An Insecure Future

Canada's biggest public pensions are still banking on fossil fuels

By Jessica Dempsey, James Rowe, Katie Reeder, Jack Vincent, Zoë Yunker

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CORPORATE MAPPING PROJECT

CCPA
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The CCPA–BC is located on unceded Coast Salish territory, specifically the lands belonging to the xʷməθʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish) and səl̓ílwətaʔɬ /Selilwitulh (Tsleil-Waututh) Nations.

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Summary

In this paper we look at the pension funds' investments in companies that produce fossil fuels as well as those that process, store and ship them.

AS THE IMPACTS OF THE CLIMATE CRISIS INCREASE and intensify in the form of droughts, wildfires, floods and sea level rise, so too do the calls for concrete action. However, instead of reducing greenhouse gas emissions since signing the Paris Agreement in 2016, Canada has increased its emissions more than any other Group of Seven (G7) country. During the same time, Canada's largest public pension plan—the Canada Pension Plan (CPP), managed by the Canada Pension Plan Investment Board (CPPIB)—has increased its shares in fossil fuel companies. Likewise, the managers of Canada's second-largest public pension plan—Caisse de dépôt et placement du Québec (CDPQ)—have only slightly decreased their fossil fuel shares over the same period. This level of action is inadequate to meet the scale of the crisis.

This report looks at the CPPIB and the CDPQ and their investments over a five-year period from 2016 to 2020, using data from the Bloomberg Terminal to evaluate the funds' investments in companies in the oil and gas industry. Collectively, the two funds hold $862.7 billion in Canadian dollars of total investments on behalf of over 26 million Canadians. With long-term investment horizons, pension funds are both exposed to the risks of climate change and also well positioned to invest in their mitigation.

The disclosure practices of current public pension funds in Canada are limited. While the Bloomberg Terminal provides data for the CDPQ and CPPIB, we note that it is missing the tens of billions of equity investments from Canada's other major public pension funds—namely the Ontario Teachers' Pension Plan, the Public Sector Investment Pension Board, British Columbia Investment Management Corporation and the Alberta Investment Management Corporation—and therefore we do not examine their investments. Furthermore, even the CPPIB and CDPQ do not disclose all of their holdings in a way that allows current or future beneficiaries to easily assess whether or not their contributions are being used to fund climate change.

In this paper we look at the pension funds' investments in companies that produce fossil fuels as well as those that process, store and ship them. To monitor whether pension funds are reducing or increasing their investments in oil and gas companies, this research focuses on the number of public equity shares invested in the industry each year rather than the value of those shares, which can fluctuate over time and possibly obscure investment trajectories. That's because drops in share price can be confused with reduced investments in the sector.

The CPPIB has publicly stated its commitment to consider climate impacts in its investment portfolio. In 2018 it announced the Climate Change Program, which introduced climate risk assessment into the pension's investment practice but did not clarify how and to what extent those commitments would have an impact on investment decisions. Despite these public statements, the number of shares in oil and gas held by the CPPIB by the end of 2020 was 7.7 per cent higher than the number of shares it held at the beginning of 2016.

The CDPQ also bills itself as a climate action leader. In 2017 it introduced a climate strategy that mandated a 50 per cent increase in low-carbon investments by 2020. Unlike CPPIB, CDPQ's investments in fossil fuel shares at the end of 2020 were 14 per cent lower than in 2016. While this trend shows promise, it is worth noting that overall the CDPQ has over 52 per cent more fossil fuel shares than the CPPIB.

In both cases, the pension plans' investment patterns do not reflect the action needed to address the scale of the climate crisis. They also point to the overall ineffectiveness of "green" investment policies that do not lead to concrete reductions in fossil fuel investments.

This paper also highlights the funds' individual company-level fossil fuel investments to demonstrate their exposure to companies with long histories of climate denial, policy obstruction, dispossession of Indigenous lands and environmental destruction. The companies examined include ExxonMobil (CPPIB investment $24.98 million, CDPQ investment $82.58 million), TC Energy (CPPIB investment $329.90 million, CDPQ investment $344.14 million), Enbridge (CPPIB investment $173,000.00, CDPQ investment $1.01 billion) and the pension plans' investments in the world's highest-producing coal companies (CPPIB investment $24.2 million, CDPQ investment $96.5 million).[1] We also find that both pensions are heavily invested in companies that are members of the Canadian Association of Petroleum Producers, which has long obstructed the energy transformation needed for Canada to stay within its commitment to 1.5 degrees Celsius global warming.

Canada's public pension funds have an opportunity to lead the way toward a global transition to a greener, more sustainable economy. This paper finds that their climate actions may be more talk than walk.

Canada's public pension funds are responsible for managing Canadians' investments and their futures. The funds have an opportunity to lead the way toward a global transition to a greener, more sustainable economy. This paper finds that their climate actions may be more talk than walk. To help Canadian pension funds align their capital with the 1.5-degree Celsius limit on global warming, we recommend the following concrete actions.

Actions for Canadian public pension fund trustees/investment boards:

1. Disclose all investments to the public, including public equity, all private equity holdings and limited partnership investments, fixed assets, lending commitments and other asset classes;
2. Immediately design a plan to phase out fossil fuel investment in alignment with targets set by the Paris Agreement to limit global warming below 1.5 degrees Celsius;
3. Reinvest the capital divested from fossil fuel investment toward renewable energy sources, such as wind, solar and geothermal energy, in alignment with the United Nations Declaration on the Rights of Indigenous Peoples.

Actions for federal and provincial governments:

1. Provide regulatory clarity to ensure that executing fiduciary duty means avoiding short-term economic gains that imperil long-term climatic security for Canadians and the global community. Fiduciary duty should require public pensions to justify any investments in fossil fuel companies in light of climate science and Indigenous peoples' right

1 Investment totals are in Canadian dollars as of December 31, 2020.

to free, prior and informed consent articulated in the United Nations Declaration on the Rights of Indigenous Peoples;

2. Mandate Canadian pension funds to disclose the names and dollar amounts of all holdings across asset classes, and where possible, total the emissions of investments in the fossil fuel sector so that beneficiaries and citizens can know the impact of their investments in fossil fuels and high-carbon industries. This accounting should include emissions associated with extraction but also with consumption. The emissions associated with oil, gas and coal consumption are rarely counted in fossil fuel company pledges and disclosures, and they make up the majority of emissions;[2]

3. Mandate a clear timeline for public pensions to withdraw from all fossil fuel investments. Define reinvestment criteria that support a just and equitable transition to a renewable-based energy system;

4. Create a level playing field for Canadian investors by supporting a non-proliferation treaty for fossil fuels. The treaty should include global regulatory frameworks that phase out and ultimately disallow investments in fossil fuels.[3]

2 Harrison, Kathryn, et al. "Why You Should Take Oilsands Giants' Net-Zero Pledge with a Barrel of Skepticism." *Canada's National Observer*. June 10, 2021. https://www.nationalobserver.com/2021/06/10/opinion/why-oilsands-giants-net-zero-pledge-skepticism.

3 Taylor, Matthew. "101 Nobel Laureates Call for Global Fossil Fuel Non-Proliferation Treaty." *The Guardian*. April 21, 2021. https://www.theguardian.com/environment/2021/apr/21/101-nobel-laureates-call-for-global-fossil-fuel-non-proliferation-treaty.

Introduction

AS WILDFIRES, HEATWAVES AND DROUGHTS INTENSIFY with each passing year, the calls for urgent action to avoid the worst impacts of climate change are getting louder. With over CAD$1.5 trillion in capital investments, Canada's biggest public pension plan managers have an outsized capacity to obstruct or facilitate the needed transition from a fossil fuel energy system.

By the end of 2020 the number of shares in oil and gas held by the CPPIB was 7.7 per cent higher than the number of shares it held at the beginning of 2016.

Many of those pension managers have committed to taking action on climate change. They are participating in investor coalitions to encourage climate-related financial disclosure and making investments in renewable energy technologies. The Canada Pension Plan Investment Board (CPPIB, operating as CPP Investments), for example, dubs itself a "climate aware investor" and has, to date, invested $9 billion in global renewable energy sources.[4] While these sustainability claims and material investments in energy alternatives show promise, the real litmus test is the climate impact of the pensions' most polluting investments.

This report finds the managers of Canada's largest public pension plan—the Canada Pension Plan (CPP)—have not decreased public equity investments in fossil fuels since the Canadian government signed the Paris Agreement in 2016. In fact, the CPP's shares in fossil fuel companies have increased since then. Likewise, while the managers of Canada's second-largest public pension plan—Caisse de dépôt et placement du Québec (CDPQ)—have slightly decreased fossil fuel shares over time, this level of incremental change is inadequate in the face of a rapidly changing climate.

A 2019 report from the United Nations Intergovernmental Panel on Climate Change (IPCC) underscores the need to limit global warming to a 1.5-degree increase from pre-industrial levels to avoid the worst effects of runaway climate change.[5] The global carbon budget—the total volume of greenhouse gases (GHGs) that can be emitted before the 1.5-degree threshold

4 CPP Investments. "CPPIB's Approach to Climate Change." Accessed June 9, 2021. https://www.cppinvestments.com/public-media/headlines/2017/cppibs-approach-climate-change; CPP Investments. "CPP Investments Establishes Renewable Power Capital to Focus on European Renewables." Last updated December 9, 2020. https://www.cppinvestments.com/public-media/headlines/2020/cpp-investments-establishes-renewable-power-capital-to-focus-on-european-renewables.

5 Intergovernmental Panel on Climate Change. "Summary for Policymakers." In *Global Warming of 1.5°C. An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, In the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty*. Edited by Masson-Delmotte, V. et al. Geneva: Intergovernmental Panel on Climate Change, 2019.

is reached—will be exhausted within 10 years.[6] The fact that Canada's largest pension plans continue to increase their investments in fossil fuel companies, or not significantly reduce them during this critical window for action, suggests that they are putting ecological and long-term financial health at risk.

Like public pension plans, fossil fuel companies have begun to make commitments to reduce their emissions, but their plans also fall short of the changes needed.[7,8] Some fossil fuel companies have established renewable energy operations such as solar and wind, but these account for less than 1 per cent of their total capital spending.[9] Most importantly, many companies continue to promise that they will burn through their reserves of unextracted oil, gas and coal, which currently hold three times more carbon dioxide emissions than the global carbon budget will allow.[10]

Many companies continue to promise that they will burn through their reserves of unextracted oil, gas and coal, which currently hold three times more carbon dioxide emissions than the global carbon budget will allow.

Without clear commitments to shift investments away from companies bearing the brunt of responsibility for the climate crisis, public pension plans are obstructing more than supporting the energy transition required to avoid 1.5-degree global warming.[11]

Our findings are based on public equity holdings data accessed through Bloomberg Terminal, a powerful investment tool that provides extensive financial information. But even with the Terminal, most Canadian pension capital is still hidden from view. We were unable to verify investment trends for Canada's other major public pension plans because their disclosure is either insufficient or not in a format that can be interpreted by Bloomberg Terminal. That includes the Ontario Teachers' Pension Plan (OTPP, or more commonly Ontario Teachers'), the Public Sector Investment Pension Board (PSP), and the Alberta Investment Management Corporation (AIMCo). The British Columbia Investment Management Corporation (BCI) does publish its annual holdings online but the disclosure format does not allow us to compare holdings across time.

The pensions' investments in other asset classes like debt and private equity are also largely hidden from view. This report focuses specifically on pensions' shareholdings in publicly traded companies.

Thus, our second major finding is that there are large gaps in disclosure for Canadian pension funds. Without the ability to see their pensions' investments over time, Canadians cannot verify the investment managers' ethical claims.

6 Hausfather, Zeke. "Analysis: Why the IPCC 1.5C Report Expanded the Carbon Budget." CarbonBrief. October 8, 2018. Accessed September 17, 2019. https://www.carbonbrief.org/analysis-why-the-ipcc-1-5c-report-expanded-the-carbon-budget.

7 Tong, David. *Big Oil Reality Check: Assessing Oil and Gas Company Climate Plans*. Washington, DC: Oil Change International, 2020. http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf.

8 Israel, Benjamin. "Evaluating the Climate Ambitions of Canadian Oil Companies." Pembina Institute. November 18, 2020. pembina.org/blog/climate-ambitions-canadian-oil.

9 International Energy Agency. *The Oil and Gas Industry in Energy Transitions: World Energy Outlook Special Report*. France: International Energy Agency, 2020. https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions.

10 International Energy Agency. *The Oil and Gas Industry in Energy Transitions: Insights from IEA Analysis*. France: International Energy Agency, 2020. https://iea.blob.core.windows.net/assets/4315f4ed-5cb2-4264-b0ee-2054fd34c118/The_Oil_and_Gas_Industry_in_Energy_Transitions.pdf.

11 Acciona. "100 Companies Are Responsible for 71% of GHG Emissions." Accessed June 9, 2021. https://www.activesustainability.com/climate-change/100-companies-responsible-71-ghg-emissions/.

This lack of transparency signals a democratic deficit, especially as climate change continues to be listed as one of Canadians' top priorities.[12] Because of lax regulations and poor reporting, most Canadians cannot know the extent to which their retirement monies are bankrupting our climate future.

That future is already becoming a reality for many Indigenous peoples throughout the world. As the climate warms, many Indigenous peoples face dramatic disruptions to their livelihoods and cultures. Melting sea ice in the Arctic, for example, hinders Inuit communities' mobility and hunting patterns, leading to losses of traditional food systems.[13] Indigenous peoples asserting their land rights against oil and gas developers have been forcefully arrested and imprisoned.[14] Continued investment in fossil fuels can also mean continued investment in human and Indigenous rights violations.

Under the legal principle known as "fiduciary duty," pension plan managers are required to invest in the best financial interests of their beneficiaries.[15] There is a growing recognition, however, that fossil fuel investments are a poison pill for the long-term savings of pension holders.[16] Signs of the sector's decline are apparent: energy was the worst-performing sector in the 2019 and 2020 S&P 500 stock market index.[17] Fossil fuel companies are currently experiencing a boost in share value as COVID restrictions recede and consumer demand increases.[18] But long-term prospects remain dim since oil, gas and coal companies must leave trillions of dollars of fossil fuel assets in the ground to avoid more than 1.5 degrees of global warming, and policy makers and investors are taking note.[19]

There is a growing recognition that fossil fuel investments are a poison pill for the long-term savings of pension holders.

In 2020, the world's largest investment management company, BlackRock, sent a letter to its clients, warning of an imminent exodus from oil and gas. "In the near future—and sooner than most anticipate—there will be a significant reallocation of capital."[20] Likewise, the influential International Energy Agency confirmed in a recent report that "there is no need for investment in new fossil fuel supply in our net zero pathway…[b]eyond projects already committed as of

12 Angus Reid Institute. "Despite COVID-19 Shutdown, Canadians Personal Financial Optimism for the Coming Year Improves." June 4, 2020. Accessed June 9, 2021. http://angusreid.org/coronavirus-economic-outlook/.

13 For example, see Fawcett, David et al. "Inuit Adaptability to Changing Environmental Conditions over an 11-Year Period in Ulukhaktok, Northwest Territories." *Polar Record* 54, no. 2 (2018), 119–32. doi.org/10.1017/S003224741800027X.

14 Scheidel, Arnim et al. "Environmental Conflicts and Defenders: A Global Overview." *Global Environmental Change* 63 (2020), 102104. doi.org/10.1016/j.gloenvcha.2020.102104.

15 Gold, Murray, and Adrian Scotchmer. *Climate Change and the Fiduciary Duties of Pension Fund Trustees in Canada*. Toronto: Kosky and Minsky LLP, 2015: 9. http://www.share.ca/files/Fiduciary_duty_and_climate_change_web.pdf; Fiduciary duty is currently being debated and challenged in law and in relation to the courts. Richardson, Benjamin J. "Fiduciary Relationships for Socially Responsible Investing: A Multinational Perspective." *American Business Law Journal* 48, no. 3 (2011), 597–640.

16 Sarang, Surbhi. "Combating Climate Change through a Duty to Divest." *Columbia Journal of Law and Social Problems* 49, no. 2 (2015), 295–341.

17 Wagner, Casey. "Energy's Plunge Is Now Worst Among S&P Sectors Dating to 1928." Bloomberg.com. October 30, 2020. https://www.bloomberg.com/news/articles/2020-10-30/energy-sector-s-tumble-has-now-reached-historic-levels.

18 Morgan, Geoffrey, "'Too good to be true': Canadian oil firms could wipe out debt by 2025, start hiking dividends if prices stay high." *Financial Post*. June 30, 2021. https://financialpost.com/commodities/energy/too-good-to-be-true-canadian-oil-firms-could-wipe-out-debt-by-2025-start-hiking-dividends-if-prices-stay-high.

19 Worland, Justin. "The Reason Fossil Fuel Companies Are Finally Reckoning with Climate Change." *Time*. January 16, 2020. https://time.com/5766188/shell-oil-companies-fossil-fuels-climate-change/.

20 Fink, Larry. "A Fundamental Reshaping of Finance: Larry Fink's 2020 Letter to CEOs." BlackRock. Accessed June 9, 2021. https://www.blackrock.com/corporate/investor-relations/2020-larry-fink-ceo-letter.

2021."[21] Canadian pensions risk incurring substantial losses on their multibillion-dollar investments in fossil fuel companies. They also endanger the lives of their future beneficiaries through the climate impacts of those investments.

This report reveals the "black box" of public pension investment as a site for further inquiry and a cause for concern. As the realities of climate change begin to take shape in cities, oceans and forests, Canadian pension holders have a right to know the extent to which their retirement savings are facilitating a perilous status quo.

21 International Energy Agency. "Net Zero by 2050: A Roadmap for the Global Energy Sector." p. 21. Accessed July 9, 2021. https://iea.blob.core.windows.net/assets/405543d2-054d-4cbd-9b89-d174831643a4/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf.

Methodology: The "black box" of pension investment

BECAUSE PUBLIC PENSION FUNDS' DISCLOSURE PRACTICES ARE LIMITED, we used Bloomberg Terminal to see trends in their public equity investment over time. First established in the 1980s, the Terminal is widely recognized as the most powerful investor-focused tool on the market.[22] It's also largely inaccessible to the general public because of its price point: annual subscriptions cost upward of US$20,000.[23]

While Bloomberg Terminal provides the most extensive information on public pensions' public investments, it only holds comprehensive public equity data for two major Canadian public pension managers, CDPQ and CPPIB. The Terminal is missing tens of billions of the remaining four major Canadian public pensions' public equity investments (see Table 1).[24] In other words, even when using one of the most powerful tools on the market it is impossible to compile accurate

Even when using one of the most powerful tools on the market it is impossible to compile accurate historical data on the investments of most Canadian public pension investments.

22 Stewart, Emily. "How Mike Bloomberg Made His Billions: A Computer System You've Probably Never Seen." Vox. December 11, 2019. https://www.vox.com/2020-presidential-election/2019/12/11/21005008/michael-bloomberg-terminal-net-worth-2020.

23 We accessed the Terminal through the University of British Columbia's institutional subscription.

24 The US Securities and Exchange Commission requires that all US and foreign institutional investment managers that do any of their business in the US and manage US$100 million or more in securities must complete Form 13F. All Canadian pensions disclose their holdings through the Form 13F reporting system, but it only exposes a portion of their entire public equity assets. Bloomberg Terminal supplements 13F data with data from annual reports to provide a fuller account of public equity investments. Of the major Canadian public pension plan managers, only CPPIB and CDPQ disclose their public equity holdings in their annual reports using a structured format that allows Bloomberg Terminal to include that data in their database. Note: Bloomberg Terminal uses the latest data available. While 13F data is sourced quarterly, additional disclosure information sourced through annual reports relies on the funds' specific disclosure practices. Annual report disclosure is often filed less frequently, and at different dates among pensions. Bloomberg Terminal carries the most recent annual report data forward to supplement gaps in 13F reporting. Bloomberg's most recent annual report data for CDPQ were filed December 31, 2019, and for CPPIB the latest annual report update was filed on March 3, 2020. This means that a portion of both pensions' total fossil fuel investments for 2020 reflects investment data from their last annual reporting cycle, and may be out of date.

Table 1: Differences in disclosure of public equity investments by Canadian pension plan managers

CDPQ and CPPIB are the only two pensions that disclose the majority of their public equity holdings on the terminal. All values in $CAD billions.

Disclosure	AIMCO	BCI	CPPIB	CDPQ	OTPP	PSP
What pensions say they hold in public equities	45.9	55.7	115.7	116.9	35.8	48.4
What Bloomberg says they hold in public equities	12.7	8.5	108.7	116.8	6.9	11.6
Percent difference	72% MISSING	67% MISSING	6% MISSING	0% MISSING	81% MISSING	76% MISSING

As at March 28th, 2021

Source: Bloomberg Terminal • Created with Datawrapper

historical data on the investments of most Canadian public pension investments.[25] Further, it is doubtful we have the full picture of CPPIB and CDPQ public equity portfolios. It is likely that the roughly 50 per cent of their public equity investments managed by external investment managers are not reported to the US Securities and Exchange Commission.[26]

We used the Terminal's sector-level filter, Bloomberg Industry Classification Standard (BICS), to separate out pensions' public equity oil and gas investments. We then exported five years of historical data on the total number of shares held in that sector. The BICS oil and gas classification includes companies that produce oil and gas, as well as midstream companies that process, store and ship it. It does not include coal, and as such is not an exhaustive assessment of pensions' total exposure to the fossil fuel industry.

25 We asked each of the pensions included in this report to provide further information on their investment practices. Only one pension, CDPQ, responded to our requests by forwarding publicly available information, but did not respond to our request for comment.

26 CDPQ and CPPIB do not disclose their full public equity portfolio on Bloomberg Terminal. Omissions likely include externally managed public equity investments. That's because Form 13F filings only require managers to disclose investments under which they have proxy voting control. We were unable to determine whether CDPQ and CPPIB maintain voting control over their externally managed public equity investments but have been advised by US Securities and Exchange Commission staff that it is unlikely. Data showing proportion of externally managed public equity investments for Caisse de dépot et placement du Québec (CDPQ) in Transparency Report. London: United Nations Principles for Responsible Investment, 2019. Available online at https://www.unpri.org/signatory-directory/caisse-de-depot-et-placement-duquebec/986.article. Data showing proportion of externally managed public equity investments for Canada Pension Plan Investment Board (CPPIB) in Transparency Report. London: United Nations Principles for Responsible Investment, 2020. Available online at https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/CF12C1D6-EDB4-4619-AA63-4D9751B268F8/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1.

There are numerous ways to model an investment fund's entanglement with any sector such as fossil fuels. Typically the funds emphasize the percentage a sector constitutes of the total (net) of assets under management (e.g., X% of the total fund is invested in fossil fuels). While this is an important metric for the fund, a decline in the ratio of fossil fuel investments compared to other sectors does not necessarily mean a decline in total fossil fuel investment. It could simply mean the overall fund has grown. Another metric commonly used to describe fund composition is the market value of a fund's investments in a given sector (measured in dollars), but this metric can also obfuscate investment in fossil fuels. Drops in total market value of public equity investments can be the result of reduced shareholdings, but it can also indicate drops in the share price (in the wake of a drop in the price of oil, for example). To avoid these limitations, this report focuses on changes in the number of shares invested in oil and gas each year.

Canadian pensions face few legal requirements to disclose their investments.[27] There are, however, a few exceptions: all institutional investors with over $100 million invested in companies listed on the US stock exchange must disclose those investments to the US Securities and Exchange Commission (SEC).[28] This means Canadian pension managers only need to disclose their US-traded stock information through the SEC Form 13F reporting system, and may not report investments in stocks traded nationally and internationally. Complicating matters further, Form 13F filings are often incomplete, and minimal regulatory oversight means that investors can easily misreport their findings.[29] For example, a *Financial Post* investigation found that the BCI failed to disclose US$2.4 billion in investments to the SEC in 2018.[30]

Bloomberg staff supplement Form 13F filings with their own research, sometimes by engaging directly with the investment managers at pension funds and sometimes by aggregating data from pensions' own disclosure documents. They also receive aggregated shareholder information from external managers making investments on pensions' behalf. The resulting patchwork of disclosure requirements and ad hoc relationships between Bloomberg and institutional managers results in an incomplete picture of Canadian pension capital.

CPPIB invests billions in private oil and gas companies, including through its ownership of the US fracking company Crestone Peak Resources.

Further, public equity investments only account for one portion of pension managers' investments. Canadian pensions in particular are increasingly invested in other investment types, including private equity. This investment class has even less transparency than public equities, and as such we could not include them in our analysis. However, a 2020 report from Canada Climate Law Initiative provides a helpful window into some of CPPIB's private equity investments; it reveals that CPPIB invests billions in private oil and gas companies, including through

27 Canadian pensions are required to disclose their top 10 asset holdings based on market value to their members via the Government of Canada's Office of the Superintendent of Financial Institutions. Since pensions' investments number in the thousands, this system is ill-equipped to support increased transparency. "Instruction Guide: Disclosure Requirements for Defined Benefit Pension Plans." Ottawa: Office of the Superintendent of Financial Institutions Canada, October 2016. https://www.osfi-bsif.gc.ca/eng/docs/dcdg.pdf.

28 US Securities and Exchange Commission. "Form 13F—Reports Filed by Institutional Investment Managers." Accessed June 10, 2021. https://www.investor.gov/introduction-investing/investing-basics/glossary/form-13f-reports-filed-institutional-investment.

29 Anderson, Anne-Marie, and Paul Brockman. "Form 13F (Mis) Filings." The Harvard Law School Forum on Corporate Governance. August 8, 2016. Accessed June 10, 2021. https://corpgov.law.harvard.edu/2016/08/08/form-13f-mis-filings/.

30 Ferreira, Victor. "One of Canada's Largest Pension Funds Forgot to Disclose $2.46 Billion in Canadian Holdings to the SEC—and It's Not the First Time." *Financial Post*. September 17, 2019. https://financialpost.com/news/fp-street/one-of-canadas-largest-pension-plans-forgot-to-disclose-all-of-its-canadian-holdings-to-the-sec.

its ownership of the US fracking company Crestone Peak Resources.[31] This exposé found that "approximately half of CPP's invested capital" is not disclosed to Canadians.[32] And when it comes to the other public pensions listed in this report, disclosure is often much worse.

Despite the best efforts of researchers, public pensions' investments remain in a black box. The stakes of this situation are straightforward: public sector workers and retirees do not know how their funds are being used, and cannot assess if and how their contributions may be fuelling climate change.

Below we highlight the trends in pensions' fossil fuel investment that we *can* see.

31 Williams, Cynthia. *"Troubling Incrementalism": Is the Canadian Pension Plan Fund Doing Enough to Advance the Transition to a Low-carbon Economy?* Vancouver and Toronto: Canada Climate Law Initiative, 2020. https://law-ccli-2019.sites.olt.ubc.ca/files/2020/09/CCLI_Troubling_Incrementalism_Cynthia_Williams_Sept2020.pdf.

32 Williams. *"Troubling Incrementalism."*

Canada's two largest pension funds

Canada Pension Plan Investment Board

THE CANADA PENSION PLAN INVESTMENT BOARD MANAGES Canada's national pension plan. The CPP came into effect in 1966 as a universal, employment-based retirement savings plan that accrues across individuals' various jobs throughout their lives. It began as a "pay as you go" plan, meaning that the benefits were paid out of the contributions made by current employees. In its early days, the CPP was legislated to invest only in low-risk securities such as government bonds.

In 1997, Parliament established the Canada Pension Plan Investment Board (CPPIB) to move the plan toward financial markets. This change allowed the pension plan's managers to invest in the stock market and, more recently, in higher-risk, active investment holdings like derivatives, private equity and hedge funds.[33] Now, with $497.2 billion in assets, the CPPIB manages the largest pool of pension capital in the country.[34]

CPPIB introduced its Climate Change Program in 2018. While the program introduced climate risk assessment into CPPIB's investment practice, it did not clarify how and to what extent climate change factors into investment decisions. CPPIB also committed to increase its renewable energy investments in a "prudent" manner and was the first pension manager to issue its own green bond to fund further renewable energy investments.[35] CPPIB reports that its exposure to fossil fuel producers, oilfield service providers and pipelines has gone from 3.6 per cent of net investments in

While the Climate Change Program introduced climate risk assessment into CPPIB's investment practice, it did not clarify how and to what extent climate change factors into investment decisions.

33 Cooke, Murray. "The Canada Pension Plan Goes to Market." *Canadian Review of Social Policy/Revue* 51 (2003), 126–31. http://www.yorku.ca/crsp/issue51/issue51-10.pdf; Smith, Brooke. "CPPIB Gets Green Light for Increased Derivatives Use." Benefits Canada. February 27, 2007. Acccessed June 10, 2021. https://www.benefitscanada.com/pensions/cppib-gets-green-light-for-increased-derivatives-use/.

34 CPP Investments. "Our Performance." Accessed June 10, 2021. https://www.cppinvestments.com/.

35 Canada Pension Plan Investment Board. "Climate Change" in 2019 Report on Sustainable Investing. https://cdn3.cppinvestments.com/wp-content/uploads/2019/12/Climate_Change_Brochure.pdf.

2016 to 2.8 per cent in 2020.[36] CPPIB's renewable energy investments have grown since the Paris Agreement, from $30 million in 2016 to $9 billion in 2020.[37]

But not all of CPPIB's renewable investments are ethical. They include investments that facilitate the privatization of Brazil's electricity system, including a 50 per cent ownership stake ($151.2 million) in Votorantim Energia, Brazil's second-largest energy utility, and a $222-million stake in Companhia Enérgetica de São Paulo (CESP), a formerly public energy generation utility. While privatization tends to accrue large financial returns for investors, communities often bear the costs including reductions in the quality and quantity of social services, diminished wages, reduced transparency and environmental damages.[38]

Even with its commitments to renewable energy investment, CPPIB has indicated its intent to continue its investments in oil and gas into the future.

And even with its commitments to renewable energy investment, CPPIB has indicated its intent to continue its investments in oil and gas into the future, citing International Energy Agency projections that fossil fuels will make up 58 per cent of global energy supply in 2040[39]—a figure that would very likely lead to more than 1.5-degree global warming.[40] John Graham, the new CEO of CPPIB, recently re-stated his and CPPIB's plan to continue investing in oil and gas alongside renewables, stating "We don't believe in a blanket divestment approach."[41]

A key plank of CPPIB's climate program is engagement with investee corporations. However, previous research shows the limits of this strategy.[42] Between 2017 and 2018, CPPIB voted on climate resolutions for just .01 per cent of its total public equity investee companies.[43] It has also voted against substantive climate resolutions, and has indicated that it will not support shareholder proposals that are likely to detract from long-term company performance.[44] Considering fossil fuel companies' performance is predicated on the continued combustion and production of fossil fuels, CPPIB's voting policy ensures that its proxy engagement will have little effect on its most emissions-heavy investments.

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36 CPP Investments. "Our Energy Investments: Fossil Fuels vs. Renewables." September 2020. Available from authors.

37 CPP Investments. "Our Energy Investments: Fossil Fuels vs. Renewables;" CPP Investments. "CPP Investments Establishes Renewable Power Capital to Focus on European Renewables." Press release. December 9, 2020. https://www.cppinvestments.com/public-media/headlines/2020/cpp-investments-establishes-renewable-power-capital-to-focus-on-european-renewables.

38 Canadian Labour Congress. *For the Public Good: The growing threat of privatization and workers' proposals to protect our future*. Ottawa: Canadian Labour Congress, 2020. http://documents.clcctc.ca/sep/privatization_report_Final_EN.pdf; Skerrett, Kevin. "Canada's Public Pension Funds: The 'New Masters of the (Neoliberal) Universe.'" In *The Contradictions of Pension Fund Capitalism.* Edited by Skerrett, K, et al. Champaign, IL: Labor and Employment Research Association, University of Illinois at Urbana-Champaign, 2017.

39 Milstead, David, and Bill Curry. "CPPIB's Fracking Operation in U.S. Raises Questions." *The Globe and Mail*. Last updated September 28, 2020. https://www.theglobeandmail.com/business/article-cppibs-ownership-of-crestone-raises-questions/.

40 Intergovernmental Panel on Climate Change. "Summary for Policymakers." In *Global Warming of 1.5°C. An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, In the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty*. Edited by Masson-Delmotte, V. et al. Geneva: Intergovernmental Panel on Climate Change, 2019.

41 Graham, John. Quoted in Willis, A. "Meet John Graham, the pickleball player running the CPPIB." *The Globe and Mail*. March 25, 2021. https://www.theglobeandmail.com/business/article-meet-john-graham-the-pickleball-player-running-the-cppib/.

42 Rowe, James K. et al. *Fossil Futures: The Canada Pension Plan's Failure to Respect the 1.5-degree Celsius Limit*. Vancouver: Canadian Centre for Policy Alternatives, 2019. https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2019/11/ccpa-bc_FossilFutures.pdf.

43 Rowe et al. *Fossil Futures*.

44 CPP Investments. *Proxy Voting Principles and Guidelines*. February 23, 2020, 6. https://cdn3.cppinvestments.com/wp-content/uploads/2020/03/cpp-investments-proxy-voting-principles-guidelines-2020-ENv2.pdf.

Caisse de dépôt et placement du Québec

CDPQ is Quebec's public pension fund manager, with $365.5 billion in investments.[45] CDPQ invests the funds from the Quebec Pension Plan—a provincial plan in lieu of the Canada Pension Plan for residents of Quebec—and it also invests the pensions of public workers and those in the semi-public sectors, such as construction workers.[46]

Much like the CPPIB, CDPQ bills itself as a climate action leader. CDPQ introduced its climate strategy in 2017.[47] The plan mandated a 50 per cent increase in low-carbon investments by 2020—which it surpassed in 2019[48]—and aims to reduce GHG emissions per dollar invested across asset classes by 25 per cent by 2025.[49] It also committed to factoring climate change into all new investment decisions and has linked employee compensation to reaching these climate targets.[50]

Much like the CPPIB, CDPQ bills itself as a climate action leader. CDPQ introduced its climate strategy in 2017.

In 2019, CDPQ was one of six asset managers that founded the Net-Zero Asset Owner Alliance convened by the United Nations.[51] Alliance members commit to transitioning their portfolios to net-zero GHG emissions by 2050, in alignment with the Paris Agreement. In 2020, CDPQ claimed to have reduced its exposure to the oil-producing sector by 30 per cent across its entire portfolio. This report focuses on public equity investments only, and CDPQ does not provide full disclosure on its other asset classes, so we are unable to confirm these changes.[52]

45 Caisse de dépôt et placement du Québec. "Global Footprint." Accessed June 10, 2021. https://www.cdpq.com/en/investments.

46 Caisse de dépôt et placement du Québec. "Our Clients, The Depositors." Accessed June 10, 2021. https://www.cdpq.com/en/about-us/clients.

47 Caisse de dépôt et placement du Québec. "CDPQ Announces Investment Strategy to Address Climate Change." Press Release. October 18, 2017. https://www.cdpq.com/en/news/pressreleases/cdpq-announces-investment-strategy-to-address-climate-change.

48 Caisse de dépôt et placement du Québec. *2019 Stewardship Investing Report*. Montreal and Quebec City: Caisse de dépôt et placement du Québec, 2019, 13. https://www.cdpq.com/sites/default/files/medias/pdf/en/ra/id2019_rapport_investissement_durable_en.pdf.

49 Caisse de dépôt et placement du Québec. *Our Investment Strategy to Address Climate Change*. Montreal and Quebec City: Caisse de dépôt et placement du Québec, nd, 1. https://www.cdpq.com/sites/default/files/medias/pdf/en/investment_strategy_climate_change.pdf.

50 Caisse de dépôt et placement du Québec. *Our Investment Strategy to Address Climate Change*; Caisse de dépôt et placement du Québec. "Climate Change." Accessed June 10, 2021. https://www.cdpq.com/en/investments/stewardship-investing/climate-change.

51 Caisse de dépôt et placement du Québec. "Investors Make Unprecedented Commitment to Net Zero Emissions." Press release. September 22, 2019. https://www.cdpq.com/en/news/pressreleases/investors-make-unprecedented-commitment-to-net-zero-emissions.

52 Caisse de dépôt et placement du Québec. "Investors Make Unprecedented Commitment to Net Zero Emissions."

CDPQ and CPPIB investments under the microscope

Even as the language and commitments in their climate plans get stronger, CPPIB and CDPQ are maintaining a status quo of fossil fuel investment.

CANADA'S LARGEST PENSION FUNDS, CPPIB AND CDPQ, collectively hold $862.7 billion in investments on behalf of over 26 million Canadians. As noted above, they are also outspoken about their roles as climate-smart managers.

Examining their public equity investment portfolios through Bloomberg Terminal tells another story. Even as the language and commitments in their climate plans get stronger, CPPIB and CDPQ are maintaining a status quo of fossil fuel investment.

CPPIB increased its public equity share purchase in fossil fuels over the same five-year period, from 2016 to 2020, when it claimed to be ramping up its climate policies. Likewise, CDPQ only showed a slight decrease in its shareholdings of fossil fuel assets over the same period. Figures 1 and 2 illustrate CPPIB and CDPQ public equity investments in oil and gas since 2016.

Between 2016 and 2020, CPPIB's total shares in fossil fuel companies had an average annual change of +6.8 per cent. While 2019 saw a substantial drop in shares, it purchased many of them back in 2020. At the end of the fourth quarter in 2020, CPPIB had 369 million public equity shares in oil and gas totalling $3.68 billion.[53] In simpler terms, the number of shares held at the end of 2020 was 7.7 per cent higher than the number of shares held at the beginning of 2016.

In advance of an interview for CBC Radio's climate change podcast *What on Earth* in April 2021, we shared this data with producers.[54] When CBC reached out to the CPPIB for comment, the company claimed we were spreading "misinformation." And yet the fund didn't challenge any of our specific figures. Moreover, the data the fund provided only further confirms our claims.

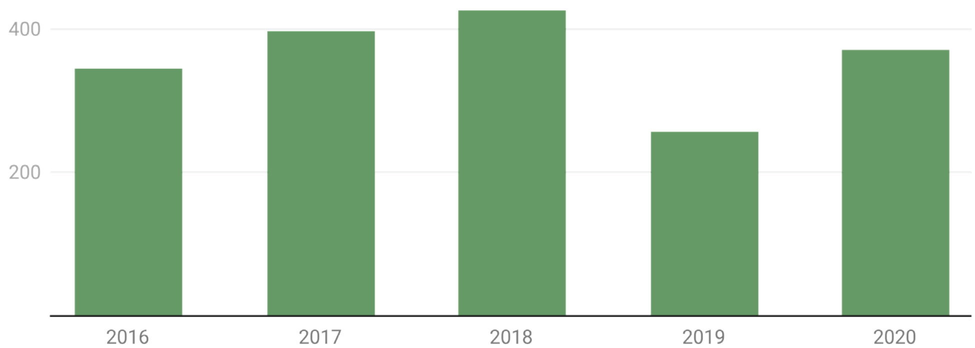
53 We have chosen to show the change in share position (the number of shares) over time instead of the market value of those shares. A drop in share price could be confused as a reduction in investment, when it is actually lost value. Focusing on the number of shares gives a clearer picture of the pension funds' investment trends.

54 Johnson, Lisa. "Big Finance Considers Climate Change a Major Investment Risk. Is Your Pension Prepared?" *CBC Radio*. April 17, 2021. https://www.cbc.ca/radio/whatonearth/big-finance-considers-climate-change-a-major-investment-risk-is-your-pension-prepared-1.5990043.

CPPIB's own data show that total fossil fuel investments across its entire portfolio (including private equity) have increased from when the Paris Agreement was signed, from $9.9 billion in 2016 to $11.6 billion in 2020, an increase of 17 per cent.[55]

Figure 1: Fossil fuel shares held by Canada Pension Plan Investment Board, 2016–2020

The pension manager sold off many of their fossil fuel shares in 2019, but those investments rose again in 2020. Their total shares in fossil fuel companies had an average annual change of +6.8 per cent. Numbers in millions of shares.



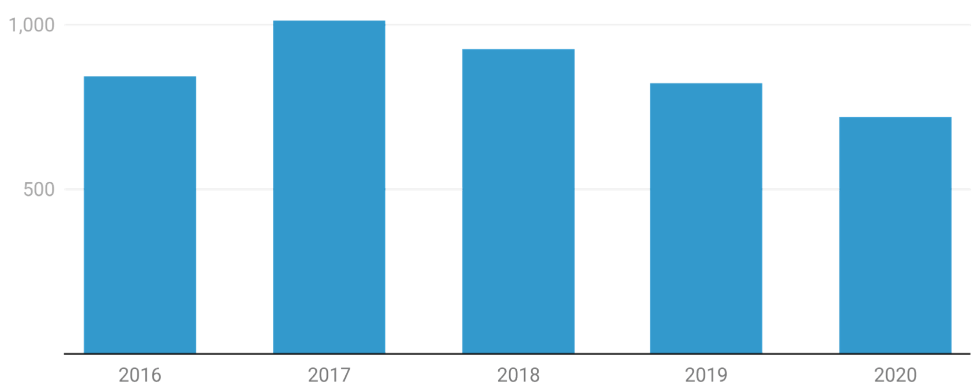
As at December 31st, 2020

Source: Bloomberg Terminal • Created with Datawrapper

Between 2016 and 2020, CPPIB's total shares in fossil fuel companies had an average annual change of +6.8 per cent.

Figure 2: Fossil fuel shares held by Caisse de dépôt et placement du Québec, 2016–2020

CDPQ's public equity investments in fossil fuels had an average annual change of -3 per cent. Numbers in millions of shares.



As at December 31st, 2020

Source: Bloomberg Terminal • Created with Datawrapper

55 CPP Investments. "Our Energy Investments: Fossil Fuels vs. Renewables."

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

While Canadian public pensions continue to invest in fossil fuels, they often support initiatives to improve climate-related disclosure, such as the Task Force on Climate-related Financial Disclosures (TCFD), an initiative established in 2015 under the chairmanship of Michael Bloomberg. The TCFD seeks to implement standardized disclosure recommendations to companies and investors about the risks to their portfolio that might accompany a changing climate. These risks include not only the threats of extreme weather, but also projections about the subsequent policy landscape that may result from such events (e.g., governments transitioning away from fossil fuels or regulating certain land-use activities). The TCFD's theory of change purports that when investors become aware of their climate risks, they will change course.

The TCFD currently boasts the support of 1,500 organizations globally, including over 1,340 companies with a market capitalization of US$12.6 trillion.[i] However, in its five-year history, the TCFD has not been able to shift investor behaviour enough to keep pace with Paris Agreement targets.[ii] The task force's *2020 Status Report*, for example, states that "companies' disclosure of the potential financial impact of climate change on their businesses and strategies remains low," emphasizing the need for "faster progress."[iii] Time is of the essence when it comes to climate change, and TCFD's failure to deliver on its promised value—information—means that changes in investor behaviour are currently far behind the levels needed to meet Paris Agreement targets and may not meet them at all.

After conducting interviews with global investment institutions, a recent study found that, regardless of their disclosure practices, most investors said they would remain invested in fossil fuel companies. Investors believe these companies will continue to be profitable.[iv] Another survey of institutional investors found that participants did not see climate policy or climate-related environmental risk posing a threat to their investments.[v] Moreover, the authors of that study argue that the foundational logic of TCFD—the "efficient market hypothesis," which supposes that reporting and transparency will lead to behaviour change—is "unsupported by either theory or evidence."[vi]

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i Task Force on Climate-related Financial Disclosures. *2020 Status Report*. October 2020. https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Status-Report.pdf.

ii Task Force on Climate-related Financial Disclosures. *2019 Status Report*. June 2019. https://www.fsb.org/wp-content/uploads/P050619.pdf.

iii Task Force on Climate-related Financial Disclosures. *2020 Status Report*, p. 4.

iv Christophers, Brett. "Environmental Beta or How Institutional Investors Think about Climate Change and Fossil Fuel Risk." *Annals of the American Association of Geographers* 109, no. 3 (2019): 754–74, doi.org/10.1080/24694452.2018.1489213.

v Ameli, Nadia et al. "Climate Finance and Disclosure for Institutional Investors: Why Transparency Is Not Enough." *Climatic Change* 160, no. 2 (2020), 565–89. doi.org/10.1007/s10584-019-02542-2.

vi Ameli et al. "Climate Finance and Disclosure for Institutional Investors."

Unlike CPPIB, CDPQ's investments in fossil fuels had an average annual change of -3 per cent over the past five years. In simpler terms, the number of shares held at the end of 2020 was 14 per cent lower than the number of shares held at the beginning of 2016.

This trend line shows promise. But it is also worth noting that CDPQ has over 52 per cent more fossil fuel shares than CPPIB, with 710 million shares totalling $5.1 billion at the end of the fourth quarter 2020. In both cases, the pension plans' investment patterns are not reflecting the drastic action needed.

These investment trends contradict the scientific imperative to swiftly and dramatically reduce GHG emissions in order to avoid the worst effects of climate change. They also point to the overall ineffectiveness of "green" investment policies that do not require pension managers to reduce investments in fossil fuels. (Recall that renewable energy operations such as solar and wind account for less than 1 per cent of fossil fuel companies' total capital spending.) Policies such as CDPQ's low-carbon investment targets are positive steps forward, but the pensions' steady investment in fossil fuel shares suggests that they have yet to grapple with the reality of climate change.

These investment trends contradict the scientific imperative to swiftly and dramatically reduce GHG emissions in order to avoid the worst effects of climate change.

Company-specific fossil fuel investments

ExxonMobil is a company with a well-documented record of obstructing action on climate change. It's also the fifth-highest-emitting company in the world.

IN THIS SECTION WE HIGHLIGHT COMPANY-LEVEL fossil fuel investments held by CPPIB and CDPQ to demonstrate that both funds remain heavily invested in fossil fuel companies with long histories of climate denial, policy obstruction, dispossession of Indigenous lands and environmental destruction.

Again, we draw on Bloomberg Terminal to provide the most up-to-date information on the market value of public equity investments for CDPQ and CPPIB, the two pension plans whose disclosure on the Terminal is sufficiently robust. All figures are in Canadian dollars as of December 31, 2020.

ExxonMobil

- CPPIB investment: $24.98 million
- CDPQ investment: $82.85 million

ExxonMobil (formerly Exxon) is a company with a well-documented record of obstructing action on climate change. It's also the fifth-highest-emitting company in the world, responsible for creating 2 per cent of the world's GHG emissions alone.[56] In Canada, ExxonMobil is often known by its subsidiary, Imperial Oil, or its Esso-branded gas stations. It currently has 6.5 gigatonnes of carbon dioxide in its reserves,[57] which is equivalent to the annual emissions of 13.2 billion passenger vehicles.

In 2015, a group of journalists showed that Exxon knew about its role in exacerbating the warming climate as early as 1977—over a decade before climate change was broadly publicized by Dr. James Hansen in 1988.[58] The company established a research campaign to better understand climate science, and then promptly cancelled it after ten years of information gathering.[59]

56 Acciona. "100 Companies are Responsible for 71% of GHG Emissions." Accessed June 9, 2021. https://www.activesustainability.com/climate-change/100-companies-responsible-71-ghg-emissions/.

57 Reuters staff. "Exxon Mobil's total reserves drop by a third after COVID-19 oil price drop." *Reuters*. February 24, 2021. https://www.reuters.com/article/us-exxon-mobil-outlook-idUSKBN2AO2ZB. Carbon dioxide equivalencies calculated using data from: United States Environmental Protection Agency. "Greenhouse Gases Equivalencies Calculator—Calculations and References." Accessed July 6, 2021. https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references.

58 Banerjee, Neela et al. "Exxon's Own Research Confirmed Fossil Fuels' Role in Global Warming Decades Ago." InsideClimate News website. September 16, 2015. http://insideclimatenews.org/news/15092015/exxons-own-research-confirmed-fossil-fuels-role-in-global-warming.

59 Banerjee et al. "Exxon's Own Research Confirmed Fossil Fuels' Role in Global Warming Decades Ago."

Exxon went on to contradict its own findings by promoting climate denial and funding organizations and actively promoting messaging framing climate change as a hoax.[60] In 2018, New York State took Exxon to court on charges of fraud and defrauding investors on the true costs of climate change.[61] New York lost that case in 2019,[62] but similar cases against Exxon have come forward since, including one by the state of Massachusetts.[63]

TC Energy

- CPPIB investment: $329.90 million
- CDPQ investment: $344.14 million

TC Energy (formerly known as TransCanada) is a Canadian pipeline company that has come under fire for its failure to acquire Indigenous consent for its projects.

TC Energy owns the Coastal GasLink pipeline, which is under construction and would run from fracking fields in northeastern BC to the LNG Canada project in Kitimat, BC. It cuts through Wet'suwet'en First Nation traditional territories, where Wet'suwet'en hereditary Chiefs unanimously oppose its construction. In 2019, the Wet'suwet'en faced military police violence for refusing Coastal GasLink workers access to their territories.

TC Energy is a Canadian pipeline company that has come under fire for its failure to acquire Indigenous consent for its projects.

TC Energy also owns a vast pipeline network that ships oil and gas from the tar sands in Alberta across Canada and the US. It includes the Keystone pipeline system, which transports crude to the southern US. The system has experienced severe oil spills, including a leak of 1 million litres in South Dakota in 2017 and a spill of over 1.4 million litres in North Dakota in 2019 that covered nearly five acres of land, including a wetland.[64]

The proposed Keystone XL expansion project was cancelled by US President Biden in 2021. Before that, the project was a lightning rod for conflict and was dubbed the "zombie pipeline" because even after massive grassroots and political resistance, plans for the project continued to move forward.[65] Keystone XL was cancelled by the Obama administration and revived by the Trump administration in 2017.[66] The Rosebud Sioux Tribe and the Fort Belknap Indian Community subsequently sued the Trump administration for violating the National Environmental Policy Act and for failing to care for Indigenous ancestral lands.[67]

60 Banerjee et al. "Exxon's Own Research Confirmed Fossil Fuels' Role in Global Warming Decades Ago."

61 *People of the State of New York v. Exxon Mobil Corporation.* Docket 452044/2018. Supreme Court of the State of New York County of New York. December 10, 2019. http://blogs2.law.columbia.edu/climate-change-litigation/wp-content/uploads/sites/16/case-documents/2018/20181024_docket-4520442018_complaint.pdf.

62 Pierson, Brendon. "Exxon Mobil Scores Win in New York Climate Change Lawsuit." *Reuters*. December 10, 2019. https://www.reuters.com/article/us-exxon-mobil-lawsuit-idUSKBN1YE1ZU.

63 Drugmand, Dana. "Exxon Sued Again for 'Misleading' Advertising." *DeSmog Blog*. May 20, 2020. https://www.desmogblog.com/2020/05/20/exxon-sued-misleading-advertising-beyond-pesticides.

64 Rieger, Sarah. "Keystone Pipeline Reopens after 1.4 Million-Litre Spill in North Dakota." *CBC News*. November 10, 2019. https://www.cbc.ca/news/canada/calgary/keystone-reopens-1.5355023.

65 Friedler, Delilah. "Thanks to Trump, the Keystone XL Pipeline Is Back. Activists Are Ready to Fight." *Mother Jones*. February 7, 2020. https://www.motherjones.com/environment/2020/02/trump-keystone-xl-pipeline-native-indigenous-activism/.

66 Friedler. "Thanks to Trump, the Keystone XL Pipeline Is Back. Activists Are Ready to Fight."

67 Native American Rights Fund. "Keystone XL Pipeline: Case Updates." November 17, 2020. https://www.narf.org/cases/keystone/.

Enbridge

- CPPIB investment: $173,000.00
- CDPQ investment: $1.01 billion

Enbridge is the single-largest conduit for Canadian oil travelling to the US. Its pipelines move 65 per cent of US-bound exports, and the company ships 3 million barrels of crude oil and liquids per day, accounting for 25 per cent of North America's crude oil[68] and 20 per cent of the natural gas consumed in the US.[69]

Enbridge proposed the infamous Northern Gateway pipeline project, which would have significantly increased tanker traffic off BC's notoriously rugged coastline and was widely opposed by First Nations on the pipeline route.

Enbridge proposed the infamous Northern Gateway pipeline project, which would have carried oil and condensate—natural gas liquids that are used to dilute heavy oil or bitumen—between Alberta and northwestern BC. The project would have significantly increased tanker traffic off British Columbia's notoriously rugged coastline[70] and was widely opposed by First Nations on the pipeline route.[71] Following a number of lawsuits, the Canadian government rejected the project.[72]

But Enbridge has other projects on the go. The nascent Line 3 replacement project is the largest in Enbridge's history[73]—similar in scope to the Trans Mountain pipeline and its current expansion. The $9-billion-dollar Line 3 project would carry an average of 760,000 barrels of oil per day from Hardisty, Alberta, to Superior, Wisconsin.[74] In one year, that oil would produce 202 million tonnes of carbon dioxide equivalent, the same as the annual emissions of 43.9 million passenger vehicles.

Indigenous peoples, environmental groups and communities across the US have vehemently rejected Line 3 as a risk to water systems, habitat and the climate. Over a thousand people opposed the pipeline at the Gichi-gami Gathering to Stop Line 3 in Duluth, Minnesota, in 2019,[75] and other rallies have followed since. Opposition has also come through the courts: the Red Lake Band of Chippewa, the White Earth Band of Ojibwe and groups like the Sierra Club appealed the Minnesota Public Utilities Commission's approval of the project.[76]

68 Enbridge Inc. "Crude Oil and Liquids Pipelines." Accessed June 11, 2021. https://www.enbridge.com/about-us/liquids-pipelines.

69 Enbridge Inc. "Enbridge Quick Facts." Accessed June 11, 2021. https://www.enbridge.com/media-center/enbridge-quick-facts.

70 Reeves, Andrew, and Nathan Baker. "Northern Gateway Pipeline Proposal." *Canadian Encyclopedia*. Last updated January 30, 2020. https://www.thecanadianencyclopedia.ca/en/article/northern-gateway-pipeline-proposal.

71 Bowles, Paul, and Henry Veltmeyer. "Voices of Resistance to the Northern Gateway Pipeline." Socialist Project website. December 25, 2013. https://socialistproject.ca/2013/12/b916/.

72 Bowles and Veltmeyer. "Voices of Resistance to the Northern Gateway Pipeline."

73 Enbridge. "Line 3 Replacement Program (U.S.) Enbridge Inc. Accessed June 11, 2021. https://www.enbridge.com/projects-and-infrastructure/projects/line-3-replacement-program-us.

74 Minnesota Public Utilities Commission. "Enbridge Line 3 Pipeline Replacement Project." Accessed June 11, 2021. https://mn.gov/puc/line3/summary/.

75 Pearson, Andy. "1,200 Say Stop Line 3 at Gichi-gami Gathering." MN350. Accessed June 11, 2021. https://mn350.org/2019/10/1200-say-stop-line-3-at-gichi-gami-gathering/.

76 Honor the Earth. "The Red Lake Band of Chippewa, White Earth Band of Ojibwe, Honor the Earth, Youth Climate Interveners and the Sierra Club File Petitions for Reconsideration on Recent Line 3 Approvals by the Minnesota Public Utilities Commission." Press Release. May 21, 2020. http://www.honorearth.org/pucpetitionfilemay22.

Investments in members of the Canadian Association of Petroleum Producers

- CPPIB investment: $1.14 billion
- CDPQ investment: $1.21 billion

In their sustainability reports and climate plans, CPPIB and CDPQ firmly acknowledge the climate crisis, but their investments are tied to associations that are actively obstructing needed climate action.

Both pensions hold $2.3 billion in investments in member companies of the Canadian Association of Petroleum Producers (CAPP)—Canada's largest and most powerful oil and gas industry association (see Table 2).

> Both pensions hold $2.3 billion in investments in member companies of the Canadian Association of Petroleum Producers—Canada's largest and most powerful oil and gas industry association.

CAPP lobbies regional and federal governments to deregulate the industry and to weaken climate policies.[77] The advocacy group Environmental Defence reported that in light of the COVID-19 pandemic CAPP lobbied federal Minister of Natural Resources Seamus O'Regan to delay strengthening Canada's 2030 carbon emissions targets. CAPP asked government to adopt a "do no harm principle" with respect to regulations and costs to the industry, and requested a laundry list of other accommodations and exemptions around monitoring requirements and adopting legislation that could have an impact on oil and gas interests.[78]

CAPP also forged a secretive oil and gas working group, initially chaired by Minister O'Regan, to lobby for its members' interests. That included pressuring the government to reduce "operating costs and regulatory burden."[79]

A year later, many of CAPP's requests appear to have been realized. During the pandemic, the fossil fuel sector received at least $1.9 billion in subsidies—a 200 per cent increase from 2019 levels.[80]

CAPP was also a key stakeholder in the climate action planning process in both BC and Alberta. In BC, that included asking the government to ensure any new climate policies "not only preserve, but enhance" the oil and gas industry's competitiveness by freezing the province's carbon tax, and to fund companies' efforts to reduce GHGs released per unit of fossil fuel produced through investments in technology and infrastructure.[81]

Beyond its lobbying activities, CAPP carries its message into communities by sponsoring faux "citizen groups" such as Canada's Energy Citizens. Energy Citizens uses its funding for social

77 Graham, Nicholas et al. *Big Oil's Political Reach: Mapping Fossil Fuel Lobbying from Harper to Trudeau*. Vancouver: Canadian Centre for Policy Alternatives, 2019. https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office%2C%20Saskatchewan%20Office/2019/11/ccpa-bc_cmp_BigOil_web.pdf.

78 Marshall, David. "We Have the Oil Lobby's Secret List of COVID Demands—If Approved, They Would Set Environmental Protection Back Decades." *Environmental Defence*. April 17, 2020, https://environmentaldefence.ca/2020/04/17/capp_covid_memo/.

79 Lukacs, Martin. "Oil Lobby, Trudeau Government Formed Secretive Committee during Pandemic." *The Breach*. April 13, 2021. https://breachmedia.ca/oil-lobby-trudeau-government-formed-secretive-committee-during-pandemic/.

80 Corkal, Vanessa. *Federal Fossil Fuel Subsidies in 2020: COVID-19 Edition*. Winnipeg: International Institute for Sustainable Development, 2021. https://www.iisd.org/system/files/2021-02/fossil-fuel-subsidies-canada-covid-19.pdf.

81 As stated in CAPP's response to BC's Climate Leadership Plan discussion paper. Ferguson, Alex. "Re: Climate Leadership Plan Discussion Paper." Email sent to BC legislators. September 14, 2015. https://drive.google.com/file/d/1PVaDPPfhHAXOm9lQ7Z0jrSICCORb1CFg/view?usp=sharing.

Table 2: Total public equity investments by CPPIB and CDPQ in member companies of the Canadian Association of Petroleum Producers as of December 31, 2020

CPPIB and CDPQ's total public equity holdings in CAPP as at December 31st, 2020

CAD$ in millions

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Company	CPPIB Investment	CDPQ Investment
Canadian Natural Resources Limited	$674 M	$551 M
Suncor Energy Inc.	$214 M	$405 M
BHP	$5 M	$6 M
NuVista Energy Ltd.	$0 M	$14 M
Crescent Point Energy	$2 M	$0 M
ExxonMobil Canada Ltd.	$25 M	$83 M
Tourmaline Oil Corp.	$0 M	$84 M
Vermilion Energy Inc.	$1 M	$0 M
Repsol Oil & Gas Canada Inc.	$3 M	$7 M
PetroChina Canada	$16 M	$0 M
Ovintiv Canada ULC (formerly Encana Corporation)	$183 M	$0 M
Cenovus Energy	$10 M	$0 M
Imperial Oil Resources Limited	$3 M	$3 M
Shell Canada	$6 M	$56 M
Total	$1,141 M	$1,209 M

Figures reflect investments in parent companies where applicable.

Source: Bloomberg Terminal • Created with Datawrapper media campaigns and pro-oil rallies across the country, promoting Canadian oil and gas as a "sustainable" industry.[82]

Among CAPP's member companies, over 50 per cent of CPPIB and CDPQ's investments fall to just two companies: Canadian Natural Resources Limited (Canadian Natural) and Suncor Energy Inc. (Suncor).

Canadian Natural is one of the largest crude oil and natural gas producers in the world. It has a long history of oil spills, including multiple spills at its Primrose operation near Cold Lake, Alberta, which has leaked at least 1.8 million litres of oil onto Treaty 6 land in the traditional territory of the Beaver Lake Cree Nation.[83] Canadian Natural initially attempted to deflect blame for the spills, but the Alberta Energy Regulator instead found that the spills were likely caused by the company's practice of "steaming," which pumps high-pressure steam into the ground to extract bitumen. Later, Canadian Natural acknowledged that the spills could have been caused or exacerbated by steaming.[84]

Canadian Natural is one of the largest crude oil and natural gas producers in the world. It has a long history of oil spills.

Unlike Canadian Natural, Suncor is highly invested in building its brand as an "ethical" oil producer and has committed to reducing its emissions per barrel of oil produced by 30 per cent by 2030.[85] But these commitments don't address the impact of Suncor's net GHG emissions, which are projected to rise. As Canada's largest energy company and the largest operator in the carbon-heavy oil sands,[86] Suncor has an outsized impact on the climate.

Investments in the world's highest-producing coal companies

- CPPIB: $24.2 million
- CDPQ: $96.5 million

Both the CPPIB and CDPQ continue to invest millions of dollars in the world's highest-producing coal companies (see Table 3). The United Nations' most recent IPCC report concluded that coal must be phased out of the global energy mix by 2050 to keep the rise in global temperatures below 1.5 degrees Celsius.[87] According to the Canadian government, "Phasing out traditional coal power is one of the most important steps in tackling climate change and meeting the Paris Agreement commitment."[88] The CPPIB's and CDPQ's investments are not yet aligned with the

82 Canada's Energy Citizens. "Time to Invest in Offshore Families." July 27, 2020. via the WayBack Machine: https://web.archive.org/web/20210201072926/https://www.energycitizens.ca/time_to_invest_in_offshore_families.

83 Linnitt, Carol. "How Beaver Lake Cree Heats Up the Landmark Tar Sands Trial." *HuffPost Canada*. November 28, 2013. https://www.huffingtonpost.ca/carol-linnitt/tar-sands-trial_b_4352278.html.

84 Broadley, Laura. "Steaming May Have Caused Endless Alberta Oil Spills, CNRL Admits." *Global News*. July 14, 2014. https://globalnews.ca/news/1446546/steaming-may-have-caused-endless-alberta-oil-spills-cnrl-admits/.

85 Suncor Energy Inc. "GHG Goal." Accessed June 14, 2021. https://sustainability.suncor.com/en/climate-change/ghg-goal.

86 Suncor Energy Inc. "Market Access." Accessed June 14, 2021. https://www.suncor.com/en-ca/investor-centre/business-overview/market-access.

87 Rogelj, Joeri et al. "Mitigation Pathways Compatible with 1.5 °C in the Context of Sustainable Development." In *Global Warming of 1.5°C. An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, In the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty*. Edited by Masson-Delmotte, V. et al. Geneva: Intergovernmental Panel on Climate Change, 2019. https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf.

88 Government of Canada. "Coal Phase-Out: The Powering Past Coal Alliance." Accessed June 13, 2021. https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/coal-phase-out.html#toc1.

The coal companies that CPPIB and CDPQ are investing in are showing no signs of slowing down production.

need to phase out coal. Moreover, the coal companies that CPPIB and CDPQ are investing in are showing no signs of slowing down production.

For example, both pensions hold investments in Glencore PLC, one of the largest producers of seaborne thermal and coking coal, operating 26 coal mines around the world including Australia, South Africa and South America.[89] Glencore recently purchased a full stake in Cerrejón,[90] one of the world's biggest surface mining operations.[91] The mine threatens the Rio Rancheria which provides water to the Wayuu Indigenous communities in Colombia's northernmost region of La Guajira. Since the mine's development, the Wayuu have faced severe water shortages and contamination.[92] In 2020 the UN Special Rapporteur on human rights and the environment called for Colombia to suspend some of Cerrejón's operations due to its impacts on the Wayuu people.[93]

89 Glencore. "Coal." Accessed July 11, 2021. https://www.glencore.com/what-we-do/energy/coal.

90 Haughton, Samuel. "Glencore to acquire full stake in Cerrejón mine." *CIM Magazine*. July 5, 2021. https://magazine.cim.org/en/news/2021/glencore-to-acquire-full-stake-in-cerrejon-mine-en/.

91 BHP. "*Cerrejón*." Accessed July 11, 2021. https://www.bhp.com/our-businesses/minerals-americas/cerrejon.

92 Sherriff, Lucy. "Colombia: Dying of thirst, Wayuu blame mine, dam, drought for water woes." *Mongabay Environmental News*. November 1, 2018. https://news.mongabay.com/2018/11/colombia-dying-of-thirst-wayuu-blame-mine-dam-drought-for-water-woes/.

93 Reuters staff. "UN rights expert urges Colombia to suspend some Cerrejon mine operations." *Reuters*. September 28, 2020. https://www.reuters.com/article/us-cerrejon-colombia-idUSKBN26J38P.

Table 3: Total public equity investments by CPPIB and CDPQ in the world's largest coal companies as of December 31, 2020

List of publicly traded coal companies adapted from the Urgewald 2020 Global Coal Exit List, ranked by pensions' investments.

CAD$ in millions

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Company name	CPPIB Investment	CDPQ Investment
Glencore PLC	$9.6 M	$84.9 M
PT Adaro Energy Tbk	$1.7 M	$3.4 M
Exxaro Resources Ltd	$0 M	$2.3 M
PGE SA (Polska Grupa Energetyczna SA)	$0 M	$1.1 M
Yanzhou Coal Mining Co Ltd	$0 M	$0.5 M
China Shenhua Energy Co Ltd (CSEC/China Shenhua)	$3.2 M	$0.9 M
RWE AG	$0 M	$0.4 M
Inner Mongolia Yitai Group Co Ltd	$0 M	$0.3 M
Shaanxi Coal Industry Co Ltd	$0 M	$0.2 M
China Coal Energy Co Ltd	$4.7 M	$0.2 M
Shanxi Coking Coal Group Co Ltd	$0 M	$0.1 M
Coal India Ltd	$0 M	$2.3 M
Arch Resources Inc	$5.0 M	$0.0 M
Total	$24.2 M	$96.5 M

As at December 31st, 2020

Source: Urgewald 2020 Global Coal Exit List • Created with Datawrapper

Conclusion

Our analysis shows that Canada's largest pensions are doing more talking than walking when it comes to real climate action.

IN THE FACE OF THE CLIMATE EMERGENCY, public pension funds have an opportunity to lead the way for a global transition toward a greener, more sustainable economy. With their long-term investment horizons, pension funds are both exposed to the risks of climate change and also well positioned to invest in their mitigation.

Unfortunately, our analysis shows that Canada's largest pensions are doing more talking than walking when it comes to real climate action. To help Canadian pension capital align with the 1.5-degree limit on global warming, we make the following recommendations.

Actions for Canadian public pension fund trustees/investment boards:

1. Disclose all investments to the public, including public equity, all private equity holdings and limited partnership investments, fixed assets, lending commitments and other asset classes.
2. Immediately design a plan to phase out fossil fuel investment in alignment with targets set by the Paris Agreement to limit global warming below 1.5 degrees.
3. Reinvest the capital divested from fossil fuel investment toward renewable energy sources such as wind, solar and geothermal energy, in alignment with the United Nations Declaration of the Rights of Indigenous Peoples.

Actions for federal and provincial governments:

1. Provide regulatory clarity to ensure that executing fiduciary duty means avoiding short-term economic gains that imperil long-term climatic security for Canadians and the global community. Fiduciary duty should require public pensions to justify any investments in fossil fuel companies in light of climate science and Indigenous peoples' right to free, prior and informed consent articulated in the United Nations Declaration on the Rights of Indigenous Peoples.
2. Mandate Canadian pension funds to disclose the names and dollar amounts of all holdings across asset classes, and where possible, total the emissions of investments in the fossil fuel sector so that beneficiaries and citizens can know the impact of their investments in fossil fuels and high-carbon industries. This accounting should include emissions associated with extraction but also with consumption. The emissions associat-

ed with oil, gas and coal consumption are rarely counted in fossil fuel company pledges and disclosures, when they make up the majority of emissions.[94]

3. Mandate a clear timeline for all public pensions to withdraw from all fossil fuel investments. Define reinvestment criteria that support a just and equitable transition to a renewable-based energy system.
4. Create a level playing field for Canadian investors by supporting a non-proliferation treaty for fossil fuels. The treaty should include global regulatory frameworks that phase out and ultimately disallow investments in fossil fuels.[95]

94 Harrison. "Why you should take oilsands giants' net-zero pledge with a barrel of skepticism."

95 See https://fossilfueltreaty.org/ and Taylor, "101 Nobel Laureates Call for Global Fossil Fuel Non-Proliferation Treaty."

CORPORATE
MAPPING PROJECT

This report is part of the Corporate Mapping Project (CMP), a research and public engagement initiative investigating the power of the fossil fuel industry. The CMP is jointly led by the University of Victoria, Canadian Centre for Policy Alternatives BC and Saskatchewan Offices, and Parkland Institute. The initiative is a partnership of academic and community-based researchers and advisors who share a commitment to advancing reliable knowledge that supports citizen action and transparent public policy making. This research was supported by the Social Sciences and Humanities Research Council of Canada (SSHRC).

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