of their retirement."

Pension funds must acknowledge that investing in the primary cause of the climate crisis jeopardizes their own members' long-term health and quality of life. The financial case for fossil fuel investments is also crumbling, as summed up by investor Tom Steyer this spring:

"Today, an institutional investor that backs new fossil fuel projects is betting that our addiction to fossil fuels will go on forever. Even if all I cared about was financial responsibility to my shareholders, I wouldn't make that bet."

A rampantly inefficient fossil fuel energy system is on its way out



Research this quarter from the **International Energy Agency (IEA)** and the **Rocky Mountain Institute (RMI)** forecast the inevitable decline of the "rampantly inefficient" fossil fuel energy system. According to RMI's June report, the fossil-based global energy system results in almost two thirds of all primary energy being wasted, demonstrating how vulnerable fossil fuels are to being undercut by more efficient sources and uses of energy. The report showed that fossil fuel demand from the industry and buildings sectors has already peaked, and is peaking now for power, heat and transport. Meanwhile, the IEA's June report warned oil companies to prepare for global demand for oil to peak in 2029 (a year ahead of its previous prediction), and for significant oversupply beginning in 2030.

Canadian pension funds beginning to recognize the risks

Despite their reluctance so far to publicly acknowledge that a dignified retirement for their beneficiaries requires a wind-down of fossil fuel production, some Canadian pension funds are beginning to recognize the financial risks of investing in a dying industry that's jeopardizing life on Earth. In annual reports issued this quarter, the **Healthcare of Ontario Pension Plan** said it had made no new direct investments in coal or oil in 2023, the **Investment Management Corporation of Ontario** acknowledged that the world is moving away from "traditional energy sources", and the **Caisse de dépôt et placement du Québec** proudly told its beneficiaries:

"[W]e have taken decisive action, including completing our exit from oil production and coal mining; we no longer want to contribute to the supply of these two types of energy, which are not energies of the future. To preserve the long-term value of our assets, we have positioned them advantageously by limiting their exposure to climate and transition risks."

Pressure from the pension public

Pension plan members want their fund managers to get clear about the unavoidable relationship between long-term financial value, retirement security and fossil fuel wind-down. In May, faculty and staff at the University of Toronto called on Ontario's **University Pension Plan** to announce a rapid timeline for eliminating its exposure to the high-risk oil and gas industry. And in June the city council for Cornwall, Ont., passed a resolution requesting that its mayor call on **OMERS** to withdraw from or phase out its existing fossil fuel assets.

Pension members also spoke up so that their pension funds would hold companies accountable for providing credible, decision-useful climate information to investors. Canadians from coast to coast used Shift's action tools to send emails to their pension funds asking them to vote for better climate disclosure from Toronto-Dominion Bank, Royal Bank of Canada and Enbridge. The **British Columbia Investment Management Corporation**, **Caisse de dépôt et placement du Québec**, **Investment Management Corporation of Ontario** and Ontario's **University Pension Plan** voted in line with the relatively strong climate expectations they've set out in their proxy voting guidelines. Votes from the **Alberta Investment Management Corporation** and **Canada Pension Plan Investment Board** were more concerning, with both failing to vote for oil and gas pipeline company Enbridge to fully account for the emissions that will result when its customers use the fossil fuels that flow through its pipelines. Read on for more in this *Quarterly*'s recap of the 2024 shareholder season.

After another round of failed climate engagement with Enbridge, will Canadian funds realize that climate engagement with the fossil fuel sector is futile?

International pension funds are starting to understand this: **California Public Employees' Retirement System** board members admitted that "engaging" Exxon won't work and chose to vote against Exxon directors after the company slapped investors with a lawsuit for bringing forward a climate-related proposal. And Europe's largest pension fund, **ABP**, exited oil, gas and coal investments, saying that the step is necessary "after efforts to engage with fossil fuel producers and get them to reduce their greenhouse gas emissions proved ineffective."

Once again, the **Canada Pension Plan Investment Board** refused to get the memo, with its portfolio companies expanding oil and gas production even as a Harvard Business School case study about the fund suggests that some of its stakeholders and employees are uncomfortable with the pension manager's approach to fossil fuel assets and existential climate risks. Read our latest *CPPIB Watch* for this quarter's updates on the fossil fuel companies in which our national pension manager has invested our retirement savings.

This issue of the *Climate Pension Quarterly* catches you up on:

- Climate highlights from the annual reports of seven pension funds;
- Renewable energy investments from the **Canada Pension Plan Investment Board**, **Healthcare of Ontario Pension Plan**, **Ontario Teachers' Pension Plan** and **Caisse de dépôt et placement du Québec;**
- Increasing stranded asset and/or greenwashing risk for gas distribution networks owned by the **British Columbia Investment Management Corporation**, **Ontario Teachers' Pension Plan**, **PSP Investments** and **Alberta Investment Management Corporation;**
- Updates on Canadian pension fund-owned companies including **Thames Water**, **Puget Sound Energy**, **Northvolt**, **TriSummit Utilities** and **Aethon Energy**.

Read on for the full stories in this issue of the *Climate Pension Quarterly*.

-Adam, Executive Director, Shift

P.s. This month, Shift welcomed Kevin Philipupillai to our team as Program Manager (Research Lead). Kevin comes to Shift after 12 years as a journalist, most recently covering Canadian federal politics and the energy transition as a member of the Parliamentary Press Gallery. As a Master's student at Carleton University, he specialised in collaborative investigations and in tracking the movements of institutional investors. Born in Singapore and now based in Ottawa, Kevin is ready to play a more active role addressing the climate crisis and legacies of environmental racism. He looks forward to bringing you future editions of the *Quarterly* and leading the development of next year's *Canadian Pension Climate Report Card*. Welcome, Kevin!

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Pension Fund Reports, Policies and Climate Announcements

PSP reports $2 billion issued in green bonds
PSP Investments (PSP) reported in February that it has now issued $2 billion in green bonds, helping to reduce greenhouse gas emissions and accelerate the energy transition, while generating stable returns for working and retired federal employees.

HOOPP's Annual Report discloses no new direct investments in private thermal coal or oil in 2023
In March, the Healthcare of Ontario Pension Plan's (HOOPP) *2023 Annual Report* and *Climate Disclosure* demonstrated continued year-over-year improvements in the fund's transparency and management of climate-related risk. HOOPP disclosed $10 billion in climate solutions investments and reported that the fund had made no new direct investments in private thermal coal or oil exploration and production companies in 2023. However, HOOPP continues in its misguided belief that climate engagement can convince fossil fuel companies to align with the goals of the Paris Agreement, despite experts and many other investors concluding otherwise. *See Shift's analysis*.

OTPP reports $34 billion in climate solutions; stays silent on phasing out fossil fuel assets
In March, the Ontario Teachers' Pension Plan's (OTPP) *2023 Annual Report* demonstrated the fund making progress toward its emissions reduction targets and disclosing $34 billion now invested in "companies that generate clean energy, reduce demand for fossil fuels and help build a sustainable economy." The Report was silent on how the fund will transition or phase out the operations of its own significant fossil fuel assets, and provided no update on the $5 billion in "High-Carbon Transition Assets" investments the fund committed to in 2022. *See Shift's analysis*.

IMCO acknowledges move away from "traditional energy sources" in Annual Report
In April, the Investment Management Corporation of Ontario's (IMCO) *2023 Annual Report* highlighted the investment manager's growing energy transition investments and expertise, disclosed a target to reach $5 billion in "energy transition investments" by 2027, and acknowledged that the world is moving away from "traditional energy sources". *See Shift's LinkedIn post*.

OPB ESG Report clarifies IMCO's fossil fuel exclusions
Also in April, the Ontario Pension Board (IMCO's main client fund) issued its inaugural ESG Report, which included a warning that "certain types of investments" risk becoming stranded assets in the energy transition, whereas renewables and new technologies provide "significant new investment opportunities" (p.19). The report provided the clearest articulation of IMCO's climate guardrails that Shift has seen to date:

*"Where it can meaningfully influence or control investable assets, IMCO has stated that it **will not make new investments in fossil fuel assets** without **current or credible** plans for interventions such as carbon capture and storage or carbon capture, utilization and storage or equivalent technologies that **substantially reduce the amount of emissions throughout the life cycle, in line with appropriate global, science-based scenarios**" (p.23).*

Neither IMCO nor OPB has provided an example of fossil fuel assets that have credible carbon capture and storage (CCS) plans, nor do they acknowledge that CCS does nothing to reduce the vast majority of an oil and gas company's emissions– which come from its products being burned.

CDPQ says oil and gas "are not energies of the future"; deploys $5 billion in transition assets
In April, the Caisse de dépôt et placement du Québec (CDPQ) released its *2023 Annual Report* and *Sustainable Investing Report*. CDPQ's President and CEO wrote that "we believe it's simply counterproductive to help increase the supply of [oil-based] energy"; the SI Report noted that "we have taken decisive action, including completing our exit from oil production and coal mining; we no longer want to contribute to the supply of these two types of energy, which are not energies of the future. To preserve the long-term value of our assets, we have positioned them advantageously by limiting their exposure to climate and transition risks."

According to the *Annual Report*, CDPQ has deployed $5 billion in transition assets, supporting high-carbon companies in the agriculture, electricity production, transportation and materials sectors to develop and implement credible decarbonization plans, and is still looking to deploy another $5 billion.

CPPIB: a sophisticated investor that contradicts the scientific consensus on fossil fuel phase-out
While **OMERS**' Annual Report (see the previous *Quarterly*) and Annual Reports from **HOOPP**, **CDPQ** and **IMCO** (above) inch toward acknowledging the scientific consensus toward the move off fossil fuels, the **Canada Pension Plan Investment Board (CPPIB)** continues to fund both sides of the climate crisis. In May, our national pension manager's 2024 annual report showed big and growing investments in climate solutions and detailed and credible accounting of greenhouse gas emissions across its portfolio. But the fund is still investing in fossil fuel expansion. It has so far failed to set interim emissions reductions targets, obfuscates its exposure to high-carbon assets that lack credible transition pathways, and relies on dubious carbon offsets in both its operations and investment portfolio. *See Shift's analysis*.

UPP submits comments in support of emissions cap on oil and gas and regulations on methane
In June, the University Pension Plan's (UPP) *2023 Annual Report* reported a 17% reduction in portfolio emissions intensity (below 2021 levels), surpassing the fund's 2025 target. UPP CEO Barbara Zvan commented in May that the fund's ambitious 2040 net-zero commitment is "mainly because we think the world is decarbonizing too slowly. So we'd rather be ahead of the curve than behind the curve."

UPP also committed to ongoing disclosure of the investments it makes on its way to reaching $1.2 billion in climate solutions investments.

The fund disclosed that UPP's participation alongside efforts from Climate Engagement Canada had resulted in a Canadian oil and gas company announcing a commitment to reduce methane emissions in its upstream operations by 80% below 2019 levels by 2028. UPP does not name the company, but oil and gas company Cenovus is a CEC focus company with a 2028 target that matches this description. According to CEC's own Net-Zero Benchmark assessment, Cenovus is not aligned with any of the benchmark's ten indicators, while the company's lobbying was determined to be misaligned with the goals of the Paris Agreement.

Shift acknowledges the value of achieving near-term reductions in methane emissions. This is the bare minimum for the oil and gas industry, which will face increasingly stringent regulation. But methane reductions do nothing to guard against the risk of rapid devaluation from an accelerating energy transition and drop in fossil fuel demand. And upstream emissions represent a small minority of an oil and gas company's lifecycle emissions, ignoring scope 3, which can only be eliminated by phasing out production. UPP's efforts to secure a stable climate for its beneficiaries are better served by the laudable efforts the fund is making to publicly support climate-aligned government policy, such as comments backing the proposed oil and gas emissions cap and methane regulations.

PSP Annual Report promises more climate details in the fall
Also in June, PSP released its annual report and made associated updates to its website. The report notes that more details about PSP's progress on climate innovation will become available in the fall, but PSP briefly highlights the challenges of investing in "the whole economy transition required by climate change", features a case study on renewable energy assets in Ontario and Quebec, and mentions PSP's "climate pathways navigator prototype, which will help [PSP's] asset classes make better climate-informed projections at the asset and portfolio level." PSP has still failed to commit its portfolio to net-zero emissions by 2050 or sooner.

AIMCo still struggling to accept climate science
The Alberta Investment Management Corporation (AIMCo) followed its *Climate Approach* (released in February - see Quarterly #11) with a *2024 ESG Integration Report* and updated *2024 Proxy Voting Guidelines*, neither of which provide new information on how AIMCo will strengthen its approach to managing climate-related financial risks. AIMCo has still not committed to net-zero portfolio emissions, nor set any interim emissions reduction targets. In June, AIMCo said it was "proud to be a partner in Coastal GasLink's success" as TC Energy announced the completion of a $7.15 billion corporate bond offering to refinance the pipeline project.

Canadian Pension Mentions

Spotty uptake on Climate Action 100+ investor supporter statement
45 asset owners recommitted to bare-minimum statements on climate in an Investor Statement in support of Climate Action 100+ (CA100+). CA100+ members **British Columbia Investment Management Corporation (BCI)**, **CDPQ** and **UPP** had signed the statement as of May 28, 2024. **OMERS**, **HOOPP**, **IMCO** and **AIMCo** are not listed as signatories, despite being CA100+ members.

Harvard Business School case study on CPPIB sheds light on internal grappling with fossil fuel investments
A Harvard Business School case study offers insight into CPPIB's decision not to set interim emissions reduction targets and suggests that some of CPPIB's stakeholders and employees are uncomfortable with the pension manager's approach to fossil fuel assets and existential climate risks. The study includes a discussion of CPPIB's decision to purchase a 49% stake in Aera Energy, California's second largest oil and gas producer, in 2023. At the time, staff in the Sustainable Energies team raised concerns about the investment's alignment with CPPIB's net-zero commitment, the profitability of Aera's transition strategy, and the company's ability to generate enough cash flow to fulfil asset retirement obligations, including well abandonment and reclamation. Shift has tracked CPPIB's Aera investment from the initial investment and in our CPPIB Fossil Fuel Company Watch series. CPPIB published an excerpt from the case study on its website.

City of Cornwall calls for OMERS fossil fuel divestment
In June, the City of Cornwall passed a resolution requesting that its Mayor write a letter to OMERS that calls on the pension fund "to set clear goals on climate action and projections, divest from any investment in new

Canadian Pension Mentions continued

fossil fuel development, and either withdraw of or provide profitable phase out plans for its existing fossil fuel assets." Councillor Sarah Good, who put forward the motion, told fellow councillors, “Myself and many staff here will be retiring after 2050… [Fossil fuel investments are] volatile and [it is] short-sighted to consider the fact that the people receiving their pensions now should be able to cash out on the liability that my generation and my children’s generation will be facing the consequences of. So you have an opportunity now to actually push for meaningful change that will help your children and grandchildren and their future.”

U of T Faculty Association and United Steelworkers call for UPP to divest from fossil fuels
The University of Toronto Faculty Association and United Steelworkers Local 1998, which represents U of T staff, are formally calling on UPP to implement an immediate screen on any new investments in oil and gas and to announce a rapid timeline for complete divestment from the oil and gas industry.

According to UPP’s Top single name public equity holdings, the fund held between $110-$260 million in shares in fossil fuel companies as of December 31, 2023.

$10 billion City of Montreal pension plan will divest from fossil fuels
Montreal Mayor Valerie Plante said the fossil fuel divestment commitment will "benefit the entire financial ecosystem of Montreal" and "sends a strong signal to other cities, governments and public pension funds to strengthen the green economy.”

International Leadership on Fossil Fuel Exclusions

- Europe’s largest pension fund, the €520 billion ABP, is fulfilling its commitment to exit oil, gas and coal, saying returns from the sale of fossil-fuel assets have been “easy to replace ... Anyone who looks back about 10 years will see that investments in oil and gas producers did not perform exceptionally during that period." ABP’s divestment included stocks, bonds and investments in oil and gas futures contracts linked to fossil fuels. Next up, the pension manager will divest fossil fuel investments in unlisted companies, private equity and hedge funds.
- US$23 billion Danish pension fund Denmark P+ will prohibit investments in oil and gas companies that are expanding production.
- A$280 billion Australian Retirement Trust is ending direct investment in thermal coal (10% revenue threshold).

Meanwhile, Australia's AU$13.5-billion Active Super is under scrutiny after the Australian Securities and Investments Commission ruled that the pension fund misrepresented its exclusionary screen on coal.

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Shareholder Engagement Hits and Misses

The 2024 annual general meeting season saw some pension funds step up their engagement on climate while others barely showed up.

Shift tracked climate-related proposals put forward at RBC, TD and Enbridge, with hundreds of pension members writing to their pension funds calling on them to use their investor influence to vote for better climate disclosure at the big banks and oil and gas company.

- **RBC:** Thanks to the leadership of New York City pension funds and the New York City Comptroller, RBC made a last minute agreement to disclose its clean energy supply financing ratio and the resolution did not go to a vote. RBC also agreed to amend its human rights statement to invoke internationally recognized standards for Indigenous rights and include a review of its Environmental and Social Risk process, including the bank's new process to examine the impact of its client activities on Indigenous lands, as part of its 2025 racial equity audit.

- **TD:** A proposal that TD "disclose transition activities that describe how it will align its financing with its 2030 sectoral emissions reduction targets" received 28.6% support from shareholders. **BCI**, **CPPIB**, **CDPQ**, **IMCO**, **OTPP** and **UPP** voted for this proposal. UPP's voting rationale explained: "UPP supports this proposal because it is requesting initiatives and/or targets aligned with the goals of the Paris Agreement, including pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels;" BCI and IMCO provided rationale explaining that the additional disclosure would better help investors assess the company's climate risks.

  AIMCo and **OMERS** voted against the proposal. **HOOPP** does not disclose its votes. Data for **PSP** is not yet available. **OPTrust** held no shares in TD.

- **Enbridge:** Enbridge has not provided disclosure of the greenhouse gas emissions resulting from the end-use of the oil shipped through its pipelines, likely because such disclosure would illustrate that the company's business plan counts on those emissions increasing. A full disclosure of emissions would make it impossible to hide the company's lack of a credible climate transition strategy. A proposal for Enbridge to disclose this information received 27.3% support from shareholders. Despite every single one of the pension funds Shift tracks having said that they require better scope 3 emissions disclosure from companies, only **BCI**, **CDPQ**, **IMCO**, **OMERS** and **UPP** have reported voting for this proposal, with BCI reasoning that "the disclosure of estimated material Scope 3 emissions provides investors with visibility over the value chain carbon footprint to weigh the potential sources of regulatory and transition-related risks."

  AIMCo and **CPPIB** voted against the proposal. **HOOPP** does not disclose its votes. Data for **PSP** is not yet available. The **OTPP** and **OPTrust** held no shares in Enbridge.

Enbridge has no plan to fully disclose its emissions, leaving investors with unacceptable gaps in their ability to understand the risks the company faces. In the face of another round of unsuccessful engagement with an oil and gas company, pension funds must acknowledge the limits of engagement for an industry that has no credible pathway to decarbonization other than the phase-out of production and early retirement of assets..

Shareholder Engagement Hits and Misses continued

Internationally, pension funds are coming to terms with the plain fact that the oil and gas sector has no profitable pathway to transition. Engagement can't change that fact.

CalPERS board members admitted that "engaging" Exxon won't work and chose to vote against directors after the company slapped investors with a lawsuit for bringing forward a climate-related proposal. And Europe's largest pension fund, ABP, exited oil, gas and coal investments saying that the step is necessary "after efforts to engage with fossil fuel producers and get them to reduce their greenhouse gas emissions proved ineffective."

Investing Toward a Safe Climate Future

HOOPP and co-investors put US$650 million into solar and energy storage
HOOPP and the Australian pension fund HESTA will become part-owners of Pine Gate Renewables.

HOOPP, which has committed to reach $23 billion in green investments by 2030, will join co-investors to put US $650 million into Pine Gate Renewables, a developer and operator of clean energy projects.

CPPIB consolidates offshore wind holdings; increases stake in Octopus Energy
***CPPIB** owns 100% of Reventus Power and 12% of Octopus Energy.*

CPPIB is consolidating its existing offshore wind holdings under Reventus Power, a UK-based offshore wind company wholly owned by our national pension manager. CPPIB has also spent another £300 million, in partnership with Al Gore's Generation Investment Management, to increase its stake in Octopus Energy to 12%. Sky News reported that the UK-based renewable energy and energy services company is close to attaining a US$10 billion valuation.

Fécamp Offshore Wind Farm in France now operational
*Fécamp is a joint project between the French government-owned EDF Renewables and EIH S.à r.l., a renewable power subsidiary of Enbridge that is 49% owned by **CPPIB**.*

In May, the 71-turbine, 497-megawatt Fécamp Offshore Wind Farm, located off the northern coast of France, was commissioned. The wind farm can supply nearly 770,000 people with zero-carbon electricity, supporting France's ambitious goal to have 33% of its electricity powered by renewables by 2030.

OTPP and portfolio company Mahindra Susten developing huge solar and wind project
***OTPP** acquired a 30% stake in Mahindra Susten—the renewables platform of India's Mahindra Group—in 2022.*

OTPP and Mahindra are developing a 150-MW hybrid solar and wind project in the state of Maharashtra within two years that would abate 420,000 tonnes of CO2 emissions and deliver clean power to commercial and industrial customers in the automotive and agriculture sectors.

Investing Toward a Safe Climate Future continued

OTPP's Cadillac Fairview supports Vancouver's bold decarbonization by-law
***OTPP**'s in-house real estate subsidiary.*

Cadillac Fairview is publicly supporting Vancouver's move to decarbonize all of the city's large buildings by 2040-- a first-of-its-kind by-law in Canada.

CDPQ-backed FLO secures backing for roll-out and expansion of EV charging stations
***CDPQ** has backed FLO for "almost a decade".*

Quebec-based electric vehicle charger company FLO has secured $136 million from backers including CDPQ to roll out an ultra-fast charger and expand its high-tech network of EV charging stations across North America.

Stranded Asset Risks for Gas Networks; Fossil-Hydrogen Blending is not a Solution

Gas networks owned by **Canadian pension funds** are staring down stranded asset risk and face criticism as they attempt to paint fossil-hydrogen blending as a climate solution.

BCI holds a 32% stake in Open Grid Europe, the 12,000-km German fossil gas transmission system. But according to The Energy Mix, a new report from Germany's economy ministry shows the government starting to plan for "a gradual decommissioning of the country's gas distribution network" and notes that "current grid operators will suffer financial losses if they're forced to continue operating gas infrastructure."

In the UK, **BCI** holds a joint 80% stake in **National Gas Transmission** and **OTPP** owns 37.5% of the gas distributor **Scotia Gas Networks (SGN).** But a Senior Associate of the UK's Regulatory Assistance Project warns that the country's gas networks could become stranded assets as the UK races to achieve its climate and energy goals. Trials for transporting hydrogen in gas pipeline networks have been repeatedly delayed and pilot projects for home heating have been shelved, with an Energy Analyst at the UK Energy and Climate Intelligence Unit reiterating that hydrogen "will only play a very limited role in home heating." Meanwhile, SGN has partnered on a program "to empower primary school children" with a 90-minute greenwashing workshop on an SGN gas-to-hydrogen conversion pilot.

Here in Canada, **Eastward Energy**, a subsidiary of **PSP** and **AIMCo**-owned **TriSummit Utilities**, is aspiring to re-purpose its gas pipelines to transport hydrogen. But Paul Martin, a chemical engineer with a 30-year history of working with hydrogen and a member of the Hydrogen Science Coalition, calls the hype over hydrogen for decarbonization "a combination of wishful thinking, magical thinking, and green-wishing." Martin says blending hydrogen into fossil gas, even under the best case scenario, would result in GHG emissions reduction of just 7% compared to unblended gas.

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CPPIB Fossil Fuel Company News

Despite its climate commitments, Canada's national retirement fund still has tens of billions invested in companies that are actively expanding their fossil fuel footprints. In the second quarter of 2024, these investments exposed CPPIB to escalating regulatory and financial risks, including a moratorium on carbon capture and storage projects in Illinois and massive liabilities from idle oil wells in California.

Efforts by CPPIB-owned Calpine to invest in battery storage in California were undermined by the fact that the same company plans to build new gas-fired power plants in Texas. And CPPIB's promising acquisition of a major Minnesota electric utility raised questions about the problematic coal and gas subsidiaries that come with the deal. Read the full details (with updates on CPPIB-owned companies **Encino Energy**, **Aera Energy**, **Allete**, **Calpine**, **Wolf Carbon Solutions U.S.**, **Civitas Resources**, **Nedgia** and **Teine**) from Shift in our April-June *CPPIB Watch*.

Canada Growth Fund Watch

Canada Growth Fund commits $50 million to Idealist Climate Impact Fund LP; announces second carbon contract for difference agreement

The Canada Growth Fund, a $15-billion decarbonization fund managed by PSP and designed to leverage private capital for decarbonization and climate-aligned investment in Canada, announced in March that it would commit $50 million to the Idealist Climate Impact Fund, a fund focused on the decarbonization of power supply, electrification of transportation, decarbonization of industrial emitters, and promotion of a circular economy. In June, CGF announced a carbon contract for difference agreement with oil and gas company Gibson Energy for a proposed landfill-waste carbon capture project. Gibson and its project partners have not yet made a final investment decision.

More News About the Companies Where Your Retirement Savings are Invested

Thames Water - OMERS writes down its entire $1.7 billion investment
OMERS *owns 32% of the privatized water utility and* ***BCI*** *owns 9%.*

In May, OMERS' and BCI's representatives on the Thames Water board of directors resigned and OMERS wrote down the entire value of its investment in Thames Water. The beleaguered UK water utility that has become a poster child for a British water industry under fire for its poor environmental record and financial mismanagement. As recently as December 31, 2021, OMERS had valued its stake in Thames Water at $1.7 billion. With its own shareholders now calling the company "uninvestable", BCI and OMERS beneficiaries should be asking hard questions about their pension managers' due diligence processes and company oversight.

Puget Sound Energy supported by Washington legislation to transition off gas
*Owned 23.9% by **OMERS**, 20.9% by **BCI**, 15.8% by **OTPP**, and 13.6% by **AIMCo**.*

New legislation in Washington state provides an example of how integrated utilities can plan to transition off gas. The bill allows Puget Sound Energy to merge its electric and gas customers into a single rate base and supports electrification of whole neighbourhoods to allow for the decommissioning of gas lines in the future. Meanwhile, PSE is facing the physical risks of the climate crisis firsthand, drawing up plans to proactively turn off power in parts of Washington during periods of heightened wildfire risk.

Northvolt site development continues as Quebec government official resigns
OMERS, IMCO, CPPIB and CDPQ have all contributed financing for the Swedish lithium-ion battery maker.

An official in Quebec's Environment Ministry resigned in April over the government's handling of the Northvolt file. Development of the site for Northvolt's electric vehicle plant outside Montreal continues, although community and Indigenous groups have objected to the lack of environmental assessment for the project.

TriSummit Utilities - Enstar Natural Gas calling for subsidies for new oil and gas exploration in Alaska
*Enstar is a subsidiary of TriSummit Utilities, which is 100% owned by **PSP** and **AIMCo**.*

Enstar Natural Gas is looking for subsidies to attract new oil and gas exploration in Cook Inlet and incentivize gas production on Alaska's North Slope due to a potential gas shortage as the Cook Inlet gas field faces a terminal decline in production. This would further lock-in gas production and combustion for decades to come. Is this what PSP and AIMCo had in mind when they said that buying Enstar "significantly enhances TriSummit's position as a premier, growing North American utility and renewable energy company"?

Aethon Energy expands gas production and pollutes water
*The **OTPP's** most recent annual report shows that the pension fund has at least $200 million invested in "Aethon III LLC" and "Aethon United LP".*

Aethon Energy is spending US$260 million to acquire new fossil gas assets and is being investigated for oilfield pollution. Meanwhile, the U.S. Environmental Protection Agency rejected the company's request to pump oilfield wastewater into a Wyoming aquifer, writing that "Removing the existing statutory and regulatory protections for a potential source of high-quality drinking water for the rural and overburdened communities in Fremont County and on the [Wind River Indian Reserve] would further exacerbate existing inequities particularly with respect to historic and ongoing adverse and cumulative impacts to water resources and community health."

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What We're Reading

- The head of a federal panel on sustainable finance cites oil and gas lobbying as a barrier to Finance Canada accepting its own expert panel's recommendations for a taxonomy of green and transition assets.
- Staff revolt at the Science Based Targets initiative (SBTi) as its board votes in favour of Bezos-backed approach to allow companies to use offsets for scope 3 emissions. See Shift's analysis.
- Warnings of a Climate Minsky Moment—"a sudden and catastrophic plunge in asset values"—when the fossil fuel bubble bursts.
- Study: Climate change will knock one third off the world economy.
- Mark Carney tells the Senate banking committee that Canada's financial institutions "significantly lag international peers" on climate disclosure.

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.

Subscribe to receive future editions of the Climate Pension Quarterly and other updates from Shift.
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