



Fossilized Finance

How Canada's banks still enable oil and gas production

By Donald Gutstein

APRIL 2021



CCPA
CANADIAN CENTRE
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CORPORATE
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By Donald Gutstein

April 2021

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Summary

CANADA'S "BIG SIX"¹ BANKS ARE PERHAPS THE MOST POWERFUL corporate entities in Canada, certainly among the largest and most profitable. Some are even members of the "too big to fail" club and have been called a "comfortable oligopoly." They could be playing a crucial role in helping Canada achieve its Paris Agreement commitments to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030. Yet in its 2019 *Emissions Gap Report*, the United Nations Environment Programme projects that Canada's emissions will be at least 15 per cent above target by 2030.

Why isn't Canada doing better in meeting the target? The *Emissions Gap Report* focuses on three government policies: coal phase-out, carbon pricing and clean energy subsidies. So far these have been inadequate in dialling down emissions. The Expert Panel on Sustainable Finance, which was established by the Canadian federal ministers of Environment and Finance in 2018 to explore the potential for sustainable finance, suggests an additional approach. In its final report, the panel points out that finance has a critical role to play in supporting the transition to a low-emissions future. While the Expert Panel's focus is the future, it is reasonable to ask how finance, and especially the Big Six banks, have performed so far in helping or hindering Canada in its progress toward the Paris target. If the banks can play an important role in reducing greenhouse gas emissions, what is their record so far? Are they moving away from supporting traditional oil and gas, pipelines and oil sands projects and toward less carbon dioxide-intensive oil and gas and more renewable energy? Or are they continuing to support developments with high carbon emissions, which will make the Expert Panel's challenge that much more daunting?

Exploring for, producing and transporting fossil fuels is a capital-intensive activity. In a typical project, hundreds of millions or even billions of dollars must be spent before a single barrel of oil or cubic metre of gas can be shipped to a user. Financing energy projects (conventional oil and gas, oil sands, pipelines, facilities, renewables) is a vast enterprise that includes foreign and domestic banks and their investment divisions, private investors, foreign fossil fuel companies, pension funds, lenders, underwriters, financial advisers and more.

Canada's large chartered banks deserve further attention since they span the gamut of financing activities. Royal Bank of Canada, Toronto-Dominion Bank, Scotiabank, Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank of Canada cover all aspects of fossil

The Expert Panel on Sustainable Finance has pointed out that finance has a critical role to play in supporting the transition to a low-emissions future.

1 Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia (Scotiabank), Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank of Canada.

fuel finance—lending, underwriting, advising and investing. Because of their size, their impact on the economy and their leadership in public discourse on Canada’s energy future, these banks have the potential to lead the way in the transition to a low-emissions future.

This report outlines the bank presence in the Canadian energy sector since the collapse of oil prices in 2014. It tries to capture the total role of the big banks in financing and supporting renewable and non-renewable energy. It briefly describes the unique characteristics of each bank and recounts stories of support for fossil fuel and renewables development. It analyzes major financial supports and itemizes the non-financial roles banks play in fossil fuel development. The report then outlines bank participation in renewable energy development. It concludes by summarizing bank performance in moving toward the low-emissions future envisioned by the Expert Panel on Sustainable Finance.

In contrast to the need to reduce financing of fossil fuels, banks actually increased their lending and commitments to the industry by more than 50 per cent—to \$137 billion—between 2014 and 2020.

In contrast to the need to reduce financing of fossil fuels, banks actually increased their lending and commitments to the industry by more than 50 per cent—to \$137 billion—between 2014 and 2020. Toronto-Dominion, in particular, upped its lending by 160 per cent over the seven-year period, to nearly \$33 billion in 2020. As well, banks have invested tens of billions of dollars in fossil fuel and pipeline company shares. Here, Royal Bank leads the pack with nearly \$21 billion invested in the top 15 fossil fuel and pipeline companies as of November 2019. Banks continue to underwrite fossil fuel company stock and bond issues, and they continue to provide key advice on mergers, acquisitions and other corporate moves.

Banks are also intertwined with the fossil fuel industry in other ways—through interlocking directorates, executive transfer, industry conference sponsorships and industry association memberships. Through their actions and messaging, banks continue to support fossil fuel industry expansion and pipeline building even as they take small steps toward financing low-carbon and renewable energy projects. Regarding their messaging, banks have justified their support for fossil fuel expansion as necessary in order to finance the turn to a low-carbon economy. Statements issued by these financial institutions are particularly valuable to the industry because banks are perceived as being outside the industry and outside Alberta as “third-party validators.”

The Big Six banks have begun investing in low-carbon and renewable energy projects, issuing and underwriting green bonds, lending to renewable energy projects and pledging tens of billions of dollars to projects that claim to follow environmental, social and governance (ESG) criteria. Yet a recent study by Refinitiv, formerly the financial risk business of Thomson Reuters, pegged their fossil fuel lending and underwriting as being 25 times greater than their renewable lending and underwriting.

Banks have come to rely on the profits they earn from financing the capital-intensive fossil fuel sector. Even after beginning to finance renewable energy projects with a grab bag of efforts subsumed under the ambiguous ESG brand, they have expressed little willingness to abandon fossil fuel financing. In September 2019, during the UN Climate Action Summit in New York, the CEOs of 131 banks signed the Principles for Responsible Banking, committing them to align their businesses with the goals of the Paris Agreement on climate change and the UN’s Sustainable Development Goals. One principle requires banks to review how they are doing in meeting these principles and be held accountable for their contribution or lack thereof to society’s goals. In Canada, only National Bank and Desjardins Group (the Québec-based federation of credit unions), and later Vancity, signed the documents. The biggest five banks were missing in action. Evidently they feel little urgent need to change direction. Yet urgency is required, as the United Nations Environment Programme’s Emissions Gap Report has starkly pointed out and the Expert Panel on Sustainable Finance has reiterated. For Canada’s big banks, it’s past time.

Introduction

Finance is not going to solve climate change, but it has a critical role to play in supporting the real economy through the transition [to a low-emissions future].

—Final Report of the Expert Panel on Sustainable Finance²

CANADA SIGNED THE PARIS AGREEMENT IN DECEMBER 2015, pledging to reduce its greenhouse gas emissions by 30 per cent below 2005 levels by 2030. Yet in its 2019 *Emissions Gap Report*, the United Nations Environment Programme projects that Canada's emissions will be at least 15 per cent above target by 2030.³

Why isn't Canada doing better in meeting the target? The *Emissions Gap Report* focuses on three government policies: coal phase-out, carbon pricing and clean energy subsidies. So far these have been inadequate in dialling down emissions. The Expert Panel on Sustainable Finance, which was established by the Canadian federal ministers of Environment and Finance in 2018 to explore the potential for sustainable finance, suggests an additional approach. In its final report, the panel points out that finance has a critical role to play in supporting the transition to a low-emissions future and makes many recommendations to move in that direction, such as supporting Canada's fossil fuel industry in building a low-emissions, globally competitive future (Recommendation 12). While the Expert Panel's focus is the future, it is reasonable to ask how finance has performed so far in helping or hindering Canada in its progress toward the Paris target. If finance can play an important role in reducing greenhouse gas emissions, what is the record so far? Is it moving away from support for traditional oil and gas, pipelines and oil sands projects and toward less carbon dioxide (CO₂)-intensive oil and gas and more renewable energy? Or is it continuing to support developments with high carbon emissions, which will make the Expert Panel's challenge that much more daunting?

Exploring for, producing and transporting fossil fuels is a capital-intensive activity. In a typical project, hundreds of millions or even billions of dollars must be spent before a single barrel of oil or cubic metre of gas can be shipped to a user. "The oil and gas industry, as a result of its nearly insatiable need for capital and its growing complexity and risk, uses basically any possible source of capital it can find," write Andrew Inkpen and Michael Moffett in their authoritative survey

Is finance moving away from support for traditional oil and gas, pipelines and oil sands projects and toward less carbon dioxide-intensive oil and gas and more renewable energy? Or is it continuing to support developments with high carbon emissions?

2 Department of Environment and Natural Resources, *Final Report of the Expert Panel on Sustainable Finance: Mobilizing Finance for Sustainable Growth*, Government of Canada, June 14, 2019, <https://www.canada.ca/en/environment-climate-change/services/climate-change/expert-panel-sustainable-finance.html>.

3 United Nations Environment Programme, *Emissions Gap Report 2019*, November 26, 2019, 15, <https://www.unenvironment.org/resources/emissions-gap-report-2019>.

of the global oil and gas industry.⁴ Written in 2011 when the industry was still booming, that statement must be modified in light of the dramatic slowdowns in 2014 and 2020. But it does identify the centrality of financing in fossil fuel production. The risks are great but the rewards can be compelling. Financing energy projects (conventional oil and gas, oil sands, pipelines, renewables) is a vast enterprise that includes foreign and domestic banks and their investment divisions, private investors, foreign fossil fuel companies, pension funds, lenders, underwriters, financial advisers and more.

One segment of the sector deserves further attention since it spans the gamut of financing activities—Canada’s large chartered banks: Royal Bank of Canada (RBC), Toronto-Dominion Bank (TD Bank), Scotiabank (Bank of Nova Scotia, BNS), Bank of Montreal (BMO), Canadian Imperial Bank of Commerce (CIBC),⁵ and National Bank of Canada (National Bank). In their underwriting, lending and advisory roles, they compete with smaller Canadian investment firms and large foreign banks and their investment divisions. On the investment front they are one among many that include foreign and domestic government entities, asset managers, institutional investors and private equity funds. Their significance is that they cover all aspects of fossil fuel finance. Because of their size, their impact on the economy and their leadership in public discourse on Canada’s energy future, these banks have the potential to lead the way in the transition to the low-emissions future.

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Existing research

The role of banks in financing fossil fuel development has attracted some attention. On the global level, a coalition of environmental organizations led by the Rainforest Action Network has published *Banking on Climate Change* annually for a decade.⁶ This report card ranks global banks in terms of the dollar value of their corporate lending and underwriting services to the fossil fuel industry. Canada’s banks rank in the top 25 globally in bank financing for over 2,100 companies active across the fossil fuel life cycle: RBC (fifth), TD Bank (eighth), Scotiabank (10th), BMO (16th) and CIBC (21st), a ranking that reflects the relative sizes of the banks.⁷ The report card also ranks Canada’s Big Five in bank financing for 30 top oil sands production companies and five pipeline companies. The Big Five can be found in the top six, with the American bank JPMorgan Chase clocking in at number three.⁸ In 2020 the Rainforest Action Network and Oil

4 Andrew Inkpen and Michael H. Moffett, *The Global Oil and Gas Industry: Management, Strategy and Finance* (Tulsa, OK: PennWell Corporation, 2011), 279.

5 Together these five banks comprise Canada’s “Big Five.” National Bank rounds out the top six in Canada, though most analyses do not include it because it is so much smaller than the other five. All six institutions are the subject of this study.

6 Rainforest Action Network et al., *Banking on Climate Change: Fossil Fuel Finance Report 2020*, March 18, 2020, <https://www.ran.org/bankingonclimatechange2020/>.

7 Rainforest Action Network et al., *Banking on Climate Change*, 8.

8 Rainforest Action Network et al., *Banking on Climate Change*, 36.

Change International published a report on bank financing for the US shale oil boom of the past few years. The largest lenders and underwriters were big American banks, but four of the Big Five Canadian banks—the exception was TD Bank—were in the top 15, contributing about US\$29 billion since 2016.⁹

The Corporate Mapping Project’s William Carroll and Jouke Huijzer mapped the network of ownership of Canada’s fossil fuel industry. Their report identifies the five largest types of investors that own shares in fossil fuel companies: Canadian banks, Canadian and foreign investment funds, wealthy families, foreign fossil fuel companies, and domestic and foreign governments.¹⁰ They show that the Big Five banks are among the largest owners of fossil fuel and pipeline company shares.

The Corporate Mapping Project also published the *Fossil-Power Top 50*, which profiles the most influential organizations relevant to the fossil fuel sector. The category of enablers (organizations that enable fossil fuel production) includes profiles of the Big Five banks.¹¹ In a related study, Mark Hudson and Katelyn Friesen summarize research on bank lending and holdings and provide details on bank interlocks with fossil fuel and other companies.¹² This present study updates and expands on these works.

The Big Five banks are among the largest owners of fossil fuel and pipeline company shares.

Investment context: Oil prices and production, 2014–2020

Information on existing energy production, prices and reserves is crucial for investors and lenders. Bank lending and underwriting for the exploration and production segment of the industry are largely dependent on an estimate of a company’s reserves that can be produced at current prices. Canada has the world’s third-largest petroleum reserves, after Venezuela and Saudi Arabia. Much of this is in the form of bitumen deposits in Alberta and Saskatchewan, with proven reserves of 165 billion barrels.¹³ Natural gas is also concentrated in the west in Alberta, Saskatchewan and British Columbia. At the turn of the millennium, Canada’s energy production consisted of approximately 2.1 million barrels per day (bpd) of conventional oil and 670,000 bpd of oil sands production. Over the next decade, as oil prices skyrocketed, about 1.6 million bpd of new oil sands production came on stream.¹⁴

As Table 1 indicates, at the beginning of the study period in 2014, total oil production in Canada (including the oil sands) stood at 4.4 million bpd, with oil sands production accounting for 2.3 million bpd or just over half. Despite price constraints, production continued to rise. Over the six-year period ending in 2019, total production increased by 30 per cent, while oil sands

9 Rainforest Action Network and Oil Change International, *Fracking Fiasco: The Banks That Fueled the U.S. Shale Bust*, September 24, 2020, 7, <https://www.ran.org/publications/fracking-fiasco-the-banks-that-fueled-the-u-s-shale-bust>.

10 William K. Carroll and M. Jouke Huijzer, *Who Owns Canada’s Fossil-Fuel Sector? Mapping the Network of Ownership and Control*, Corporate Mapping Project, October 18, 2018, <https://www.corporatemapping.ca/who-owns/>.

11 Corporate Mapping Project, *Fossil-Power Top 50*, accessed September 15, 2019, <https://www.corporatemapping.ca/database/fossil-power-top-50/>.

12 Mark Hudson and Katelyn Friesen, *Finance, Fossil Fuels, and Climate Change: Networks of Power in Canada*, TNI Longreads, 2019, <https://longreads.tni.org/state-of-power-2019/canada-networks-of-power/>.

13 “Oil Sands Facts and Statistics,” Alberta Energy, accessed December 16, 2020, <https://www.alberta.ca/oil-sands-facts-and-statistics.aspx>.

14 “Total Bitumen Production from Mining & In-Situ” (graph), “Oil Sands Operations,” *Oil Sands Magazine*, last updated November 24, 2020, <https://www.oilsandsmagazine.com/projects/bitumen-production>.

Table 1: Total Canadian oil and oil sands production, 2014–2019

Year	Total Canadian oil production ⁱ (Millions of barrels per day)	Canadian oil sands production ⁱⁱ (Millions of barrels per day)
2014	4.4	2.3
2015	4.6	2.5
2016	4.7	2.5
2017	5.0	2.8
2018	5.5	3.1
2019	5.7	3.1

i Oil production includes crude oil, shale oil, oil sands and NGLs (the liquid content of natural gas, where this is recovered separately). Source: “Oil production in Canada from 1998 to 2019” (graph), Statista, June 22, 2020, <https://www.statista.com/statistics/265182/oil-production-in-canada-in-barrels-per-day/>.

ii Source: “Total bitumen production from mining and in-situ,” (graph), “Oil Sands Operations,” *Oil Sands Magazine*, last updated November 24, 2020. <https://www.oilsandsmagazine.com/projects/bitumen-production>.

While production was increasing, the price of oil was generally heading in the opposite direction.

production rose by 35 per cent. In 2014, oil sands accounted for 52 per cent of total Canadian oil production. By 2019, the oil sands portion of total production had increased to 54 per cent.

While production was increasing, the price of oil was generally heading in the opposite direction. Building a new plant or pipeline requires many years to come into production. Conditions can change dramatically over that period. An in situ¹⁵ oil sands plant that commenced operating in 2015 with low prices could have been in the works for a decade or more, when prices were high and rising. The price of oil in the US, Canada’s main market, as measured by West Texas Intermediate (WTI) per barrel in US dollars,¹⁶ soared above \$100 in 2010 and remained there until May 2014. This was not the price oil sands producers received, though. Some oil sands bitumen, which has the consistency of peanut butter, must be transported to American refineries and upgraded into usable products. Thus the product sells at a discount compared to WTI.

In 2004, oil sands companies began calculating a price for what they labelled Western Canada Select (WCS);¹⁷ in 2009 the Alberta Department of Energy adopted the WCS benchmark and calculated a price for it and for the differential between WTI and WCS. During the first half of 2014,

15 “About 80% of Alberta’s bitumen reserves are too deep to be mined and must be extracted in-place (or in-situ) using steam. Bitumen is heated and pumped out of the ground, leaving most of the solids behind” (“In Situ Bitumen Extraction,” *Oil Sands Magazine*, accessed January 7, 2020, <https://www.oilsandsmagazine.com/technical/in-situ>).

16 West Texas Intermediate is based on oil at a large tank and pipeline hub in Cushing, Oklahoma. See “Not All Oil Is Equal: Explaining Price Differences,” Open Alberta, accessed January 7, 2020, <https://open.alberta.ca/dataset/5e6f425a-e1c7-441a-9aa0-64890e4ecade/resource/b7080f88-f748-45f0-8294-81d32a7a834c/download/13-Explaining-oil-price-differentials-formatted.pdf>.

17 Western Canadian Select represents a stream of conventional heavy (high viscosity) oil mixed with some blends of bitumen and diluents. See “Western Canadian Select,” Alberta Energy Regulator, May 2019, <https://www.aer.ca/providing-information/data-and-reports/statistical-reports/st98/prices-and-capital-expenditure/crude-oil-prices/western-canadian-select>.

the differential varied between US\$15 and \$25 a barrel, but few producers were complaining because even with a large differential, WCS was hovering between US\$80 and \$90 a barrel and every project was likely to be profitable. But not for long. WTI dropped from over US\$100 in May 2014 to \$50 in December, and WCS dropped from over US\$85 to \$30. Some projects became unviable. However, falling oil prices did not materially impact bank lending to the industry, as the “Financing Fossil Fuels” section explains. Prices remained in that trough briefly and once again began an upward trajectory, but with many gyrations. WTI was at US\$70 in September 2018 and \$50 two months later. The most dramatic gyration to that point was the collapse in the price of WCS, which sank to an unimaginable low of US\$6 a barrel in November 2018. By January 2019, however, WCS had recovered to US\$43, making projects coming on stream marginally profitable but new projects untenable.¹⁸ Then Saudi Arabia and Russia commenced an all-out price war and the COVID-19 pandemic hit the industry, leading to a collapse in prices and consumption. In March 2020, WTI plunged even further to US\$16 and WCS to US\$3.50 a barrel.¹⁹ The low, unpredictable and generally declining price environment, along with increasing production during this period, made bank lending and underwriting a challenging proposition.

18 “Oil Prices,” Alberta Government, November 2019, <https://economicdashboard.alberta.ca/OilPrice>.

19 “Oil Price Charts,” Oilprice.com, July 1, 2020, <https://oilprice.com/oil-price-charts/block/49>.

The “comfortable oligopoly”

In 2018 the six biggest Canadian banks generated \$43.2 billion in profits, about \$1,100 for every Canadian.

COMMENTING ON THE STATE OF CANADIAN FINANCIAL MARKETS 10 years after the 2009 global financial meltdown, *Globe and Mail* investment analyst Tim Shufelt wrote: “Operating within a comfortable oligopoly, banks have undergone a decade of growth and become wildly profitable in the process.”²⁰ The banks were certainly “wildly profitable” in 2018. The Big Five—RBC, TD Bank, Scotiabank, BMO and CIBC—were among the top seven most profitable companies in Canada. Along with the smaller National Bank of Canada, they generated \$43.2 billion²¹ in profits, about \$1,100 for every Canadian.²² They brought in \$158 billion in revenues and held \$5.3 trillion worth of assets. Their results were not as stellar in 2019 as they eked out a 2.6 per cent gain in profit. Nonetheless, four banks led the profitability table that year, with CIBC trailing in ninth place. And in the difficult 2020, bank profits declined by 11.6 per cent to a still impressive \$41.2 billion. Through these two years they continued to grow, as revenues rose 8.9 per cent and assets 22 per cent. They remain among the largest and most profitable companies in Canada. And they are the top five most valuable brands in Canada as measured by Brand Finance Canada’s 2020 rankings.²³ The same year, RBC and TD, Canada’s two largest banks, were listed by the Switzerland-based Financial Stability Board as being “too big to fail,” meaning that they require additional capital and oversight. They could pose a risk to the global financial system if they run into solvency problems.²⁴

These six organizations do form a “comfortable oligopoly”—a market controlled by a few firms. Every year they’re involved in dozens of underwriting and lending syndicates. Certainly they compete to be lead lender or underwriter for a particular project, but they’re all part of the syndicates. True, they share this space with other financing entities, such as the investment divisions of foreign banks and smaller Canadian investment firms. But because of their heft, the banks dominate the field.

20 Tim Shufelt, “For the TSX, a Decade of Bank Dominance,” *Globe and Mail*, March 9, 2019, B12.

21 Currency values are in Canadian dollars unless otherwise stated.

22 Figures from “The Top 1000,” *Globe and Mail*, April 26, 2019, <https://www.theglobeandmail.com/business/rob-magazine/article-the-top-1000-our-annual-ranking-of-canadas-largest-companies/>; “Global 2000: The World’s Largest Public Companies,” *Forbes*, May 13, 2020, <https://www.forbes.com/global2000/#73e01211335d>; bank 2020 annual reports.

23 Brand Finance, *Canada 100: 2020*, April 2020, <https://brandirectory.com/download-report/brand-finance-canada-100-2020-preview.pdf>.

24 James Langton, “RBC, TD Remain on ‘Too Big to Fail’ List,” *Investment Executive*, November 12, 2020, <https://www.investmentexecutive.com/news/from-the-regulators/rbc-td-remain-on-too-big-to-fail-list/>.

While their loans, investments, underwriting services and financial advice span all sectors of the economy, banks have played a major role in the fossil fuel sector—its oil sands plants and mines, its pipelines, its gas fracking operations and LNG (liquefied natural gas) facilities. They also play a small but growing role in financing the renewable energy sector.

Banks are somewhat insulated from outside competition by federal government bank policy and also by their own actions. The Big Five banks, as a collective, are the largest owners of each other. Together, through the funds they invest for their clients, they control 32.5 per cent of Scotiabank, 23.3 per cent of CIBC, 21.5 per cent of TD Bank, 20.2 per cent of BMO and 18.9 per cent of RBC.²⁵ Why wouldn't they? Banks are among the best investments in the country.

Bank shareholders can thank the Brian Mulroney and Jean Chrétien governments for the banks' market dominance, as they came to own securities dealers, trust companies and insurance companies. In 1987, following events in other jurisdictions, the Mulroney government amended the Bank Act to allow banks to own stock brokerage firms, something that had been forbidden before then to prevent the inherently risky activity of investing in stocks and bonds from infecting the necessarily secure domain of savings and loans. Within a year the big banks started purchasing major brokerage firms. Then in 1992 the Chrétien government amended the Bank Act to allow banks to own trust companies (the major money management firms), and the banks took these over as well. By the turn of the century banks were well positioned within all sectors of the economy.

With the explosion in the price of oil that occurred after 2001, the capital-intensive Alberta oil sands became a focus of bank activity. Proponents of drilling, mining and transportation projects must often lay out billions of dollars to put infrastructure in place before they can earn a single dollar in revenue. This requires vast amounts of capital, both equity and debt as well as internally generated cash, to get projects built. It also magnifies risk for lenders and investors. When oil prices plummeted in 2014, bank exposure became a concern. The overall dollar loss, however, was “minuscule,” according to Edward Jones analyst James Shanahan, commenting on the banks' stellar performance in 2018 that “the banks are probably in a better position today than we were the last time we had a concern when it relates to oil prices.”²⁶ In 2020, when Russia and Saudi Arabia commenced a war on oil prices and the coronavirus pandemic struck, banks seemed to weather the storm well, lending more money than ever before to the industry, as the “Financing Fossil Fuels” section documents, even with declining profits.

Banks have played a major role in the fossil fuel sector—its oil sands plants and mines, its pipelines, its gas fracking operations and LNG facilities.

Royal Bank of Canada (RBC)

- fourth-largest Canadian corporation by revenue (\$66.3 billion)
- largest by profit (\$13.0 billion)
- largest by assets (\$1.45 trillion)
- largest by market capitalization²⁷ (\$114.0 billion)²⁸

25 Figures from Orbis database (Bureau Van Dijk), August 19, 2020.

26 Armina Ligaya, “BMO Reports Q4 Profit Jump as Banks Post \$11 Billion in Quarterly Profits,” *Toronto Star*, December 4, 2018, <https://www.thestar.com/business/2018/12/04/bank-of-montreal-hikes-dividend-as-it-reports-q4-net-income-surge.html>.

27 Market capitalization is the number of a company's shares outstanding multiplied by the current price of a single share. (Jason Fernando, “Market capitalization,” Investopedia, January 3, 2021, <https://www.investopedia.com/terms/m/marketcapitalization.asp>.)

28 Figures from “Global 2000,” *Forbes*.

RBC was founded three years before Confederation as the Merchants' Bank of Halifax, merging subsequently with over a dozen banks and financial institutions to become Canada's largest bank after the First World War. Except for a period between 2013 and 2017 when TD Bank was larger, RBC has maintained its ranking ever since.²⁹ It opened an oil and gas department in Calgary in 1951, four years after oil was discovered near Leduc. The bank set up a global energy group based in Calgary in 1981 "to provide technical consultation as well as capital for energy-related projects on an international basis."³⁰ It would guide foreign investment into the oil sands. As with the other big banks, RBC's energy dominance was magnified by its acquisition of investment dealers and trust companies. In 1987 it acquired Dominion Securities, the largest investment house in Canada. It added McNeil, Mantha, a Québec-based investment dealer, in 1991 and Richardson Greenshields in 1996. On the trust company front RBC acquired Royal Trustco, Canada's largest money manager, with a large family of mutual funds and large shareholdings in fossil fuel companies as well as a strong business in global private banking. These acquisitions allowed the bank to bulk up on the pension custody business, which is also a significant source of fossil fuel investment. In 2008, RBC bought Vancouver-based Phillips, Hager & North Investment Management for \$1.4 billion in stock. The acquisition vaulted the bank to the top of the rankings for assets under administration and created the foundation for RBC's leading ownership of fossil fuel company shares, as detailed in Table 5 in the "Financing Fossil Fuels" section. In recognition of its size and importance, RBC was the only Canadian bank to be invited to participate in the massive initial public offering (IPO) for Saudi Aramco, the oil giant owned by the Saudi government.³¹

RBC was the only Canadian bank to be invited to participate in the massive initial public offering for Saudi Aramco, the oil giant owned by the Saudi government.

The bank's star performer is its investment banking division, RBC Capital Markets, which in 2018 brought in nearly as much revenue (\$8.4 billion) as the bank's second- and third-ranking domestic competitors together, earning a profit of \$2.8 billion.³² That's for all sectors of the economy. RBC is the largest Canadian bank, but it has not led in fossil fuel financing, ranking fourth of the Big Five in such lending, with a total commitment of \$22.7 billion in 2020.³³ (See Table 2 in "Financing Fossil Fuels.") The bank, along with the others, has become active in financing renewable energy projects, as the "Financing Renewable Energy" section explains, creating a \$100-billion sustainable financing plan in 2019. This plan contains green bonds as well as transition bonds, which help fossil fuel companies reduce their carbon impacts but allow fossil fuel production to continue. And in February 2021 the bank boosted its sustainable financing plan to \$500 billion by 2025 and committed to achieving net-zero emissions in its lending by 2050.

CONTROVERSIES

RBC is active in the Smart Prosperity Leaders' Initiative, a corporate-academic-non-governmental organization alliance whose goal is to ensure that business plays the key role in dealing with climate change, precluding more effective alternatives such as government regulation. Phil Fontaine and John Stackhouse have represented the bank in this organization. Fontaine was a

29 Doug Alexander, "RBC Takes Back Crown from TD to Once Again Become Canada's Biggest Bank," *Financial Post*, March 2, 2018, <https://financialpost.com/news/fp-street/rbc-reclaims-crown-from-toronto-dominion-as-biggest-canada-bank>.

30 "The Royal Bank of Canada," *Encyclopedia.com*, August 30, 2020, <https://www.encyclopedia.com/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/royal-bank-canada>.

31 Jeffrey Jones and Tim Kiladze, "Royal Bank of Canada Part of Aramco IPO despite Saudi Diplomatic, Trade Rifts," *Globe and Mail*, November 4, 2019, <https://www.theglobeandmail.com/business/article-royal-bank-of-canada-part-of-saudi-aramco-ipo-despite-diplomatic/>.

32 Andrew Willis, "Why RBC Is Becoming the New England Patriots of Bay Street," *Globe and Mail*, April 24, 2019, <https://www.theglobeandmail.com/business/rob-magazine/article-rbc-is-becoming-the-new-england-patriots-of-bay-street/>.

33 Royal Bank of Canada, *Annual Report 2018*, Table 45, p. 60, https://www.annualreports.com/HostedData/AnnualReportArchive/r/TSX_RY_2018.pdf.

three-term leader of the Assembly of First Nations and then joined the bank as a special adviser to the CEO in 2009 and later as special adviser to RBC Indigenous Financial Services. His mandate was to “provide advice and counsel to RBC’s Canadian businesses to help the company deepen its relationships with Aboriginal governments, communities and businesses in Canada”³⁴ —to promote the bank’s interests among Indigenous peoples, in other words. At least two projects may have benefited from this work:

- The bank was retained by TC Energy (formerly TransCanada Corp.) to act as exclusive financial adviser to help sell a 75 per cent share of its \$6.6-billion Coastal GasLink pipeline. The 670-kilometre pipeline will connect gas fields in the Montney shale formation near Dawson Creek and Fort St. John, BC, with the \$40-billion LNG Canada terminal in Kitimat on the coast. Primary targets of the sales pitch were the First Nations whose territories the pipeline would cross. The result was the sale of a 65 per cent pipeline share to the Alberta Investment Management Corp. on behalf of undisclosed clients and to the American private equity management firm KKR & Co. The 20 First Nations that had executed agreements with Coastal GasLink were given an option to acquire a 10 per cent equity interest in the project. RBC was appointed global lead coordinating arranger on the financing for the construction of the pipeline.³⁵
- The bank structured and marketed a 49 per cent share of Suncor Energy’s East Tank Farm, a bitumen and diluent storage, blending and cooling facility 30 kilometres north of Fort McMurray, Alberta, to a partnership that included Fort McKay and Mikisew Cree First Nations for \$503 million in 2017.³⁶

RBC was appointed global lead coordinating arranger on the financing for the construction of the Coastal GasLink pipeline.

John Stackhouse has a hands-on role in the bank as senior vice-president in the CEO’s office, moving directly into this role from his position as editor-in-chief of the *Globe and Mail*. His task is to interpret “trends for the executive leadership team and Board of Directors, with insights on how these are affecting RBC, its clients and society at large.”³⁷ He’s also a senior fellow at the Munk School of Global Affairs and Public Policy and the C.D. Howe Institute. Stackhouse writes on many topics, including support for the fossil fuel industry and the urgent need for more pipelines. He’s a proponent of the new narrative as formulated by the Trudeau government: we can’t achieve a clean economy unless we continue to expand the dirty economy. As he wrote:

Canada has the ability to lead the world in the clean economy transition, an opportunity worth trillions of dollars for companies and financiers. Our economy must revolve around brainpower, technology, trade and the world’s greatest trove of natural resources—resources we’ve used for decades that will finance the energy innovation and clean technologies that the world will need tomorrow.³⁸

In October 2020, the bank received widespread media coverage for its announcement it would not provide direct financing for exploration and production projects in Alaska’s Arctic National

34 RBC, “RBC Appoints Phil Fontaine as Special Advisor” (news release), September 2, 2009, <http://www.rbc.com/newsroom/2009/0902-fontaine.html>.

35 TC Energy, “TC Energy Announces the Partial Monetization of the Coastal GasLink Pipeline Project” (news release), December 26, 2019, <https://www.tcenergy.com/announcements/2019/2019-12-26tc-energy-announces-the-partial-monetization-of-the-coastal-gaslink-pipeline-project/>.

36 “First Nations Complete Purchase of 49% Interest in Suncor’s East Tank Farm Development,” *Oil & Gas 360*, November 22, 2017, <https://www.oilandgas360.com/first-nations-complete-purchase-49-interest-suncors-east-tank-farm-development/>.

37 “John Stackhouse, Senior Vice-President, Office of the CEO,” RBC, accessed August 3, 2019, <https://www.rbcwealthmanagement.com/ca/en/p/john-stackhouse/detail/?p=e>.

38 John Stackhouse, “Clean Growth in the 21st Century: Accelerating Prosperity,” *Globe Capital 2017*, April 4, 2017, <https://www.globeseries.com/capital2017/?speaker=john-stackhouse>.

Wildlife Refuge two months after US president Donald Trump opened the refuge for drilling. The announcement reiterated Stackhouse's framing of the bank's fossil fuel financing mission: "We are committed to finding ways to balance the transition to a low-carbon economy while supporting efforts to meet global energy needs and our energy clients."³⁹

Toronto-Dominion Bank (TD Bank)

- fifth-largest Canadian corporation by revenue (\$58.2 billion)
- second-largest by profit (\$12.1 billion)
- second-largest by assets (\$1.43 trillion)
- second-largest by market capitalization (\$98.5 billion)

Toronto-Dominion Bank was formed in 1955 by the merger of the Dominion Bank (established in 1869) and the Bank of Toronto (1855). During the 1980s it acquired a string of brokerage firms: Loewen, Ondaatje, McCutcheon & Co., Marathon Brokerage and US discount brokerage Waterhouse Investor Services. But the acquisition that changed the bank's game was the purchase in 2000 of Canada Trust for \$7.8 billion. Canada Trust was the sixth-largest Canadian financial institution, and the acquisition vaulted the bank from fifth to second place, a ranking it continues to hold. TD Securities (TDS) is the bank's securities and investment arm, created from its investment dealer acquisitions. Around the turn of the millennium TDS had built a lucrative business as the lender of choice to North American telecom and cable companies. The securities firm went south in 2002, though, when the cable and telecom sector hit hard times and a big chunk of the bank's loan book had to be written down.⁴⁰ Within a few years, TDS bounced back, led by a new CEO, Ed Clark, a former bureaucrat in the Pierre Trudeau government. As assistant deputy minister of Energy, Mines and Resources, Clark was the official most responsible for creating the 1980 National Energy Program that was so loathed by the province of Alberta, the Ronald Reagan administration in the US and the fossil fuel industry. They labelled him "Red Ed." So it was somewhat of a surprise when, under Clark's leadership, the bank became a major financial influence in the fossil fuel sector. Clark had been fired by the Mulroney government and shocked everyone by going into the private sector, first to investment firm Merrill Lynch and then to Canada Trust, where he rose to the position of CEO. When TD Bank bought Canada Trust, Clark became the bank's CEO. His approach was to target weaknesses in the bank's business, like mining and energy, and he moved into orphaned areas, like early-stage companies in the oil sands.⁴¹ To help repair the bank's balance sheet, Clark led a takeover of New Jersey-based Commerce Bancorp for US\$8.5 billion, propelling TD Bank to the top 10 ranks in American banking, and entrenching its position as second-largest, and briefly largest, in Canada.

TD had many irons in the fossil fuel fire. The bank's closest connection was with Cenovus Energy, the fourth-largest oil sands producer, where CEO Brian Ferguson had been appointed to the TD board in March 2015. (Claude Mongeau, the former CEO of Canadian National Railway, also joined the TD board in March 2015 and the Cenovus board in December 2016.) Around the

TD had many irons in the fossil fuel fire. The bank's closest connection was with Cenovus Energy, the fourth-largest oil sands producer.

39 Kathryn Blaze Baum and James Bradshaw, "RBC Refuses to Finance Arctic Drilling and Puts Restriction on Coals under New Investment Guidelines," *Globe and Mail*, October 3, 2020, B3.

40 Andrew Willis and Christina Pellegrini, "Lender of Choice: TD Builds Its Patch Presence," *Globe and Mail*, March 10, 2017, B1.

41 Bertrand Marotte, "How TD's 'Red Ed' Clark Became a Force in Canada," *Globe and Mail*, April 3, 2013, <https://www.theglobeandmail.com/report-on-business/how-tds-red-ed-clark-became-a-force-in-canada/article10713002/>.

time Ferguson joined the TD board, TD Securities and RBC Capital Markets led a syndicate⁴² of underwriters that bought \$1.5 billion worth of new shares from Cenovus and then resold them to investors, earning substantial underwriting fees.⁴³ And within a month of Ferguson's appointment, the bank was hired by Cenovus to explore the sale of its royalty lands in Western Canada. These assets—large landholdings in Alberta, Saskatchewan and Manitoba that generate revenue from drilling by other companies—were subsequently sold to the Ontario Teachers' Pension Plan for \$3.3 billion.⁴⁴ TD Bank was also a strategic financial adviser to Cenovus on its massive \$17.7-billion purchase of ConocoPhillips's oil sands assets and most of its Deep Basin⁴⁵ properties in 2017. To help pay for the purchase, Cenovus used TD Securities in the sale of its 62.1 per cent operating working interest in the Weyburn, Saskatchewan, CO₂ enhanced oil recovery operation for \$940 million to Whitecap Resources.⁴⁶

But TD Bank's greatest coup was its work with Cenovus rival Canadian Natural Resources Ltd. (Canadian Natural) in its acquisition of Royal Dutch Shell's Athabasca Oil Sands Project assets for \$11.1 billion in May 2017. Shell had made no secret of its need to sell US\$30-billion worth of assets to help pay for its purchase of BG Group, one of the world's largest producers of LNG. Canadian Natural executive chairman Murray Edwards pounced, wrapping up the deal in a matter of weeks. On the equity side of the deal, Shell was issued 97.5 million new Canadian Natural shares worth about \$4 billion, which it could sell after four months. The shares increased by 10 per cent the day they were issued, earning Shell an immediate \$400-million windfall. On the debt side, Canadian Natural took out a \$3-billion term loan and a \$6-billion bridge facility. TD Securities got bragging rights on these loans as "sole underwriter and bookrunner."⁴⁷ The deal's other banks, JPMorgan Chase and Scotiabank, were simply joint lead arrangers and co-syndication agents.⁴⁸ "Winning this marquee mandate was a huge breakthrough within TD," TD Securities' managing director of investment banking told the *National Post*'s Claudia Cattaneo.⁴⁹

There's a connection here that may help explain why TD got the business. Former New Brunswick premier and former ambassador to the US Frank McKenna had been hired by Ed Clark as part of his bank rebuilding project. Not only was McKenna in TD Bank's employ, he was also a Canadian Natural director. McKenna and Canadian Natural chair Murray Edwards were connected through former Liberal prime minister Paul Martin. Edwards was a long-time Martin supporter, a rarity in Tory Blue Calgary; McKenna was appointed Canadian ambassador to the US by Martin, a post where McKenna remained until fired by Stephen Harper. In 2019 the bank reiterated its faith

In 2019 TD reiterated its faith in the oil sands by leading a syndicate of 16 lenders that committed \$3.25 billion to Canadian Natural for its purchase of Devon Energy Corp.'s 1.5 million acres of Alberta oil sands properties.

42 A syndicate is a "a temporary alliance of businesses that joins together to manage a large transaction, which would be difficult, or impossible, to effect individually. Syndication makes it easy for companies to pool their resources and share risks." (Carla Tardi, "Syndicate," Investopedia, October 23, 2020, <https://www.investopedia.com/terms/s/syndicate.asp>.)

43 Carrie Tait, "Cenovus Energy Raises \$1.5-Billion in Share Sale," *Globe and Mail*, February 17, 2015, <https://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/cenovus-to-raise-15-billion-in-bought-deal/article23034427/>.

44 Cenovus Energy, "Cenovus Sells Royalty Business for \$3.3 Billion" (news release), June 30, 2015, <https://www.cenovus.com/news/news-releases/2015/06-30-royalty-and-fee-land-business-sold.pdf>.

45 The Deep Basin is a liquids-rich natural gas fairway located along the eastern slopes of the Rocky Mountains in northwestern Alberta and northeastern BC.

46 Jeff Lewis, "Cenovus strikes \$940-million deal to sell Weyburn asset to Whitecap," *Globe and Mail*, November 13, 2017, <https://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/cenovus-strikes-940-million-deal-to-sell-weyburn-asset-to-whitecap/article36947237/>.

47 A bookrunner is "the primary underwriter or lead coordinator in the issuance of new equity, debt, or securities instruments." (Julia Kagan, "Book Runner," Investopedia, October 10, 2020, <https://www.investopedia.com/terms/b/bookrunner.asp>.)

48 Willis and Pellegrini, "Lender of Choice."

49 Claudia Cattaneo, "How TD Helped CNRL Pull Off Major Oilsands Coup," *National Post*, January 30, 2018, SR3.

in the oil sands by leading a syndicate of 16 lenders that committed \$3.25 billion to Canadian Natural for its purchase of Devon Energy Corp.'s 1.5 million acres of Alberta oil sands properties.⁵⁰

On the asset management front, TD jumped past RBC in 2018 to become Canada's largest money manager with the \$792-million purchase of Regina-based Greystone Managed Investments, boosting the bank's total assets under management to \$393 billion.⁵¹ The acquisition inevitably increased the bank's fossil fuel company holdings, although they paled in comparison with RBC's (see "Financing Fossil Fuels"). In 2020 TD rose to the top of the pack in fossil fuel lending, with \$33 billion in loans and commitments.⁵²

The bank moved aggressively into the green bond market with a \$500-million bond in 2014, but as the "Financing Renewable Energy" section explains, little of the raised funds was invested in renewable energy. Three years later TD Bank was the first Canadian bank to pledge an investment of \$100 billion to support the transition to a low-carbon economy. In November 2020 the bank committed itself to a global climate action plan targeting net-zero greenhouse gas emissions by 2050, but it did not lay out interim targets. The bank followed RBC in announcing it would not provide new project-specific financial services related to the exploration, development or production of oil and gas within the Arctic Circle.⁵³

CONTROVERSIES

As TransCanada sought American government approval for Keystone XL, TD sponsored a series of 10 speeches by Bill Clinton over a three-year period, for which the bank paid him US\$1.8 million.

TD CEO Ed Clark had hired McKenna to be the bank's rainmaker, who is, in the words of a *Globe and Mail* profile, "a glad-handing door-opener in a firm that has suffered from a lack of historical relationships with blue-chip CEOs."⁵⁴ As a director of Air Canada, McKenna helped the bank arrange a meeting with the head of Air Canada's parent company when the airline was returning from bankruptcy protection and preparing an IPO. TD got the business.

McKenna soon brought his rainmaking ability to the fossil fuel business. In 2008, TransCanada Corp. was in the process of constructing the Keystone pipeline from its terminal in Hardisty, Alberta, to the junction at Steel City, Nebraska, and then east to Illinois and south to Gulf Coast refineries. With no end in sight to higher oil prices, TransCanada proposed a major extension of the system, Keystone XL (export limited) with the capacity to transport up to 830,000 barrels per day.

While TransCanada was developing its expansion plans, along with other banks TD co-financed a US\$3-billion general corporate loan to TransCanada.⁵⁵ The pipeline company was running into stiff and growing opposition to its project, which would traverse Montana, South Dakota and Nebraska. It was becoming bogged down in American and Canadian politics. As well, the US was beginning to require fewer imports because of the vast scale-up of gas and oil fracking in West Texas and New Mexico.

50 Andrew Willis, "Oil-Loving Banks Must Reckon with the Future," *Globe and Mail*, June 1, 2019, B4.

51 Steve Randall, "TD Asset Management to Become Canada's Largest Money Manager," *Wealth Professional Canada*, July 11, 2018, <https://www.wealthprofessional.ca/news/mutual-funds/td-asset-management-to-become-canadas-largest-money-manager-245054.aspx>.

52 TD Bank Group, *Own the Future: Annual Report 2018*, Table 24, pp. 45–46; "Note 31: Credit Risk," p. 209.

53 TD Bank, "TD Commits to Ambitious Climate Action Plan" (news release), November 9, 2020, <https://newsroom.td.com/featured-news/td-climate-action-plan>.

54 Sinclair Stewart et al., "Street Race: Now TD Vies for the Prize," *Globe and Mail*, December 9, 2006, B6.

55 "Keystone XL Pipeline," *Banktrack*, accessed April 15, 2019, https://www.banktrack.org/project/keystone_xl_pipeline#financiers. BMO, RBC and Scotiabank, along with three major American banks, all participated in the financings.

Perusing his extensive Rolodex of friends and associates, McKenna lit on Bill and Hillary Clinton, the former president and the just-defeated candidate for the 2008 Democratic presidential nomination. McKenna and Bill Clinton were political and golfing friends. As TransCanada sought American government approval for Keystone XL, TD sponsored a series of 10 speeches by Bill Clinton over a three-year period, for which the bank paid him US\$1.8 million, or roughly \$175,000 per speech. Most were hosted by McKenna. And most were held on McKenna's Atlantic Canada turf—Halifax, Saint John, Moncton, Fredericton and Antigonish (where Clinton was keynote speaker at the opening of the Frank McKenna Centre for Leadership at St. Francis Xavier University), as well as Toronto, London (Ontario) and Calgary. One speech in Las Vegas in September 2011, for which Clinton received US\$280,000, was sponsored by TD Ameritrade, TD's American electronic brokerage subsidiary.⁵⁶

Why Bill Clinton? The *Financial Post* suggests the reason was to help the bank expand its American business.⁵⁷ This is true. But there's a more specific reason. The sponsorships overlap precisely the period beginning with the appointment of Hillary Clinton as Barack Obama's secretary of state and ending with Obama's decision to delay approval of the pipeline. Because the project crosses an American international border, the president's permit of approval is issued by the secretary of state.

Despite the TD Bank speaking fees funnelled through Clinton and despite the millions of dollars TransCanada and oil industry advocacy groups like the Consumer Energy Alliance paid to promote the pipeline, Obama delayed approval of the project in 2011, concerned, perhaps, about keeping his environmental support in the coming election. TD and McKenna kept up the pressure. A TD Bank report in 2012 argued that Canada's pipeline network had to be a "national priority"; otherwise, the report threatened, the economies of all provinces would suffer in the long term.⁵⁸ It said the country needs not just Keystone, but also pipelines to the east and west coasts. The report was particularly boosterish for a pipeline to the east coast. Several months after the report's release, McKenna reinforced the call for a pipeline to his province, just as an announcement was about to be made for such a pipeline by TransCanada, in which TD still had a significant interest.⁵⁹

TD started spending money again in 2014 when Hillary Clinton announced her run for the presidency. The bank co-sponsored speeches she gave to the Vancouver Board of Trade (McKenna hosted a question-and-answer session), and in Calgary and Toronto. Obama rejected the pipeline in 2015.⁶⁰ Environmentalists claimed the victory, but it was more likely the result of opposition from oil and gas companies drilling in the Permian shale fields of West Texas. Keystone XL was dead, at least until Donald Trump was installed as president and resurrected the project. It was killed again, this time likely for good, when Joe Biden became president in January 2021.

The sponsorships overlap precisely the period beginning with the appointment of Hillary Clinton as Barack Obama's secretary of state and ending with Obama's decision to delay approval of the pipeline.

56 Barbara Shecter, "Banking on Clinton's Image," *National Post*, July 23, 2014, FP1. See also Alexander Panetta, "Canadian Ties Probed in Unflattering New Book about Clintons' Finances," *Hamilton Spectator*, updated March 1, 2020, <https://www.thespec.com/news/canada/2015/05/05/canadian-ties-probed-in-unflattering-new-book-about-clintons-finances.html>; US Office of Government Ethics, "Executive Branch Public Financial Disclosure Report, Hillary Rodham Clinton." Forms listing Bill Clinton speeches are available at <https://www.disclosures.org>.

57 Shecter, "Banking on Clinton's Image."

58 "Oil Pipelines Need to Be a 'National Priority,' TD says," *CBC News*, December 17, 2012, <https://www.cbc.ca/news/business/oil-pipelines-need-to-be-a-national-priority-td-says-1.1271233>.

59 Frank McKenna, "Let's Build a Canadian Oil Pipeline from Coast to Coast," *Globe and Mail*, June 18, 2012, <https://www.theglobeandmail.com/opinion/lets-build-a-canadian-oil-pipeline-from-coast-to-coast/article4299451/>.

60 Scott Anderson and Andrew Culbert, "How TransCanada and 'Dark Money' Groups Pumped Millions into Keystone XL," *CBC News*, November 8, 2017, <http://www.cbc.ca/news/business/transcanada-dark-money-keystone-xl-1.4384440>.

Bank of Nova Scotia (Scotiabank)

- eighth-largest Canadian corporation by revenue (\$45.2 billion)
- third-largest by profit (\$8.3 billion)
- third-largest by assets (\$1.13 trillion)
- seventh-largest by market capitalization (\$63.3 billion)

The Bank of Nova Scotia (Scotiabank) is Canada's third-largest bank, founded in Halifax, Nova Scotia, in 1832. The bank moved its head office to Toronto in 1900 and opened its first branch in Alberta in 1903. After the Bank Act was amended in 1987 to allow banks to own stock brokerage firms, Scotiabank bought McLeod Young Weir and merged it into Scotia Securities. In 2005, during a period of dramatic oil price increases, the bank acquired Waterous & Co., a firm that specialized in selling oil and gas companies and assets in Canada and internationally. This was a successful strategic move given the insatiable appetite of foreign companies to buy into the oil sands. Waterous, and then Scotiabank, ensured that sellers would get the best possible price for their assets. Overnight the bank became a major global player in a booming market, with strong mergers and acquisitions and lending businesses in the international energy sector. In 2011 the bank bought American energy-focused investment bank Howard Weil, giving it a full-fledged equities business. The bank was now strong in both equities and debt financing.⁶¹ Its 100-plus equity researchers cover more than 250 energy companies.

In 2005, during a period of dramatic oil price increases, the bank acquired Waterous & Co., a firm that specialized in selling oil and gas companies and assets in Canada and internationally.

As a result of these acquisitions, Scotiabank became the largest Canadian lender to oil and gas companies. CEO Brian Porter told reporters in Calgary in March 2019 that Scotiabank thinks of itself as Canada's "energy bank," with more credit committed to the energy sector globally than any of its Canadian competitors.⁶² As detailed in the "Financing Fossil Fuels" section, the bank is significantly committed to fossil fuel lending. However, as a result of its acquisition of Waterous and Weil, most Scotiabank energy commitments are to companies and projects in the US, Europe and Asia, and only lastly in Canada. Writing in 2017, the bank noted that "since 2006 Scotiabank has advised clients in more than 200 upstream transactions worth over US\$170-billion."⁶³ In 2020 the bank held energy loans and undrawn loan commitments totalling \$29.9 billion. The bank notes this was only 2.6 per cent of its loan book⁶⁴ but was high relative to other banks.⁶⁵

On the asset management front, Scotiabank bought Montreal Trustco in 1994 and National Trustco in 1997. The bank bulked up on investment banking in 2018, paying \$950 million for asset manager Jarislowsky Fraser, a firm that specialized in institutional clients and those with ultra-high net worth. Jarislowsky's \$40 billion in assets under management were added to the bank's \$126 billion to create the third-largest asset manager in Canada. Much of these vast pools of capital is invested in a wide array of mutual and other funds, including, of course, oil and gas companies. Like the other banks and asset management firms, Scotiabank has purchased for its clients billions of dollars' worth of shares and bonds in dozens of oil and gas companies.

61 Boyd Erman, "Scotiabank Boosts U.S. Energy Focus," *Globe and Mail*, March 8, 2012, B6.

62 Amanda Stephenson, "'Tone at the Top Matters': Scotiabank CEO Says Politicians Partly to Blame for Pipeline Delays," *Calgary Herald*, March 8, 2019, <https://calgaryherald.com/business/local-business/tone-at-the-top-matters-scotiabank-ceo-says-politicians-partly-to-blame-for-pipeline-delays>.

63 "Product and Services Offerings," Scotiabank, accessed September 15, 2019, http://www.scotiabank.com/IndustrySpecializations/IN_Global_Energy.htm (no longer available on this page).

64 Doug Alexander, "Scotiabank 'Confident' Its Big Energy Portfolio Can Weather Oil Slump," *Bloomberg*, November 27, 2018, <https://www.bnnbloomberg.ca/scotiabank-confident-its-energy-portfolio-can-weather-oil-slump-1.1174291>.

65 Scotiabank, *2018 Annual Report: Building for the Future*, 87, https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2018/q4/BNS_Annual_Report_2018.pdf.

Scotiabank entered the renewables financing field with a green bond and a pledge of \$100 billion for green or sustainable projects, but as with the other banks, renewable energy was one among many targets. Through the funds it administers for its clients, the bank owns a 10.7 per cent stake in Innergex Renewable Energy, a major Canadian-based hydropower, wind, solar and geothermal energy company. It was the last of the Big Five to announce it wouldn't provide direct financing for any oil and gas exploration, development or production activities within the Arctic Circle.⁶⁶

CONTROVERSIES

Scotiabank morphed from dispassionate financial analysis into industry advocacy when in February 2018 it published a report on the potential economic impact of the price differential between WCS (Canada's primary heavy crude oil benchmark) and WTI (benchmark price for light oil on the Gulf Coast). The differential is always present because of the costs of transporting bitumen to the Gulf Coast and upgrading it into a usable product. But there was an additional discount, the bank reported, that was attributable to the lack of pipeline capacity needed to accommodate Alberta's ever-growing production. The Scotiabank economists estimated this additional discount would shave between \$10.8 and \$15.6 billion in revenues annually from the sector (\$30 to \$40 million a day). "Too much crude oil and too few pipelines," Scotiabank concluded.⁶⁷ "Pipeline approval delays have imposed clear, demonstrable and substantial economic costs on the Canadian economy," the bank's chief economist Jean-François Perrault declared.⁶⁸

But were the costs clear, demonstrable and substantial? The bank assumed that all Alberta bitumen was subject to the additional discount. An analysis by independent economist Robyn Allan found otherwise.⁶⁹ According to her calculations, most bitumen was upgraded to synthetic crude oil which sells at par or above (40 per cent); went directly to domestic refineries for processing (15 per cent); went to integrated refinery operations in the US (15 per cent); or went to the Gulf Coast, where it received the same price as Mexican heavy oil (15 per cent). Only about 10 per cent of bitumen produced in the province was subject to the additional discount, meaning the cost was little more than a rounding error.⁷⁰

The Scotiabank report became the basis of a full-blown campaign mounted by the Alberta government to promote pipeline construction. Called "Keep Canada Working," the campaign estimated pipeline constraints were costing Canada \$80 million a day. This number is not in the report and has no foundation, but it became regarded as an established fact. Typical is a December 2018 item in the *Three Hills Capital*, a weekly newspaper in Three Hills, a small town northeast of Calgary. The \$80-million-a-day discount, the paper states as fact, "is calculated with

A contested Scotiabank report became the basis of a full-blown campaign mounted by the Alberta government to promote pipeline construction.

66 Julien Gignac, "Scotiabank Becomes Fifth Major Bank to Refuse to Fund Oil Drilling in Arctic Refuge," *The Narwhal*, December 14, 2020, <https://thenarwhal.ca/scotiabank-oil-drilling-arctic-national-wildlife-refuge/>.

67 "Pipeline Approval Delays: The Costs of Inaction," Scotiabank, Global Economics Commodity Note, February 20, 2018, https://www.gbm.scotiabank.com/content/dam/gbm/scotiaeconomics63/pipeline_approval_delays_2018-02-20.pdf.

68 Canadian Press, "Pipeline Delays Impose 'Demonstrable' Cost to Canada's Economy: Scotiabank," *JWN Energy*, February 20, 2018, <https://www.jwnenergy.com/article/2018/2/pipeline-delays-impose-demonstrable-cost-canadas-economy-scotiabank/>.

69 Robyn Allan, "Scotiabank's Oil Report a Work of Fiction," *Vancouver Sun*, March 5, 2018, <https://vancouver.sun.com/opinion/op-ed/robyn-allan-scotiabanks-oil-report-a-work-of-fiction>.

70 With clearer numbers, Allan later revised this to 20 per cent. See Robyn Allan, "False Oil Price Narrative Used to Scare Canadians into Accepting Trans Mountain Pipeline Expansion," *National Observer*, November 26, 2018, <https://www.nationalobserver.com/2018/11/26/analysis/false-oil-price-narrative-used-scare-canadians-accepting-trans-mountain-pipeline>.

methodology used by Scotiabank, and has been revised based on the current \$45-per-barrel difference between WTI and WCS.”⁷¹

Why would Scotiabank miss the obvious facts about Alberta’s bitumen production? Allan suggests the bank may be misleading the public because of a “serious conflict of interest” resulting from the bank’s exposure to the Trans Mountain pipeline expansion between Edmonton and Vancouver. She cites three instances of this conflict, but it should be noted that all the banks were involved in Trans Mountain pipeline financing:

- In September 2014, US-based Kinder Morgan Inc., Kinder Morgan Canada’s parent company, entered into a revolving credit facility which allowed the company to borrow up to US\$5 billion, with RBC as administrative agent⁷² and 25 banks providing funds. Scotiabank had committed US\$245 million to the credit facility (which was closed when Kinder Morgan sold the pipeline to the Canadian government in 2018).
- In April 2017, Kinder Morgan Canada filed for an IPO to finance the expansion project. The IPO closed on May 31, raising \$1.75 billion. TD Bank and RBC led the share sale. Scotiabank was a participant in the underwriting syndicate of banks, purchasing \$224 million in shares for resale to the public.
- The company followed with the establishment of a \$5.5-billion credit facility, of which \$5 billion was dedicated to the construction of the pipeline. Four of the Big Five banks, including Scotiabank, were co-lead arrangers and joint bookrunners on this credit facility. Scotiabank committed \$415 million.⁷³

BMO is a sponsor of the Women’s Energy Council, a networking initiative of the Oil and Gas Council’s (now Energy Council’s) Canada Assembly.

Bank of Montreal (BMO)

- 10th-largest Canadian corporation by revenue (\$37.8 billion)
- fourth-largest by profit (\$5.7 billion)
- fourth-largest by assets (\$865.0 billion)
- 12th-largest by market capitalization (\$42.5 billion)

The Bank of Montreal, operating as BMO Financial Group, is Canada’s oldest incorporated bank, having been founded in Montréal in 1817. Traditionally the bank was regarded “as the most important centre of financial and industrial power in Canada.”⁷⁴ In 1984 BMO bought Chicago-based bank Harris Bankcorp, giving it a significant presence in the American Midwest. It bought 75 per cent ownership of brokerage firm Nesbitt Thomson and added Burns Fry in 1994 to create what is now called BMO Capital Markets, which adds about 20 per cent to total earnings. On the asset management front, BMO acquired Jones Heward Investment Management, Toronto’s Guardian Group of Funds and others to create a significant wealth management division.⁷⁵

Like the other banks, it’s large and powerful. And like other banks, BMO works to support the fossil fuel industry. Along with JPMorgan and several oil and gas companies, BMO is a sponsor of

71 “Alberta Fighting to Keep Canada Working,” *The Capital* (Three Hills, AB), December 12, 2018, A12.

72 An administrative agent is a “financial institution that acts as agent for a syndicate of lenders in administering the loan facility with the borrower under a loan agreement.” (Thomson Reuters Practical Law, “Administrative agent,” accessed January 28, 2021, <https://content.next.westlaw.com/1-382-3216>.)

73 Allan, “Scotiabank’s Oil Report.”

74 Libbie Park and Frank Park, *Anatomy of Big Business* (Toronto, ON: James Lorimer & Co., 1973), 101.

75 Mark S. Bonham, “Bank of Montreal (BMO),” *The Canadian Encyclopedia*, September 18, 2020, <https://thecanadianencyclopedia.ca/en/article/bank-of-montreal>.

the Women's Energy Council, a networking initiative of the Oil and Gas Council's (now Energy Council's) Canada Assembly.⁷⁶ BMO has had a visible presence in Calgary since at least 1912 when it became the official banker for the Calgary Stampede. It's been a sponsor of the event for three decades and has upped its sponsorship to the highest level: Stampede Champion.⁷⁷ In 2009 the bank acquired naming rights for the newly expanded Roundup Centre at Stampede Park for a 10-year period. (The sponsorship was renewed in 2019.) BMO Centre is a large year-round meeting and consumer/trade show facility, one of the largest in Western Canada. The centre became a preferred location for fossil fuel industry conferences and trade shows, such as the 2016 World Heavy Oil Congress, and the Global Petroleum Show (now Global Energy Show). The Petroleum Services Association of Canada holds its annual fundraising event, Stars and Spurs, here. Oil and gas companies such as Source Energy Services, Encana Corp. (now Ovintiv Inc.) and Husky Energy have held their annual general meetings here. The Canadian Energy Projects Forum and the Canadian Energy Supply Chain Forum have also been held at BMO Centre.

In the spring of 2019, a \$500-million expansion of BMO Centre was approved by the city of Calgary, province of Alberta and federal government. This decision was made just before Calgary was selected for the 2023 World Petroleum Congress that will be jointly hosted by BMO Centre, Telus Convention Centre and 25 hotels. The conference will bring 5,500 heads of state, energy ministers, corporate executives and others to the city where the BMO brand will be front and centre.⁷⁸

CONTROVERSIES

In contrast to demands from critics to cut its fossil fuel lending, BMO is actually increasing such lending. In September 2018, BMO acquired a portfolio of \$3 billion in energy loans from Deutsche Bank involving investment-grade and subprime revolving credit lines to oil and gas companies.⁷⁹ These are typically secured by the value of a company's reserves or untapped oil and gas that can be extracted at current prices. The purchase of these loans added to the increase in the bank's loan portfolio by 96 per cent between 2014 and 2020 to \$26.5 billion.⁸⁰

In contrast to demands from critics to cut its fossil fuel lending, BMO is actually increasing such lending.

BMO continues to run an active coal-financing business, although not in Canada. In 2010, BMO's head of global metals and mining investment banking said that "coal for us is a really big industry." Not foreseeing coal's eventual demise, he predicted that "there are some trends in coal that if they continue will make coal companies much bigger and more profitable."⁸¹ Still true believers seven years later, in 2017, a BMO investment team listed zinc, thermal coal and uranium among its preferred commodities. The same year BMO was a lead joint bookrunning manager for coal asset owner Ramaco Resources. The Kentucky-based metallurgical coal-mining operator would use some of the resulting US\$100 million proceeds to expand its coal-mining operations.⁸² BMO was a joint bookrunning manager (along with RBC) for Warrior Met Coal's

76 "JP Morgan, BMO, Clearstream Energy Services and Juniper Resources to Sponsor Women's Energy Council," *Daily Oil Bulletin*, May 8, 2018, <https://www.dailyoilbulletin.com/article/2018/5/8/jp-morgan-bmo-clearstream-energy-services-jupiter-/>.

77 Mario Toneguzzi, "BMO Puts Brand on Roundup Centre," *Calgary Herald*, March 10, 2009, A3.

78 "Calgary to Host World Petroleum Congress in 2023," *Edmonton Sun*, June 24, 2019, A7.

79 Kiel Porter, "BMO Acquires \$3 Billion in Oil and Gas Loans from Deutsche Bank," *Bloomberg*, September 19, 2018, <https://www.bnnbloomberg.ca/bmo-acquires-3-billion-in-oil-and-gas-loans-from-deutsche-bank-1.1140182>.

80 BMO Financial Group, *2019 Annual Report to Shareholders* (202nd Annual Report), 80; BMO Financial Group, *197th Annual Report 2014*, 141.

81 Boyd Erman, "BMO Banks on Coal Business," *Globe and Mail*, November 15, 2010, <https://www.theglobeandmail.com/report-on-business/streetwise/bmo-banks-on-coal-business/article1461728/>.

82 Nephelie Kirong, "Ramaco Expects to Raise up to \$103.5 Million from IPO," *SNL Daily Coal Report*, January 24, 2017.

IPO of up to US\$365 million. Warrior is a large-scale, low-cost metallurgical coal producer operating in Alabama.⁸³ In July 2017, BMO was a financial adviser to China-based Yancoal in its US\$1.1 billion partnership with Glencore at the massive Hunter Valley coal operation north of Sydney, Australia.⁸⁴ BMO was also appointed a joint corporate broker to Bushveld Minerals. Largely a vanadium producer, Bushveld has investments in coal, including the Imaloto coal project, which is being developed as one of Madagascar's leading independent power producers.⁸⁵ BMO was awarded the *Global Finance* 2018 Best Investment Bank prize for metals and mining, closing nine deals in the sector with a value of US\$3.6 billion.⁸⁶

Canadian Imperial Bank of Commerce (CIBC)

- 13th-largest Canadian corporation by revenue (\$28.1 billion)
- ninth-largest by profit (\$5.1 billion)
- sixth-largest by assets (\$661 billion)
- 16th-largest by market capitalization (\$34.3 billion)

In 2015, CIBC was named the world's best investment bank in the oil and gas sector by *Global Finance* magazine.

The Canadian Imperial Bank of Commerce was formed in 1961 by the merger of the Canadian Bank of Commerce (established in 1867) and the Imperial Bank of Canada (1875). The merger created the largest Canadian bank at the time. In 1988 the bank acquired a majority interest in securities dealer Wood Gundy and in 2001 bought Merrill Lynch Canada's retail brokerage, asset management and Canadian services businesses. The merged firms created one of the top private-client brokerage businesses in Canada and globally. Despite these efforts to bulk up, the bank fell to fifth place among the Big Five, where it remains. The bank took reputational hits as a result of its dealings with Enron Corp. in the late 1990s and its failure to stem the debt tide resulting from the 2008 global financial meltdown. Nonetheless, the bank remains a major player in the Canadian economy and in the oil and gas sector.

During the 1950s, along with other major financial institutions, both the Canadian Bank of Commerce and the Imperial Bank of Canada opened petroleum and natural gas departments in Calgary. The merged bank worked hard to leverage its way to the top of the rankings for oil and gas. In 2015, it was named the world's best investment bank in the oil and gas sector by *Global Finance* magazine. The magazine reported that "CIBC was a bookrunner in 43 oil and gas IPOs last year, the biggest of which raised \$1.7 billion for PrairieSky Royalty in May 2014—the largest Canadian IPO in 14 years."⁸⁷

CIBC has boasted two rainmakers on its board, both with close ties to the fossil fuel industry and the corporate power elite. Gordon Giffin was President Bill Clinton's ambassador to Canada between 1997 and 2001—the Enron years—as he beat the drum for free trade and increased cross-border energy trade. In a Calgary speech in April 2000, for instance, he called for the "harmonization" of Canadian and American energy sectors; the two governments needed to work "coherently" on energy products that flow between the two countries.⁸⁸ Energy is a recurring theme in Giffin's career as a lawyer. For 20 years he was an energy regulatory litigator based in Atlanta, Georgia,

83 "Warrior Met Coal Announces Launch of Initial Public Offering," *Business Wire*, April 4, 2017.

84 Andrea Murad, "Focus Leads to Worldwide Reach," *Global Finance*, April 1 2018, 24–25.

85 "Bushveld Minerals Limited Appointment of Joint Broker," *Regulatory News Service*, December 13, 2018.

86 Murad, "Focus Leads to Worldwide Reach," 24–25.

87 Michael Shari, "Restructuring the Market," *Global Finance*, April 2015, 36.

88 Joel Baglole, "U.S. Ambassador to Canada Seeks Harmonization of Energy Market," *Dow Jones News Service*, April 4, 2000.

with primary client Atlanta Gas Light, which operates natural gas pipelines in the American south-east. The bank snapped up Giffin as soon as he left his ambassadorial post.⁸⁹ He had been a senior partner at corporate law firm McKenna Long & Aldridge. The firm was registered to lobby for TransCanada Corp. in the US. Between 2007, the year TransCanada first proposed the Keystone expansion project, and 2015, when Barack Obama killed it, TransCanada paid the law firm \$375,000 for lobbying services.⁹⁰ In the meantime, the McKenna firm merged with Dentons, the world's largest law firm by number of lawyers, where Giffin became co-leader of the firm's energy group.

Giffin was a bundler of donations for Hillary Clinton's 2008 bid for the Democratic presidential nomination. When Clinton announced her intentions for the 2016 election, CIBC, like TD Bank, began sponsoring her speeches. CIBC contributed to five speeches Clinton delivered between June 2014 and January 2015 in Edmonton, Ottawa, Winnipeg, Saskatoon and the final speech in Whistler in January 2015, as part of CIBC's annual Whistler institutional investors conference. All five speeches were followed by interviews with CIBC CEO Victor Dodig. On every occasion he asked Clinton about Keystone and every time she refused to answer, perhaps fearing the negative reaction from the Democratic Party's environmental base.⁹¹

Giffin is a member of the Diplomatic Council on Energy Security, a bipartisan coalition of former American ambassadors that lobbies against the dangers of American dependence on foreign oil.⁹² Giffin is also a member of two of the world's most powerful organizations: the Council on Foreign Relations that promotes American corporate and political interests, and the Trilateral Commission that fosters closer trade relations between Western Europe, North America and Japan. He chairs the board of directors at electricity generator TransAlta Corp., which operates 70 power plants in Canada, the US and Australia, including a fleet of coal-fired plants in Alberta that must be phased out by 2030. He's lead independent director at oil sands giant Canadian Natural, where Frank McKenna is also a director. In a speech to the Chartered Professional Accountants of Canada at the Calgary Petroleum Club in July 2018, Giffin argued that if the Canadian energy industry wants to play a larger role in policy discussion about climate change, it needs to educate the public and explain its business and policy positions.⁹³

Giffin's connections to CIBC and TransAlta merged in March 2019 when giant asset manager Brookfield Renewable Partners, a subsidiary of Brookfield Asset Management, invested \$750 million in TransAlta to accelerate its transition from coal-fired to gas-fired power and gain a position in the company. CIBC World Markets was TransAlta's financial adviser and gave the go-ahead to TransAlta's board, where Giffin was chair. The deal was opposed by New York-based activist fund Mangrove Partners, which held 7.1 per cent of TransAlta's shares. Mangrove launched a lawsuit asking the Ontario courts to set aside the deal. Giffin was not amused and lambasted the lawsuit. He had no interest in further conversations with parties, he said, "who file that kind of drivel."⁹⁴

89 Giffin left the CIBC main board in 2017 and moved to the board of CIBC's American subsidiary.

90 "Lobbying Firm Profile: McKenna, Long & Aldridge," Center for Responsive Politics, 2007–2015, <https://www.opensecrets.org/search?q=mckenna+long+aldridge>.

91 Paul Blumenthal and Ryan Grim, "Banks Behind Hillary Clinton's Canadian Speeches Really Want the Keystone Pipeline," HuffPost, May 31, 2015, https://www.huffingtonpost.ca/entry/hillary-clinton-speeches-keystone_n_7463108?ri18n=true; Karen Howlett et al., "The Clinton Connection," *Globe and Mail*, November 4, 2016, <https://www.theglobeandmail.com/report-on-business/bill-hillary-clinton-giustra-corporate-canada/article32675340/>.

92 "Securing America's Future Energy," *Energy Weekly News*, June 1, 2012, 71.

93 Gordon Giffin, "Canada-U.S. Relations: The Impact in the Boardroom" (speech), Chartered Professional Accountants of Canada, July 18, 2018, <https://www.cpacanada.ca/en/members-area/profession-news/2018/june/canada-us-relations-boardroom-impact>, accessed October 6, 2019 (no longer available).

94 Chris Varcoe, "Facing Some Static, TransAlta Moves Forward with Brookfield Deal," *Calgary Herald*, April 27, 2019, <https://calgaryherald.com/opinion/columnists/varcoe-facing-some-static-transalta-moves-forward-with-brookfield-deal>.

John Manley, CIBC's second rainmaker, had been minister of Industry, Foreign Affairs and Finance in the Jean Chrétien government. After he lost the 2004 Liberal leadership contest to Paul Martin, Manley joined the corporate sector and was appointed to the CIBC board soon after (later becoming chair). Like Giffin, Manley is a member of the Trilateral Commission—deputy North American chairman, in fact. He rose to the pinnacle of corporate power with his election in 2010 to the presidency of the Business Council of Canada, the country's most influential business lobby, where he directed big business support for expanded fossil fuel production and additional pipelines to move it. Manley proposed the "grand bargain": business will agree to carbon pricing if government approves pipelines. This was the course of action Justin Trudeau adopted.⁹⁵

CONTROVERSIES

CIBC was the only Canadian bank caught up in the Enron scandal at the turn of the millennium in which energy trader Enron Corp. concealed billions of dollars' worth of debt and duped unsuspecting investors.

CIBC was the only Canadian bank caught up in the Enron scandal at the turn of the millennium in which energy trader Enron Corp. concealed billions of dollars' worth of debt and duped unsuspecting investors. CIBC became adept at structuring complex deals for its Enron client and helped the company manipulate its books. Along with other major banks CIBC was sued by pension fund managers and in 2005 agreed to pay \$2.9 billion to settle the suit.⁹⁶ The same year CIBC lost its largest investor, Hong Kong billionaire Li Ka-shing, who sold his entire 4.9 per cent stake in the bank for \$1.2 billion. Li had been a shareholder since 1974 when he and the bank set up a joint merchant banking venture.⁹⁷ Li is Hong Kong's wealthiest person; his family owns 69.5 per cent of Husky Energy, Canada's third-largest oil company. (In October 2020, Cenovus Energy made a successful \$3.8-billion all-stock bid for Husky that will create Canada's third-largest oil sands company. Following the completion of the deal, Li will control about 27 per cent of Cenovus. He apparently did not sever all ties with CIBC, since the bank was one of Husky's two financial advisers along with Goldman Sachs Group.)⁹⁸

CIBC was working diligently to clean up its reputation as a risky bank when it was hit even harder with a lawsuit over its subprime exposure when financial markets collapsed in 2008. The bank had hedged billions of dollars' worth of subprime-related securities with a single shaky bond insurer, ACA Capital Holdings, whose financial condition undermined its ability to meet collateral requirements.⁹⁹ The bank had to take \$6 billion in write-downs that year.¹⁰⁰

CIBC seemed to have mended its reputation sufficiently when, in 2018, to help oil companies move their bitumen and heavy oil by rail, Alberta premier Rachel Notley invested up to \$3.7 billion to lease 4,400 railcars. When Jason Kenney became premier in 2019, he started the process of off-loading the government's crude-by-rail contracts onto industry. The Alberta Petroleum Marketing Commission engaged CIBC Capital Markets to help oversee the divestment of the program. This privatization process involved "highly confidential commercial negotiations," according to Alberta

95 Claudia Cattaneo, "Energy Legacy on the Line; Trudeau's Grand Bargain Hangs on Pipeline Calls," *National Post*, November 29, 2016, FP1. See also Donald Gutstein, *The Big Stall* (Toronto, ON: James Lorimer & Co., 2018), 204–205.

96 "CIBC Shares Slip on \$2.4B US Enron Lawsuit Settlement," *CBC News*, August 2, 2005, <https://www.cbc.ca/news/business/cibc-shares-slip-on-2-4b-us-enron-lawsuit-settlement-1.550760>.

97 Sinclair Stewart et al., "Li's Exit Could Hurt CIBC's Asian Ties," *Globe and Mail*, January 14, 2005, B4.

98 Simon Casey and Robert Tuttle, "Cenovus Shares Fall on Deal to Buy Husky Energy for \$3.8 Billion," *Bloomberg*, October 26, 2020, <https://www.bnnbloomberg.ca/cenovus-energy-to-combine-with-husky-in-23-6-billion-stock-deal-1.1512773>.

99 Tara Perkins and Sinclair Stewart, "Subprime Shakeup at CIBC," *Globe and Mail*, January 8, 2008, <https://www.theglobeandmail.com/report-on-business/subprime-shakeup-at-cibc/article18441543/>.

100 "CIBC Faces Lawsuit over Subprime Exposure," *Reuters*, July 23, 2008, <https://ca.reuters.com/article/domesticNews/idCAN2340132720080724>.

energy minister Sonya Savage.¹⁰¹ CIBC already had experience in energy privatization. The bank first teamed up with Enron in the UK in 1991, after British prime minister Margaret Thatcher had deregulated electrical utilities in England and Wales. Enron was first off the mark with a massive gas-fired power plant at Teesside in northeast England. Wood Gundy, CIBC's London brokerage firm, was one of six firms selected to underwrite the financing for the plant.¹⁰²

National Bank of Canada

- 32nd-largest Canadian corporation by revenue (\$11.1 billion)
- 20th-largest by profit (\$2.2 billion)
- 10th-largest by assets (\$284 billion)
- 26th-largest by market capitalization (\$17.7 billion)

National Bank of Canada (National Bank) is Canada's sixth-largest commercial bank, with headquarters in Montréal. It was created in 1979 by the merger of two francophone-oriented banks, Banque Nationale (established in 1859) and Provincial Bank of Canada (1861). In 1985 National Bank acquired Mercantile Bank of Canada to strengthen its commercial loans business and expand into Ontario and Western Canada. This is when the bank commenced business with the fossil fuel industry. With the deregulation of financial markets during the 1980s, National Bank acquired brokers Lévesque Beaubien and Geoffrion Leclerc to form the bank's investment fund management firm, National Bank Investments (NBI). In 1999 the bank acquired Toronto-based brokerage firm First Marathon and merged it with Lévesque Beaubien Geoffrion Inc. to form National Bank Financial, a new investment services company. Although the bank has made efforts to expand across the country, it remains heavily Québec based, with 10 of 14 directors hailing from that province. (Three are from Ontario and one from New Brunswick; none are from Western Canada.)

Along with independent Canadian brokerage firms, National Bank is a major lender to small and mid-sized fossil fuel firms. The collapse in oil prices in 2014 hit this segment of the industry quickest and hardest. National Bank's loan book became a source of concern. In 2015 the bank set aside \$250 million—nearly 10 per cent of its energy lending—to account for bad loans. To counter this development the bank tried to court larger companies with greater financial resilience.¹⁰³

Every year National Bank Financial puts on two one-day energy conferences, one in Toronto in January and the other in London UK in June. The Toronto conference focuses on energy production, while the London event addresses pipeline and renewable energy infrastructure financing. In 2018, NBI managed \$53 billion worth of assets in 100 investment funds. It doesn't rank in the top 25 fossil fuel owners as determined by the Corporate Mapping Project. The \$300-million NBI Canadian All Cap Equity Fund has about a quarter of its assets allocated to the energy sector, with companies such as Canadian Natural, Vermilion Energy, Keyera Corp. and Enbridge. The NBI Resource Fund, which invests largely in energy stocks, manages just \$55 million. Its three largest energy stocks are Suncor Energy, Canadian Natural and TC Energy Corp. (name changed from TransCanada Corp. in 2019). In 2020, the bank's loans and undrawn commitments to the fossil fuel industry were a modest \$4.3 billion.

Along with independent Canadian brokerage firms, National Bank is a major lender to small and mid-sized fossil fuel firms.

101 Deborah Jaremko, "CIBC to Oversee 'Highly Confidential' Transition of Alberta Rail Contracts to Industry," JWN Energy, June 28, 2019, <https://www.jwnenergy.com/article/2019/6/cibc-oversee-highly-confidential-transition-alberta-rail-contracts-industry/>.

102 Karen Howlett and Sinclair Stewart, "Roots Run Deep between Enron and CIBC," *Globe and Mail*, August 4, 2003, <https://www.theglobeandmail.com/report-on-business/roots-run-deep-between-enron-and-cibc/article1164983/>.

103 Jeffrey Jones and Jeff Lewis, "National Bank's Slip-Up in the Oil Patch," *Globe and Mail*, October 22, 2016, B1.

Financing fossil fuels

TO KEEP GROWING AND TO MAINTAIN BUSINESS VIABILITY, companies spend a great deal of money to drill new wells, build new facilities, acquire other companies and facilities, and improve the efficiency of existing operations.¹⁰⁴ These actions form part of a company's capital expenditures (CapEx) budget, an important indicator to shareholders and investors of the company's prospects for the coming year. The money can come from a variety of sources. Much of it comes from within the company itself as cash flow, the money left over after all expenses are deducted from the company's revenues. When cash flow won't be enough to cover planned capital expenditures, companies look beyond their own resources to borrow money or raise capital by issuing debt or equity to make up the difference. Larger companies can count on investments from a variety of players, including private equity or pension funds. But most financing comes from Canadian and foreign banks and smaller investment dealers. Bank support for the industry is provided in many forms, each of which earns revenues for the bank. The most important are lending money, raising capital and debt, advising on corporate acquisitions and asset sales, and investing.

Lending

Banks lend money to companies and provide lines of credit, which companies can draw on as needed up to predetermined limits. A term loan is for a specified amount, with a specified interest rate and repayment schedule. A revolving line of credit or credit facility ("revolver") makes funds available to an established maximum amount and fluctuates as funds are drawn down or repaid. A revolver has a maturity date, at which time the credit must be repaid or renewed.¹⁰⁵ Revolving credit lines are legal commitments usually secured by the value of a company's reserves—untapped oil and gas that can be extracted at current prices. Larger loans are usually provided by syndicates of lenders led by one or two banks.

Table 2 provides a comprehensive picture of Canadian banks' credit risk to the fossil fuel sector between 2014 and 2020. (Foreign banks, such as JPMorgan Chase and HSBC, also make loans

104 For an on-the-ground account of fossil fuel financing, see Jackie Forrest, "The Fiscal Pulse of Canada's Upstream Oil and Gas Industry," JWN Energy, November 4, 2019, <https://www.jwnenergy.com/article/2019/11/fiscal-pulse-canadas-upstream-oil-and-gas-industry/>.

105 Tim Donaghy, "Four Tar Sands Pipelines Are Heavily Financed by 26 Key Banks," Greenpeace USA, June 14, 2017, <https://www.greenpeace.org/canada/en/story/605/four-tar-sands-pipelines-are-heavily-financed-by-26-key-banks/>.

Table 2: Canadian bank loans and undrawn commitments to the fossil fuel sector, 2014–2020 (billions of Canadian dollars)

Commitments by year	Bank						Total
	RBC	TD	BNS	BMO	CIBC	NBC	
2014 Loans	5.9	3.6	12.8	6.0	5.3	3.3	36.9
2014 Undrawn	12.7	9.0	10.8	7.5	10.1	2.6	52.7
2014 Total	18.6	12.6	23.6	13.5	15.4	5.9	89.6
2015 Loans	7.7	4.9	16.5	6.6	6.1	3.2	45.0
2015 Undrawn	15.4	13.1	14.3	8.6	11.2	2.0	64.6
2015 Total	23.1	18.0	30.8	15.2	17.3	5.2	109.6
2016 Loans	6.3	6.8	14.5	7.9	6.9	2.1	44.5
2016 Undrawn	13.6	14.7	11.1	8.7	10.8	1.6	60.5
2016 Total	19.9	21.5	25.6	16.6	17.7	3.7	105.0
2017 Loans	6.7	6.1	14.5	8.2	7.5	2.2	45.2
2017 Undrawn	13.1	15.7	13.1	9.2	10.6	2.0	63.7
2017 Total	19.8	21.8	27.6	17.4	18.1	4.2	108.9
2018 Loans	6.2	6.6	14.8	9.1	7.9	2.6	47.2
2018 Undrawn	13.9	18.4	12.5*	12.3	12.4	2.1	71.6
2018 Total	20.1	25.0	27.3	21.4	20.3	4.7	118.8
2019 Loans	8.2	9.2	16.6	13.4	9.1	2.8	59.3
2019 Undrawn	13.6	18.6	13.4	13.1	12.7	2.1	73.5
2019 Total	21.8	27.8	30.0	26.5	21.8	4.9	132.8
2020 Loans	7.8	9.4	16.4	13.0	9.6	2.6	58.8
2020 Undrawn	14.9	23.3	13.5	13.5	11.5	1.7	78.4
2020 Total	22.7	32.7	29.9	26.5	21.1	4.3	137.2
Change 2014–2020	+22%	+160%	+27%	+96%	+37%	–27%	+53%

Source: Bank annual and quarterly reports.

Note: Loans for oil and gas. TD Bank includes pipelines; Scotiabank calls it energy. Bank year ends October 31.

RBC = Royal Bank of Canada; TD = Toronto-Dominion Bank; BNS = Bank of Nova Scotia (Scotiabank); BMO = Bank of Montreal; CIBC = Canadian Imperial Bank of Commerce; NBC = National Bank of Canada.

* Scotiabank did not provide a figure for its off-balance-sheet undrawn loan commitments to the energy sector in its 2018 annual or quarterly reports. To compensate for this lack of information, the average undrawn loan commitment over the 2014 to 2020 period was applied to 2018.

to Canadian companies but are not included in the table.) Each year's figures are based on two measures: loans and acceptances that have been drawn, and commitments to extend credit to companies that have not yet been drawn. These numbers are laid out in bank annual and quarterly reports. Only loans and acceptances are usually provided in analyses of bank lending, but both numbers are required to understand banks' exposure to the fossil fuel industry and how this has changed over the seven-year period.

The table shows that bank loans and commitments rose by nearly 22 per cent between 2014 and 2015, fell slightly in 2016 as big fossil fuel companies weathered the oil price collapse better than smaller companies, and remained at a stable level under \$110 billion in 2017. Lending commitments then rose by 22 per cent between 2017 and 2019 and added another 3 per cent in 2020. Between 2014 and 2020, then, total bank lending rose by \$48 billion or 53 per cent. Scotiabank, the third-largest bank, led the table in all years except 2020, when TD Bank took over top rank with \$32.7 billion in loans and commitments. As well as purchasing energy loans from Royal Bank of Scotland in 2016, TD was the only bank to substantially increase its lending in 2020 even as the price of oil collapsed as a result of the price war between Saudi Arabia and Russia, and demand plummeted because of the COVID-19 pandemic. TD far outpaced the other banks in increasing the size of its loan portfolio between 2014 and 2020, climbing by 160 per cent. BMO had the second-largest increase, nearly doubling its fossil fuel exposure largely by purchasing energy loans from Deutsche Bank in 2018.¹⁰⁶

Between 2014 and 2020, total bank lending to the fossil fuel sector rose by \$48 billion or 53 per cent.

Banks were willing to keep the credit flowing during the 2020 downturn.¹⁰⁷ During the first half of the year fossil fuel producers increased their borrowings by tapping their credit lines; at the same time they were seeing the total amount of credit available to them reduced. This was a result of bank redetermination of credit, which is tied to the value of their oil and gas reserves and adjusted regularly to account for changes in current prices.¹⁰⁸ Mid-sized oil sands producer Athabasca Oil Corp., for instance, saw its credit facility slashed from \$120 million to \$42 million in June 2020 because of the collapse in oil prices.¹⁰⁹ At the same time, all Big Six banks were setting aside hundreds of millions of dollars to cover possible losses on loans. In the six months ending April 30, 2020, RBC took \$196 million in provisions for credit losses on impaired loans; at TD the figure was \$178 million.¹¹⁰

Some notable loans:¹¹¹

- May 2020: TC Energy sold a 65 per cent stake in the 670-kilometre Coastal GasLink pipeline project to two investors—KKR, a leading global investment firm, and Alberta Investment Management Corp.—and executed a \$6.4-billion term loan with a worldwide syndicate of banks to build the pipeline, which will carry fracked gas from north-eastern BC to the LNG Canada terminal in Kitimat. The Big Five Canadian banks each

106 Kiel Porter, "BMO Acquires \$3 Billion in Oil and Gas Loans from Deutsche Bank," Bloomberg, September 19, 2018, <https://www.bnnbloomberg.ca/bmo-acquires-3-billion-in-oil-and-gas-loans-from-deutsche-bank-1.1140182>.

107 Doug Alexander and Kevin Orland, "Canadian Banks' Exposure to Oil Surges as Credit Lines Are Tapped," *World Oil*, June 4, 2020, <https://www.worldoil.com/news/2020/6/4/canadian-banks-exposure-to-oil-surges-as-credit-lines-are-tapped>.

108 Alexander and Orland, "Canadian Banks' Exposure to Oil Surges."

109 "Banks Slash Credit Facility of Athabasca Oil," *National Post*, June 2, 2020, NP9.

110 Mark Rendell, "Big Banks Gird for Higher Loan Losses in Energy Sector amid Oil Slump," *Globe and Mail*, June 2, 2020, B1.

111 Loan syndicates usually include other lenders besides Canadian banks, particularly foreign bank and Canadian non-bank investment firms.

contributed \$275 million to the effort. They also provided Coastal GasLink a total of \$200 million in working capital,¹¹² a measure of the firm's financial health.¹¹³

- June 2019: TD Bank was sole underwriter and bookrunner in a \$3.25-billion committed term credit facility for Canadian Natural in its purchase of Devon Energy Corp.'s oil sands and other Canadian assets.¹¹⁴
- June 2017: RBC and TD Bank led a syndicate of lenders that established \$5.5 billion in revolving credit facilities for Kinder Morgan Canada.¹¹⁵ The credit agreement was repaid and cancelled in 2018 when the Government of Canada purchased the pipeline and expansion project for \$4.5 billion.
- April 2017: RBC, JPMorgan Chase and TD Bank led a syndicate of lenders that provided a \$6.6-billion bridge loan¹¹⁶ to AltaGas for its \$8.4-billion acquisition of American gas pipeline company WGL Holdings. (The banks also led the underwriting syndicate for a \$2.1-billion stock sale.)¹¹⁷
- March 2017: TD Bank was sole underwriter and bookrunner on a \$6-billion bridge loan facility and a \$3-billion term loan facility for Canadian Natural as part of its \$12.7 billion acquisition of 70 per cent of the Athabasca Oil Sands Project. Within a week TD rolled out a general syndication to the market at large, thus removing some of the loans from its books but collecting substantial fees.¹¹⁸
- March 2017: RBC and JPMorgan Chase led a syndicate of lenders that provided \$10.5 billion in bridge financing for Cenovus Energy for its \$17.7-billion bid for ConocoPhillips oil sands assets and other Canadian properties.¹¹⁹ (RBC and JPMorgan also led a syndicate of underwriters that sold 187.5 million common shares for \$3 billion to partially finance the acquisition.)
- 2015–2016: The three largest Canadian banks, RBC (US\$340 million), TD Bank (US\$365 million) and Scotiabank (US\$100 million), were members of international syndicates that loaned or committed US\$10.25 billion in revolving credit or project-level loans for the Dakota Access pipeline and its corporate backers (Energy Transfer Partners, Sunoco Logistics, Energy Transfer Equity).¹²⁰

112 Working capital is "the amount of cash and other assets a business has available after all its current liabilities are accounted for." (Business Development Bank of Canada, "Working capital," accessed January 28, 2021, <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/working-capital>.)

113 Elizabeth Corner, "TC Energy Announces Completion of Coastal GasLink Agreements," *World Pipelines*, May 26, 2020, <https://www.worldpipelines.com/project-news/26052020/tc-energy-announces-completion-of-coastal-gaslink-agreements/>.

114 Willis, "Oil-Loving Banks Must Reckon."

115 "Kinder Morgan Canada Limited," Form 8-K, United States Securities and Exchange Commission, May 28, 2018, <http://app.quotemedia.com/data/downloadFiling?we bmasterId=101533&ref=12291857&type=HTML&symbol=0001714973&companyName=&formType=8-K&dateFiled=2018-06-01&cik=0001714973>.

116 Investopedia defines a bridge loan as a "short-term loan used until a person or company secures permanent financing or removes an existing obligation. It allows the user to meet current obligations by providing immediate cash flow." (Julia Kagan, "Bridge Loan," Investopedia, May 29, 2020, <https://www.investopedia.com/terms/b/bridgeloan.asp>.)

117 Andrew Willis, "Canadian Pipelines Exploit Lazy Balance Sheets at U.S. Rivals," *Globe and Mail*, February 14, 2017, B2.

118 Claudia Cattaneo, "How TD Helped Canadian Natural Pull Off Blockbuster Purchase of Shell Oilsands' Assets," *Financial Post*, January 30, 2018, <https://business.financialpost.com/news/fp-street/how-td-helped-canadian-natural-pull-off-blockbuster-purchase-of-shell-oilsands-assets>.

119 Cenovus Energy, "Cenovus to Double Production and Reserves in Canada" (news release), March 29, 2017, <https://www.globenewswire.com/news-release/2017/03/29/1492811/0/en/Cenovus-to-Double-Production-and-Reserves-in-Canada.html>.

120 Jo Miles, "Who's Banking on the Dakota Access Pipeline?," Food and Water Watch, September 6, 2016, <https://www.foodandwaterwatch.org/news/who%27s-banking-dakota-access-pipeline>.

Table 3: Total capital spending (CapEx) and capital raised by Canadian oil and gas companies, 2014–2019 (billions of Canadian dollars)

Year	CapEx	Raised capital		
		Debt	Equity	Total
2014	80.7	12.8	11.8	24.6
2015	54.5	6.6	10.5	17.1
2016	38.5	3.2	12.3	15.5
2017	42.5	16.7	5.7	22.4
2018	39.1	3.3	1.7	5.0
2019	35.2	4.6	0.7	5.3
Total	290.5	47.2	42.7	89.9

Sources: Annual reporting, *Daily Oil Bulletin*; Statistics Canada.

Raising capital

Banks also assist companies in raising capital by underwriting the issue of equity such as stocks, debt such as bonds, or other publicly traded securities, which are additional sources to support capital spending. They facilitate the sale of these securities to investors. In some cases, called a bought deal,¹²¹ a syndicate of underwriters will buy securities from an issuer at a set price and then resell to investors at a (hopefully) higher price. In other cases, a lead underwriter or bookrunner organizes a syndicate of banks to sell the securities to investors. Here an underwriter is retained by the company to organize the securities and lead a syndicate of investment banks to issue the securities. This can be a lucrative business for lead underwriters, which normally charge a fee of 4 per cent.¹²²

Table 3 compiles overall capital spending (CapEx) for the Canadian fossil fuel industry as well as capital raised by banks and investment dealers between 2014 and 2019. It shows a dramatic decline in CapEx, which fell by 56 per cent between 2014 and 2019. Raised capital declined even further, plummeting from \$24.6 billion in 2014 to \$5.3 billion in 2019, a fall of nearly 80 per cent. The decline has been attributed to multiple factors: ongoing low oil prices, a lack of progress

121 A bought deal is when a syndicate of underwriters buys securities (stock, bonds) from an issuer at a set price and then resells them to investors. (Julia Kagan, "Bought Deal," Investopedia, June 7, 2019, <https://www.investopedia.com/terms/b/boughtdeal.asp>.)

122 Barry Critchley, "At \$4.2 Billion, TransCanada Now Holds the Record for Largest Bought Deal in Canadian History," *Financial Post*, March 17, 2016, <https://business.financialpost.com/news/fp-street/at-4-2-billion-transcanada-now-holds-the-record-for-largest-bought-deal-in-canadian-history>.

on pipeline construction and the stampede of capital out of the oil sands and into the booming shale oil and gas plays of West Texas.¹²³

In 2014 capital expenditures reached almost \$81 billion as the industry was still in expansion mode. It was a good year for banks and investment firms. The *Daily Oil Bulletin* reported that the industry raised a total of \$24.6 billion in capital. The largest equity financing was by Baytex Energy Corp., a Calgary-based oil and gas exploration and production company, which raised about \$1.5 billion to partially fund the acquisition of Aurora Oil and Gas, giving Baytex a position in the West Texas shale oil and gas plays. RBC and Scotiabank were lead underwriters. The largest debt financings were both by Suncor Energy, which raised \$1.5 billion in two transactions to fund its capital program. Lead underwriters in one transaction were CIBC, RBC and TD Bank; in the other, five foreign investment banks.¹²⁴

In 2015, after a collapse in oil prices, CapEx was down 32 per cent and raised capital down 30 per cent from 2014. The largest equity financing was by Cenovus Energy, which raised \$1.5 billion to fund capital expenditures. Lead underwriters were RBC and TD Bank. The largest debt financing was by Husky Energy, which raised \$750 million to expand its US refining operation. HSBC, BMO and CIBC were lead underwriters.¹²⁵

In 2016 CapEx declined another 29 per cent while raised capital fell 9 per cent, with a total of \$15.5 billion raised, mostly on the equity side. The largest equity financing was the \$4.4-billion share issue by TransCanada Corp. to partially finance the acquisition of Columbia Pipeline Group. RBC and TD Bank were lead underwriters.¹²⁶ It was the largest bought deal in Canadian history. That was followed later in the year by another TransCanada deal for \$3.2 billion (led by RBC, TD Bank and BMO); and \$2.9 billion for Suncor Energy's acquisition of Murphy Oil's 5 per cent stake in Syncrude Canada's vast oil sands project (led by TD Bank, CIBC and JPMorgan). BMO and RBC were lead underwriters for the largest debt offering of 2016, \$1.0 billion raised by Canadian Natural.¹²⁷

In 2017 CapEx was up 10 per cent and raised capital up 45 per cent, mostly on the debt side. The largest deals on both debt and equity sides were related to Canadian-based companies buying the oil sands assets of foreign operators. On the equity side, one deal dominated: Cenovus Energy's \$3.0-billion financing to partially fund the \$17.7-billion acquisition of oil sands assets from ConocoPhillips, with RBC and JPMorgan as lead underwriters. On the debt side, Canadian Natural raised \$4.0 billion for its takeover of Royal Dutch Shell's controlling stake in the Athabasca Oil Sands Project. Lead underwriters were TD Bank, RBC, Scotiabank, Citigroup and Bank of America.¹²⁸

In 2018 CapEx dropped by 8 per cent and both debt and equity financing collapsed to a total of \$5.0 billion. Companies were relying almost entirely on loans and cash flow to fund capital improvements. The largest deals were small in comparison with earlier years. On the equity side, CIBC, RBC and independent broker Peters & Co. were lead underwriters for two deals worth about \$400 million for fracking company NuVista Energy, to partially fund NuVista's \$625-million acquisition of fracking assets from Cenovus Energy. There were two large debt financings in

In 2016 the largest equity financing was the \$4.4-billion share issue by TransCanada Corp. to partially finance the acquisition of Columbia Pipeline Group. RBC and TD Bank were lead underwriters. It was the largest bought deal in Canadian history.

123 Geoffrey Morgan, "Investors look to Canada as shine comes off U.S. shale," *National Post*, December 27, 2019, FP1.

124 Tom Pavic, "Higher Amount of Financings Leads to Increase in the Number of Dealers in 2014," *Daily Oil Bulletin*, May 27, 2015.

125 Tom Pavic, "Decline in Financings Leads to Significant Drop in the Number of Dealers in 2015," *Daily Oil Bulletin*, April 27, 2016.

126 Critchley, "At \$4.2 Billion, TransCanada Now Holds the Record."

127 Tom Pavic, "Number of Dealers Increase in 2016 Despite Drop in Total Financings," *Daily Oil Bulletin*, May 31, 2017.

128 Tom Pavic, "Total Financings along with Number of Dealers Increase in 2017," *Daily Oil Bulletin*, May 30, 2018.

2018. One was a \$511-million issue by Harvest Operations Corp., a wholly owned subsidiary of Korea National Oil Corp., led by foreign brokers Merrill Lynch and SMBC Nikko Capital Markets. The second was a US\$525 million issue of notes by Enbridge to fund capital projects and reduce debt, with RBC and three American securities dealers as joint bookrunning managers. Also in 2018, in a large transaction that didn't involve issuing new capital, RBC, Scotiabank, TD Bank and Goldman Sachs were lead underwriters for the sale of 97.5 million shares of Canadian Natural by Royal Dutch Shell for about \$3.3 billion. These were shares Shell acquired when it sold its Athabasca Oil Sands Project holdings to Canadian Natural in 2017.¹²⁹

And in 2019, CapEx dropped to its lowest level over the six-year period, while raised capital remained at historically low levels, with \$5.3 billion raised, mostly on the debt side. Canadian banks were noticeably absent from this financing. The largest debt financings were by foreign-controlled companies, with CNOOC's \$1.3 billion (China) and Husky Energy's \$1.0 billion (Hong Kong) leading the pack. Goldman Sachs and JPMorgan were lead underwriters for both of these financings. The largest equity financing was a \$200-million private placement by Topaz Energy Corp. to help in its \$786-million acquisition of assets from parent company Tourmaline Oil Corp. Independent brokerage firm Peters & Co. was the sole underwriter in this transaction.¹³⁰

In 2020 the big news was the decision by TC Energy to proceed with the Keystone XL pipeline after the company received a US\$1.1-billion direct investment and a US\$4.2-billion loan guarantee for the project from the Alberta government, on March 1. The next day TC Energy subsidiary TransCanada PipeLines issued a C\$2-billion bond for general corporate purposes and to repay debt. BMO, Scotiabank, RBC and TD Bank were joint lead managers, while CIBC and National Bank were co-managers. And the day after that, a US\$1.25-billion bond was taken up by a syndicate of American banks.¹³¹

Advising

TD Bank was financial adviser to Kinder Morgan Canada in the sale of the Trans Mountain pipeline and expansion project to the Government of Canada for \$4.5 billion.

A third major category of financial transaction isn't included in bank rankings although it is lucrative for banks. Companies often need expert financial advice for potential and actual undertakings such as mergers and acquisitions or asset sales and purchases. Banks also provide fairness opinions, business and portfolio valuations, full corporate strategic reviews and assistance in negotiations. Even though little capital was raised in 2018, banks kept busy advising on sales and acquisitions. That year:

- BMO and Credit Suisse were financial advisers to MEG Energy in the sale of a 50 per cent stake in the Access bitumen pipeline and 100 per cent interest in the Stonefell blend and condensate terminal to Wolf Midstream for \$1.6 billion.¹³² (February 2018)
- TD Bank was financial adviser to Kinder Morgan Canada in the sale of the Trans Mountain pipeline and expansion project to the Government of Canada for \$4.5 billion.¹³³ (April 2018)

129 Tom Pavic, "Total Financings along with Number of Dealers Crash in 2018," *Daily Oil Bulletin*, May 29, 2019.

130 Tom Pavic, "Higher Amount of Debt Financings Drives Dealer Increase in 2019," *Daily Oil Bulletin*, May 27, 2020.

131 Rainforest Action Network, "Reckless Keystone XL Decision by TC Energy Endorsed by JPMorgan Chase, Citi and Canadian Peers" (news release), April 3, 2020, <https://www.ran.org/press-releases/reckless-keystone-xl-decision-backed-by-chase-citi-and-banks/>.

132 "Canada's MEG Energy to Sell Pipeline, Storage Assets for C\$1.61 Billion," Reuters, February 8, 2018, <https://ca.reuters.com/article/topNews/idCAKBN1FS1QE-OCATP>.

133 "Kinder Morgan Canada Limited," Preliminary Proxy Statement, Schedule 14A, United States Securities and Exchange Commission, April 2018, <https://www.sec.gov/Archives/edgar/data/1714973/000104746918004671/a2236046zprem14a.htm>.

- Scotiabank and Bank of America Merrill Lynch were financial advisers to Enbridge in the acquisition of \$4.3 billion of common units from subsidiary Spectra Energy Partners.¹³⁴ (May 2018)
- CIBC and Scotiabank were financial advisers to Baytex Energy Corp. in the \$2.8-billion merger with Raging River Exploration to create a large oil production company. (GMP FirstEnergy was financial adviser to Raging River).¹³⁵ (June 2018)
- RBC was financial adviser to Enbridge in the sale of its Canadian natural gas gathering and processing business (which it acquired when it bought Spectra Energy in 2016), to Brookfield Infrastructure Partners for \$3.3 billion.¹³⁶ (July 2018)
- RBC was financial adviser to Precision Drilling Corp. in its \$1.0-billion acquisition of Trinidad Drilling to create the third-largest drilling company in North America. TD Bank was Trinidad’s adviser.¹³⁷ (October 2018)
- Credit Suisse and TD Bank were financial advisers to Encana Corp. in its US\$7.7-billion acquisition of Newfield Exploration to create North America’s second-largest producer of fracked gas. JPMorgan and Goldman Sachs were financial advisers to Newfield.¹³⁸ (November 2018)
- RBC was engaged by TC Energy Corp. to find joint venture partners and project financing options for the \$6.2-billion Coastal GasLink pipeline project.¹³⁹ (December 2018)

Investing

A fourth role for banks in supporting the industry is through the shares in fossil fuel companies they administer through their mutual and exchange-traded funds and other instruments on behalf of investors who have deposited funds with them. Only a small portion of the hundreds of billions of dollars in these bank funds is directed at the fossil fuel industry. Nonetheless, it is a significant amount, as Tables 4 and 5 illustrate. They summarize the 15 largest bank holdings in Canadian oil, gas and pipeline companies. They are ranked by the total value of bank holdings as of November 2019.

Large-cap companies are those with a market capitalization greater than \$10 billion. Table 4 shows that banks seek mainly the large-cap companies such as Enbridge, TC Energy and Suncor Energy. ARC Resources, with a \$2.39-billion market capitalization, is the only mid-cap company that has attracted big bank interest, with 21.23 per cent of its shares owned by bank funds.

Table 5 illustrates RBC’s dominance in bank energy-sector holdings, with nearly \$21 billion invested in 15 companies as of November 2019.

134 Refinitiv, “The Top M&A Deals of 2018,” *Globe and Mail*, March 4, 2019, <https://www.theglobeandmail.com/business/big-deals/article-the-top-ma-deals-of-2018/>.

135 Baytex Energy Corp., “Baytex and Raging River to Merge and Create a Top-Tier North American Oil Producer with Exceptional Assets and a Strong Balance Sheet” (news release), June 18, 2018, <https://www.baytexenergy.com/files/pdf/news-releases/2018/Baytex%20Raging%20River%20Strategic%20Combination%20-%20June%202018,%202018.pdf>.

136 Refinitiv, “The Top M&A Deals of 2018.”

137 Precision Drilling, “Precision Drilling Announces Combination with Trinidad Drilling Accelerating Growth as a High Performance, High Value Provider of Land Drilling Services” (news release), October 5, 2018, <https://www.precisiondrilling.com/investor-relations/press-releases/press-release-details/2018/Precision-Drilling-Announces-Combination-With-Trinidad-Drilling-Accelerating-Growth-as-a-High-Performance-High-Value-Provider-of-Land-Drilling-Services/default.aspx>.

138 Refinitiv, “The Top M&A Deals of 2018.”

139 Christine Buurma, “TransCanada Puts Stake in \$6.2 Billion Coastal GasLink Pipeline Up for Sale,” *Financial Post*, January 29, 2019, <https://financialpost.com/commodities/energy/transcanada-taps-rbc-to-sell-stake-in-4-7-billion-gas-pipeline>.

Table 4: Bank holdings in Canadian oil, gas and pipeline companies through the funds they administer for clients, top 15 investments by four measures, November 2019

Company	Barrels of oil equivalent per day 2018 ⁱ (Thousands)	Market cap ⁱⁱ (Billions of C\$)	Bank holdings (Per cent of shares owned)	Bank holdings ⁱⁱⁱ (Millions of C\$)
Enbridge ^{iv}	—	101.9	16.01	16,315
TC Energy ^{iv}	—	63.5	18.39	11,677
Suncor Energy	685	65.1	13.63	8,870
Canadian Natural	1,025	44.4	16.95	7,526
Pembina Pipeline ^{iv}	—	23.9	22.10	5,275
Cenovus Energy	485	15.1	10.00	1,509
Imperial Oil	383	25.7	3.65	940
Encana	225	6.96	7.59	529
ARC Resources	133	2.39	21.23	515
Inter Pipeline ^{iv}	—	9.24	3.08	283
Crescent Point Energy	140	2.64	5.59	148
Tourmaline	265	3.42	3.73	128
MEG Energy	88	1.66	4.98	83
Husky Energy	252	10.12	0.81	82
Whitecap Resources	75	1.72	3.37	59
Total holdings				53,939

Notes:

i Daily production of oil and gas brought to a common metric. Includes all forms of fossil fuels. Source: "Top Operators 2018," *Daily Oil Bulletin*, July 2019.

ii Market capitalization: total number of shares outstanding multiplied by the share price as of November 30, 2019. Source: Orbis.

iii Source: Orbis, November 2019.

iv Pipeline company.

Table 5: Bank holdings in Canadian oil, gas and pipeline companies through the funds they administer for clients, top 15 investments by bank, November 2019 (millions of Canadian dollars)

Company	Bank						Total
	RBC	TD	BNS	BMO	CIBC	NBC	
Enbridge	6,440	2,710	2,885	2,210	2,010	0	16,315
TC Energy	5,416	1,886	1,111	2,089	1,175	0	11,677
Suncor Energy	3,035	1,625	1,360	1,570	1,280	0	8,870
Canadian Natural	2,460	1,385	1,695	1,010	910	66	7,526
Pembina Pipeline	2,050	540	1,350	800	535	0	5,275
Cenovus Energy	298	595	86	245	285	0	1,509
Imperial Oil	470	180	65	160	65	0	940
Encana	157	52	95	86	139	0	529
ARC Resources	380	40	30	30	25	10	515
Inter Pipeline	55	89	0	139	0	0	283
Crescent Point Energy	40	26	16	37	29	0	148
Tourmaline	66	26	0	17	0	19	128
MEG Energy	49	4	0	3	21	6	83
Husky Energy	47	35	0	0	0	0	82
Whitecap Resources	9	42	4	4	0	0	59
Total	20,972	9,235	8,697	8,400	6,534	101	53,939

Source: Orbis, November 2019.

RBC = Royal Bank of Canada; TD = Toronto-Dominion Bank; BNS = Bank of Nova Scotia (Scotiabank); BMO = Bank of Montreal; CIBC = Canadian Imperial Bank of Commerce; NBC = National Bank of Canada.

Table 5 illustrates RBC's dominance in bank energy-sector holdings, with nearly \$21 billion invested in 15 companies as of November 2019. Second-place TD Bank is far behind, followed closely by Scotiabank and BMO. It's important to note that the values in Tables 4 and 5 are deflated because the share price (and market capitalization) of most companies have declined dramatically over the six-year period of the study. The S&P/TSX Equal Weight Oil and Gas Index provides investors with a portfolio of securities involved in the oil and gas industry. As of July 2020, it was down 64 per cent since a high of 373 was reached in July 2014.¹⁴⁰ ARC Resources, for instance, hit a record low in August 2019; Imperial Oil and Husky Energy were trading at their

¹⁴⁰ Tim Shufelt, "Exodus of Investors from Oil Patch Gains Steam," *Globe and Mail*, August 17, 2019, B9.

lowest since 2008 and 2003 respectively, although neither attract big bank interest because they are majority owned by foreign interests.

The dollar amounts are significant, but rarely does a bank holding amount to more than 10 per cent of a company's issued shares, 10 per cent being the level at which a shareholder is considered to have some influence over company policy.¹⁴¹ One example occurred in 2019 when Brookfield Renewable Partners invested \$750 million in electricity provider TransAlta Corp. to accelerate TransAlta's shift from coal- to gas-fired power generation and to give Brookfield a stake in the company. A group of investors holding 10 per cent of shares opposed the deal. But RBC Global Asset Management, TransAlta's largest shareholder with 12.4 per cent, supported it, a move that was influential in the deal going forward.¹⁴²

The data in Tables 4 and 5 cannot answer the question of whether oil and gas industry activity would be constrained or otherwise affected if banks sold their oil industry holdings. For one thing, banks cannot sell if there are no buyers. And many other Canadian and foreign financial institutions and investment firms buy shares in Canadian oil, gas and pipeline companies. These include asset managers such as BlackRock and Capital Group, insurance companies such as Sun Life Financial, and pension fund managers such as the Canadian Pension Plan Investment Board.

141 See, for instance, Rob Lando, "Becoming a 10% Shareholder of a Canadian Public Company," Osler, July 15, 2013, <https://www.osler.com/en/resources/cross-border/2013/becoming-a-10-shareholder-of-a-canadian-public-co>.

142 Sania Khan, "Brookfield Renewable Invests C\$750M in TransAlta, to Gain Stake in Hydro Assets," April 1, 2019, *SNL Energy M&A Review*.

Non-financial supports

A MAJOR BUSINESS OF BANKS IS, OF COURSE, TO PROVIDE FINANCING for all sectors of the economy. To perform their financing duties, banks must have high-grade information about sector trends and maintain close business relations with each sector. They intersect the fossil fuel industry in a variety of ways. They share directors; they have dozens of specialists who monitor industry trends and activity. Sometimes these specialists go to work for the companies they follow. Banks also sponsor industry conferences. They produce research notes to advise their clients on industry and company trends. They make presentations at industry conferences. They forecast economic conditions and the price of oil—crucial information for companies considering a project. In their financial dealings with fossil fuel companies, banks must be experts in underlying geological issues. They have staffs of geologists, geo-engineers and other technicians so they can make their own determinations of oil and gas reserves and other factors that influence a company's ability to pay back its loans.

Interlocking directorates

The most obvious way in which banks intersect with energy companies is through interlocking directorates, where one person sits on the board of directors of both a bank and an energy company. The main function of a board of directors is to oversee company or bank operations in the interests of shareholders, who elect board members at annual general meetings. The board appoints a chief executive officer, to whom it delegates its management responsibility. The board continues to monitor the corporation's progress in both quantitative (costs, profits) and qualitative ("good corporate citizen") terms. In theory, the board determines both long- and short-term goals and policies (i.e., the manner in which the company is to operate). In practice, however, it is usually management that prepares goals and policies for the board's consideration.

Because banks finance all sectors of the economy, they must have knowledge and expertise in many areas. Appointing senior executives from a variety of sectors to the bank's board, which must be ratified by shareholders, is crucial. In identifying potential candidates for board positions banks look for a variety of qualifications. The emphasis is on broad general knowledge of an industry rather than on a relationship with a specific company. Rick George, for example, retired as CEO of Suncor Energy in 2012 and brought his vast knowledge to the RBC board the same year. (He died in 2017.) In 2015, Suncor was looking to take over Canadian Oil Sands in a US\$4.5 billion hostile bid. (Suncor was Canada's largest oil producer and Canadian Oil Sands the largest

owner of the vast Syncrude oil sands mining project in northern Alberta.) But Suncor didn't retain RBC's investment banking arm to advise on the acquisition, a move one might expect with George on the RBC board. Instead, Suncor retained JPMorgan Chase as its adviser. It was Canadian Oil Sands that retained RBC Capital Markets to fend off Suncor's unwanted bid and find an alternative suitor.¹⁴³

Like George, other fossil fuel company executives join bank boards after they retire from their positions. Thierry Vandal, who had 25 years of experience in the energy sector, ended up as president and CEO of Hydro-Québec. (He was named the 2012 Energy Person of the Year by the Energy Council of Canada.) Vandal was appointed to the RBC board in 2015, the year he retired from Hydro-Québec, and to the TransCanada Corp. board in 2017. After retiring from her position as CEO of Rio Tinto Alcan, Jacynthe Côté was appointed to the RBC board in 2014 and to the Suncor Board in 2015. In 2018 she was appointed chair of Hydro-Quebec and left the Suncor board.

Some fossil fuel company executives join bank boards after they retire from their positions.

At TD Bank, Brian Ferguson was an exception, being appointed to the bank board while he was still CEO of Cenovus Energy. Claude Mongeau, CEO of Canadian National Railway, was appointed to the bank board at the same time as Ferguson, and to the Cenovus board in 2016, on his retirement from the railway giant. (For TD's financial interactions with Cenovus, see "The Comfortable Oligopoly.") Other TD Bank directors sat on the boards of Capital Power Corp., Talisman Energy (acquired by Spanish energy company Repsol in 2015) and TransAlta Corp.

Scotiabank's board includes several directors with energy industry experience and connections. Michael Penner is former Hydro-Québec chairman. Una Power, a long-time financial officer of Nexen Energy (now a subsidiary of CNOOC Petroleum North America), is also a director of TC Energy Corp. and Teck Resources. Indira Samarasekera, former president of the University of Alberta, is also a director of TC Energy. And Scotiabank director Scott Thomson was chief financial officer of Talisman Energy.

As of 2019, BMO had few direct interlocks with fossil fuel companies at the board level. Sophie Brochu, the CEO of Énergir (formerly Gaz Métro) until 2019, joined the BMO board in 2011. Énergir holds a virtual monopoly on natural gas distribution in Québec. It is majority owned by Caisse de dépôt et placement du Québec. BMO recruited Lorraine Mitchelmore after she retired as president of Shell Canada in 2015. Mitchelmore is a co-founder of the Smart Prosperity Leaders' Initiative, a corporate-dominated lobby that promotes corporate solutions to global warming, where she plays a dominant role. She was appointed a director of government-owned Trans Mountain Corp. in 2018 and a director of Suncor Energy in 2019.

While BMO's current board has few energy connections, its list of honorary directors reveals a storied history of fossil fuel industry activity: William Daniel, the long-time president of Shell Canada (predating Mitchelmore by many years); Eva Kwok, a director of Husky Energy; Hal Kvisle, the CEO of TransCanada Corp.; Nancy Southern, the CEO of ATCO; and Ronald Mannix of the Alberta construction, oil and gas, and coal-mining family. Daniel and Kvisle are members of the Canadian Petroleum Hall of Fame.

Along with rainmakers Gordon Giffin, who left in 2017, and John Manley, CIBC has two directors with fossil fuel experience. Patrick Daniel was CEO of Enbridge for over a decade. After his retirement he was appointed chair of the board of Cenovus Energy and a director of Capital Power, a

143 Bloomberg News, "Suncor Energy Inc May Scrap US\$4.5B Hostile Bid for Canadian Oil Sands Ltd if Offer Delayed," *Financial Post*, November 26, 2015, <https://business.financialpost.com/commodities/energy/suncor-energy-inc-may-scrap-us4-5b-hostile-bid-for-canadian-oil-sands-ltd-if-offer-delayed>.

major electricity generation company. Jane Peverett, former CEO of BC Transmission Corp. and Union Gas, is currently a director of CP (Canadian Pacific Railway), a major oil-by-rail transporter; NW Natural, a gas distribution company in Oregon; and Capital Power. She was a director of Encana Corp. for 14 years.

At National Bank, bank chair Jean Houde was chair of the board of Énergir until 2020. Director Pierre Blouin is a director at Fortis, a major gas and electricity distributor in North America, while Pierre Boivin is vice-chair of the Quebec Oil and Gas Association (now Quebec Energy Corporation).

Executive transfer

As well as through boards, banks and operating companies are integrated in other ways. There is a one-way transfer at the operational level, as senior staff and managers move from financial firms to operating companies, but not the other way. Some recent examples are provided in the *Daily Oil Bulletin*:¹⁴⁴

- Sean Brown, a managing director of BMO Capital Markets, was appointed chief financial officer of Gibson Energy, an oil pipeline and storage firm (February 3, 2016).
- Paul Hand spent 40 years at RBC Capital Markets advising corporate clients. When he retired he joined the board of directors of Seven Generations Energy, a fracked gas company (March 9, 2017).
- Maureen Howe, formerly a managing director at RBC Capital Markets in energy infrastructure equity research, was appointed a director of leading energy infrastructure company Pembina Pipeline Corp. (October 11, 2017).
- Gordon Ritchie, who retired as vice-chair of RBC Capital Markets, was appointed to the board of Obsidian Energy (December 13, 2017).
- Jakub Brogowski was appointed vice-president of finance at NXT Energy Solutions, an oilfield service company, after 16 years of oil and gas investment banking, first at TD Securities and then at RBC Capital Markets (February 1, 2018).
- Tony Aulicino, managing director of Scotiabank's global investment banking—energy unit, was appointed chief financial officer of CES Energy Solutions Corp., a company that provides fluids and chemicals to drilling companies (August 28, 2018).
- Simon Akit worked at BMO Nesbitt Burns as director of institutional equities as well as at Raymond James and UBS Securities, ending up at Canaccord Genuity. In 2018 he joined the board of Saturn Oil and Gas, a company that invests in oil and gas assets (September 25, 2018).
- Karen Clarke-Whistler, chief environment officer of TD Bank Group, was appointed to the board of Enerplus Corp., an exploration and development company (January 8, 2019).
- Pentti Karkkainen, the new chair of the AltaGas board of directors, had been a managing director and head of oil and gas equity research at RBC Capital Markets. AltaGas is a fracked gas pipeline company (March 21, 2019). In March 2020 Karkkainen was appointed chair of the NuVista Energy board.
- George Lewis, a 30-year executive with RBC, was appointed a director of Cenovus Energy (July 25, 2019).

¹⁴⁴ Dates in parentheses refer to issues of the *Daily Oil Bulletin*.

- Shane Abel worked as an investment banker with BMO Capital Markets in mergers and acquisitions, equities, debt securities and bank facilities for nearly a decade. In August 2019, he was named executive vice-president and chief financial officer at Bellatrix Exploration (August 21, 2019).

Industry associations

Fossil fuel companies compete vigorously—for market share, contracts, favourable financing terms, labour and so on. They also cooperate on issues that affect their industry or industry segment as a whole. They do this by forming associations to advance their common interests, such as holding conventions and meetings, providing education and training for their members, recruiting and holding new members, undertaking surveys and gathering statistics, and lobbying government officials to try to influence public policy and promote industry interests. Banks have joined some of these associations, usually as affiliate members.

The Big Six banks are affiliate members of associations formed to advance the interests of the fossil fuel industry.

- Canadian Association of Petroleum Producers (CAPP): This powerful organization is the voice of the upstream oil and natural gas industry and includes all the major exploration and production companies. CAPP is led by Tim McMillan, the former minister of Energy and Resources in the Saskatchewan government. Scotiabank, which co-sponsors the annual CAPP-Scotiabank Investment Symposium (now Scotiabank-CAPP Energy Symposium), is the only bank that is an affiliate member.
- Explorers and Producers Association of Canada (EPAC): This organization represents small and mid-sized oil and gas companies. EPAC is led by Tristan Goodman, a former senior vice-president at the Alberta Energy Regulator. CIBC and National Bank are the only bank members (plus ATB Financial, the former Alberta Treasury Branches).
- Petroleum Services Association of Canada (PSAC): This organization represents companies that provide oilfield services such as drilling, testing, producing, maintaining and reclaiming crude oil and natural gas wells. The organization was led by Gary Mar, a former Alberta environment minister (Mar left in April 2020 to head the Canada West Foundation; long-time PSAC senior vice-president Elizabeth Aquin became interim president and CEO). Four of the Big Six banks (BMO, CIBC, National Bank, RBC) are affiliate members.
- Canadian Energy Pipeline Association (CEPA): This organization represents companies that build and operate pipelines. CEPA is led by long-time fossil fuel executive Chris Bloomer. None of the banks are currently members.
- Canadian Gas Association (CGA): This organization represents companies that operate gas facilities. CGA is led by Timothy Egan, former president of High Park Group, a lobbying and public affairs organization that promoted climate denialism.¹⁴⁵ None of the banks are currently members.

Conferences

To further consolidate their influence within the industry, most banks sponsor annual energy conferences, usually through their investment divisions. As mentioned, National Bank Financial holds two one-day industry conferences. TD Securities, the investment arm of TD Bank, has sponsored

¹⁴⁵ “High Park Group,” DeSmog, accessed July 28, 2019, <https://www.desmogblog.com/high-park-group>.

the TD Securities Calgary Energy Conference since 2002 in conjunction with the Calgary Stampede, commencing just as the great expansion of the oil sands began. The 2019 conference covered many facets of the non-renewable energy industry: the potential for LNG, the easing of oil curtailment, how to improve production through technology and fracking design, regulatory delay, market access (i.e., pipelines), and the ever-present issue of oil prices. In 2020 the conference was held virtually. TD Securities also holds a conference in London UK in January.

Also since 2002, CIBC World Markets has held an annual institutional investor conference in January in Whistler, BC, which features top North American companies in energy, mining and other industries. The bank cancelled the energy portion of the 2019 conference after Whistler mayor Jack Crompton wrote a letter to Canadian Natural asking the oil sands giant to pay its share of costs related to climate change. Oil and gas companies were not happy. Neither was CIBC. “The Canadian energy industry has been a global leader of responsible energy development,” Roman Dubczak, head of CIBC global investment banking and a Fraser Institute trustee, wrote in an emailed statement. “We are committed to our clients in the energy sector as they play a key role in driving the Canadian economy.”¹⁴⁶ CIBC also sponsors an industry conference during the Calgary Stampede, where it competes with TD’s conference. Called “Unlock the Rock: Stampede Energy Conference,” it has been held in Calgary since 2009.

Scotiabank is another bank that organizes energy industry conferences. As noted, along with CAPP, it sponsors an annual two-day symposium. The 2019 symposium connected 70 presenters from Canada’s upstream sector (exploration and production) with 130 oil and gas institutional investors. (Scotiabank is the only major bank that is a member of CAPP.) The theme was how to ensure long-term supply growth.¹⁴⁷ LNG Canada’s CEO was a keynote speaker. So was researcher and writer Vivian Krause, who spoke about “a decade of foreign-funded activism.”¹⁴⁸ The bank also sponsors an annual Scotia Howard Weil Energy Conference in New Orleans in March. Here, American oilfield services and producers present their outlook for the year to a roomful of investors. RBC and BMO also sponsor energy conferences, RBC’s in New York in early June and BMO’s in Montréal a week later.

Boosterism

Cheerleading for fossil fuel industry expansion, even while committing to reducing CO₂ emissions, seems to be another priority activity for the banks. Bank endorsements are highly valued within the industry because banks are perceived by the public as being outside Alberta and outside the energy sector. They provide third-party validation which, as Enbridge CEO Al Monaco put it, is “the best kind” of validation.¹⁴⁹

Bank endorsements are highly valued within the industry because banks are perceived by the public as being outside Alberta and outside the energy sector.

146 Kevin Orland et al., “CIBC Cancels Energy Portion of Investment Conference After Whistler Mayor Irks Oil Producers,” *Financial Post*, December 17, 2018, <https://business.financialpost.com/commodities/energy/cibc-cuts-energy-program-after-whistler-mayor-irks-producers>.

147 CAPP, “2019 Scotiabank CAPP Energy Symposium” (news release), April 8, 2019, <https://www.globenewswire.com/news-release/2019/04/08/1799275/0/en/2019-Scotiabank-CAPP-Energy-Symposium.html>.

148 Vivian Krause, “Lunch Keynote: Recovering Investor Confidence after a Decade of Foreign-Funded Activism: A Path Forward,” CAPP, “2019 Scotiabank CAPP Energy Symposium” (news release). For a debunking of Krause’s work, see Sandy Garossino, “A Data-Based Dismantling of Jason Kenney’s Foreign-Funding Conspiracy Theory,” *National Observer*, October 3, 2019, <https://www.nationalobserver.com/2019/10/03/analysis/data-based-dismantling-jason-kenneys-foreign-funding-conspiracy-theory>; Markham Hislop, “Debunked: Vivian Krause’s Tar Sands Campaign Conspiracy Narrative,” *EnergiMedia*, May 14, 2019, <https://energi.media/deep-dives/debunked-vivian-krauses-tar-sands-campaign-conspiracy-narrative/>.

149 Deborah Yedlin, “Get Behind Energy Sector, Scotiabank CEO Urges,” *Calgary Herald*, April 17, 2015, B1.

Cheerleading for fossil fuel industry expansion, even while committing to reducing CO₂ emissions, seems to be another priority activity for the banks.

The industry heaved a collective sigh of relief when Scotiabank CEO Brian Porter complained about the state of Canada's energy markets at the bank's annual general meeting in Ottawa in April 2015. *Calgary Herald* reporter Deborah Yedlin called his speech a "hallelujah moment."¹⁵⁰ This was after oil prices collapsed and the industry came under close scrutiny from environmentalists and First Nations. "It's clear our inability to deliver energy to the world is detrimental to Canada's economy," Porter told bank shareholders. "Global market access for Canadian energy must be a common objective that we pursue vigorously." That meant building better infrastructure, which would benefit the country's economy and also the bank, Porter noted, which finances infrastructure projects around the world. He rued the lack of progress on the Energy East and Northern Gateway pipelines, unable to foresee their imminent demise.¹⁵¹

The industry cheered again 18 months later when RBC CEO Dave McKay spoke to the Edmonton Chamber of Commerce and made two points: Canada's energy sector must grow and pipelines must be built. Otherwise, Canada's standard of living will fall. He was speaking out, McKay said, "because Canada will not succeed if Alberta does not succeed, and Alberta will not succeed if its energy sector does not succeed."¹⁵² He used pipelines as a bludgeon. "If we can't develop at least some additional pipelines to get our oil and gas to market, Canadians will lose jobs, face a lower dollar and have to find other sectors to tax if we want to cover the costs of health and education."

McKay followed a week later with an op-ed in the *Globe and Mail* in which he argued that Canada will not be able to move toward a clean economy unless we "monetize the natural resources we have now—and that means getting those resources to market as sustainably as possible." We can't squander or shut down our huge gas reserves and the world's third-largest accumulation of oil assets, he maintained. And, he said, we need to build pipelines.¹⁵³

The CEOs kept it up. In an interview with the *Daily Oil Bulletin* in September 2018, BMO Financial CEO Darryl White said BMO is "supporting industries that can help ultimately get Canadian natural resources to tidewater, creating jobs and employment for Canadians."¹⁵⁴ In a speech to the Calgary Chamber of Commerce in March 2019, Scotiabank's Porter reiterated the bank's message. "Desperately needed pipelines, processing and export facilities are constantly bogged down by excessive regulation, misinformation and indecision," he told a sold-out lunch crowd at the Hyatt Regency Calgary.¹⁵⁵

RBC, TD Bank and CIBC all held their annual meetings on the same day in April 2019. The three CEOs offered a similar message, touting their banks' efforts to direct funding toward less CO₂-intensive alternatives but defending their record of support for "carbon-heavy energy producers." RBC's McKay said that "the economic dividend that comes from our energy resources is significant to this country. ... I don't think we've had a discussion about the sacrifices and job losses that could come if we just pursue a path of carbon reduction." TD's Bharat Masrani offered a business-as-usual approach, as summarized by *Globe and Mail* reporters: "Until sustainable energy technologies have reached a level of maturity that offers a viable alternative to traditional

150 Yedlin, "Get Behind Energy Sector."

151 Alexandra Posadzki, "Scotiabank CEO Calls for End to Bickering, Indecision over Energy Infrastructure," *Canadian Press*, April 9, 2015; David Berman, "Scotiabank CEO Seeks Cooperation on Energy Exports," *Globe and Mail*, April 10, 2015, A10; Doug Alexander, "Speed Up Pipeline Building: Scotia CEO," *National Post*, April 10, 2015, FP2.

152 Andrew Willis, "RBC Head Calls for New Pipelines," *Globe and Mail*, September 27, 2016, B2.

153 Dave McKay, "How Canada Can Lead the Energy Revolution," *Globe and Mail*, October 5, 2016, B4.

154 Elsie Ross, "BMO Optimistic about Alberta Economy, Energy Sector, Says CEO," *Daily Oil Bulletin*, September 10, 2018, <https://www.dailyoilbulletin.com/article/2018/9/10/bmo-optimistic-about-alberta-economy-energy-sector/>.

155 Stephenson, "'Tone at the Top Matters.'"

fuels, [Masrani] believes that ‘responsible energy development’ remains ‘absolutely necessary and the right thing to do.’” And CIBC’s Victor Dodig offered that “tax revenues [from oil] that support health-care spending and education spending make our country a better place.”¹⁵⁶

McKay and Masrani employed an Ezra Levant-style ethical oil defence.¹⁵⁷ Even if Canada decided not to further develop its energy resources, “the world is still going to burn these fossil fuels,” McKay warned, and will seek supplies from countries with less stringent environmental regulations. “Would you rather have this energy supplied by companies and entities in North America, where you have strict standards, strict regulation, strict enforcement?” Masrani asked. “Or do you want the world demand to come from places where they may not have a similar kind of protocol?”¹⁵⁸

And in a speech in Calgary the day after natural gas giant Encana Corp. announced it was changing its name and moving its headquarters to the US, CIBC CEO Dodig defined “true leadership” as expanding Canada’s energy markets while making the transition to cleaner energy. The importance of building the Trans Mountain expansion “cannot be overstated,” he warned.¹⁵⁹

Along with their leaders, the banks’ economists and analysts also tout fossil fuel industry benefits. A statement by RBC Economics in October 2019 reminded readers that the previous year’s publication, *Energy Matters*,

highlighted Canada’s potential to remain a key global supplier of oil and gas, with new infrastructure helping to tap fast-growing markets and diversify exports beyond the U.S. The benefits would include stronger economic growth, more jobs, and more royalty revenue to support the transition toward cleaner energy. The cost: higher domestic GHG [greenhouse gas] emissions that will challenge Ottawa’s already lofty goals of reducing emissions by 2030.¹⁶⁰

The RBC economists may call Canada’s Paris goals “lofty,” but the global consensus is that these goals are not even close to what Canada must achieve, as the United Nations Environment Programme’s *Emissions Gap Report* pointed out.

Nor are the bank economists shy about venturing into political territory. They attributed the October 2019 election results and the complete shutout of Liberals in Alberta and Saskatchewan to “Western frustration with developments that have hampered the growth of a key industry.” They were not alone. Six weeks before the election, TD Securities analyst James Spicer noted that “a Conservative government win would be positive for the Canadian energy sector and Canadian energy bonds.”¹⁶¹

156 James Bradshaw et al., “Bank CEOs Stress Importance of Energy Sector,” *Globe and Mail*, April 4, 2019, <https://www.theglobeandmail.com/business/article-bank-ceos-stress-importance-of-energy-sector>.

157 See Donald Gutstein, *Harperism: How Stephen Harper and His Think Tank Colleagues Have Transformed Canada* (Toronto, ON: James Lorimer & Co., 2014), 142–150.

158 Bradshaw et al., “Bank CEOs Stress Importance of Energy Sector.”

159 Bloomberg, “CIBC CEO Throws Support behind Canada’s Struggling Oilpatch,” JWN Energy, November 4, 2019, <https://www.jwnenergy.com/article/2019/11/4/cibc-ceo-throws-support-behind-canadas-struggling-/>.

160 “Energy (Still) Matters,” RBC Economics, October 2019, <https://royal-bank-of-canada-2124.docs.contently.com/v/energy-still-matters>.

161 Paula Sambo and Esteban Duarte, “Tory Win Could Benefit Energy Bonds, TD Says,” *National Post*, August 30, 2019, FP4.

Financing renewable energy

A closer examination of ESG criteria and their application to the fossil fuel sector suggests that little has changed so far.

WHILE FINANCIAL AND NON-FINANCIAL SUPPORT FOR THE FOSSIL FUEL industry continues, change is coming to the banks. One factor driving change is the adoption of environmental, social and governance (ESG) criteria by institutional investors in managing their portfolios. According to the United Nations Principles for Responsible Investment, environmental criteria relate to the quality and functioning of the natural environment and natural systems; social criteria relate to the rights, well-being and interests of people and communities; and governance criteria relate to the governance of companies and other investee entities.¹⁶²

Not only are institutional investors such as BlackRock and Capital Group major investors in fossil fuel companies, they're also among the largest shareholders in the banks. As a group, they rank second after the banks themselves in owning bank shares. Banks, as well as fossil fuel companies, must take into account the investing philosophies of these big shareholders. In recent years investors like BlackRock have been incorporating ESG principles into their stock-picking decisions. They are pushing oil and gas companies and banks to do more to fight climate change. "Placing a larger emphasis on ESG criteria puts oil sands investments in a different light," argues *Globe and Mail* columnist Andrew Willis.¹⁶³ But a closer examination of ESG criteria and their application to the fossil fuel sector suggests that little has changed so far. National Bank, for instance, ranks pipelines according to ESG principles. The table is headed by Enbridge and TC Energy Corp., whose pipeline projects have provoked widespread opposition. "As more companies comply with globally recognized environmental reporting standards and establish attractive ESG goals, we anticipate increased fund flows from sustainability investors [into the pipeline and midstream sector]," the bank wrote in a note to clients.¹⁶⁴ Such an approach suggests that ESG principles may not be stringent enough to meet Canada's Paris targets.

A recent study of bank financing for oil and gas compared to renewables by Refinitiv, formerly the financial risk business of Thomson Reuters, identifies a vast gap between the two. Using its

162 "What Is Responsible Investment?," Principles for Responsible Investment, accessed January 14, 2020, <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>.

163 Willis, "Oil-Loving Banks Must Reckon."

164 Michael Bellusci, "Pipelines Are About to Join the ESG Trend, National Bank Says," Bloomberg, February 5, 2020, <https://www.bnnbloomberg.ca/pipelines-are-about-to-join-the-esg-trend-national-bank-says-1.1385174>.

comprehensive deals database, Refinitiv looked at all bank loans, bonds and equity issues by the Big Five banks for the first eight months of 2019. Total financing for oil and gas companies and issuers was US\$40.5 billion; for renewables, US\$1.6 billion.¹⁶⁵ Twenty-five times more financing went into oil and gas than into renewables. True, the stock of oil and gas assets far surpasses that of renewables; nonetheless, banks have work to do.

Green bonds

The first foray into renewable energy financing occurred through green bonds that are fully backed by the issuing agency, usually receiving a high credit rating, with proceeds allocated to so-called green investments. In 2008, the World Bank established criteria that would judge projects eligible for green bond support. Organizations like the World Bank and the European Investment Bank began issuing these bonds. Industry followed suit in 2013. Green bonds have become one of the fastest-growing segments of capital markets. But international law firm Baker McKenzie has raised concerns over the lack of green contractual protection for investors, greenwashing and uneven quality of reporting and transparency.¹⁶⁶

TD Bank became the first Canadian bank to issue a green bond in 2014. TD's criteria were quite broad, creating ambiguity.¹⁶⁷ They included renewable and low-carbon energy projects (i.e., not gas or bioenergy), energy efficiency, green buildings and green infrastructure. The \$500-million, three-year, fixed-interest corporate bond was oversubscribed, indicating an appetite for this kind of investment. When the bond came due, TD issued a US\$1 billion green bond in the American market and reported on the first bond.¹⁶⁸ Nearly half the proceeds had gone into green buildings and retrofits to achieve LEED platinum certification, such as \$53 million for Toronto's Bay Adelaide Centre. Another \$130 million went into improving transportation efficiency. Only \$80 million of the \$500 million was allocated to solar and wind facilities, such as \$20 million for a wind farm on Manitoulin Island in Ontario.¹⁶⁹

Scotiabank issued its own green bond in 2019, a US\$500-million instrument that would fund renewable energy, clean transportation and green buildings.¹⁷⁰ The same year BMO issued a US\$500 million sustainability bond, proceeds of which would be allocated to renewable energy, green buildings and infrastructure, pollution prevention and control, sustainable land use, women-owned small and medium businesses, Indigenous communities and other eligible

Green bonds have become one of the fastest-growing segments of capital markets but concerns have been raised over their lack of green contractual protection for investors, greenwashing and uneven quality of reporting and transparency.

165 Hugh Smith, "Oil Sands vs. Renewables: Where Canadian Banks Are Putting Their Dollars," *Globe and Mail*, September 3, 2019, <https://www.theglobeandmail.com/investing/investment-ideas/number-cruncher/article-oil-sands-vs-renewables-where-canadian-banks-are-putting-their/>.

166 Michael Doran, "Critical Challenges Facing the Green Bond Market," Baker McKenzie, September 16, 2019, <https://www.bakermckenzie.com/en/insight/publications/2019/09/critical-challenges-facing-green-bond-market>.

167 Sean Kidney, "Canada's First Corporate Green Bond," Climate Bonds Initiative, April 10, 2014, <https://www.climatebonds.net/2014/05/canada%E2%80%99s-first-corporate-green-bond-td-bank%E2%80%99s-3yr-aa-cad500m-usd454m-bond-was-15-x>.

168 Barry Critchley, "TD Raises US\$1-Billion in Bank's First Green Bond Issue South of Border," *Financial Post*, September 7, 2017, <https://business.financialpost.com/news/fp-street/td-raises-us1-billion-in-banks-first-green-bond-issue-south-of-border>.

169 "TD Green Bond—Use of Proceeds," TD Bank Group, October 31, 2016, <https://www.td.com/document/PDF/corporateresponsibility/2016-Green-Bond-Use-of-Proceeds.pdf>.

170 Scotiabank, "Scotiabank to Mobilize \$100 Billion by 2025 to Support the Transition to a Lower-Carbon and More Resilient Economy" (news release), Cision, November 14, 2019, <https://www.newswire.ca/news-releases/scotiabank-to-mobilize-100-billion-by-2025-to-support-the-transition-to-a-lower-carbon-and-more-resilient-economy-818158127.html>.

categories, a list so long as to lessen the bond's effectiveness in promoting lower carbon emissions and renewable energy.¹⁷¹

RBC created a green bond program in 2019 as part of its \$100-billion sustainable financing plan (see next section). Most of the EUR 500 million offering was slated for renewable power and green buildings, the bank noted, but oil and gas firms were not explicitly excluded. They could receive funding for activities that reduce their environmental impact, such as carbon capture infrastructure, thus allowing fossil fuel extraction to continue.¹⁷² RBC's bond is part of a new development in financing that threatens to undermine green bonds. Called transition bonds, they are designed to help issuers in dirty industries such as oil sands production and coal mining finance their shift to cleaner ways of producing fossil fuels. Crédit Agricole of France led one of the first transition bonds, a EUR 100 million note that would help companies switch from coal-fired power to fracked gas and also convert maritime shipping from bunker fuel to fracked gas. In Canada, BMO announced it was exploring transition financing for a carbon capture project. "Green is a certain type of financing but what I think could be more appropriate for Canada is transition bonds," Paul Bowes, country head of FTSE Russell Canada, a company that analyzes global markets, said at the December 2019 Bloomberg Canadian Sustainable Investment Forum in Toronto.¹⁷³

The \$100-billion club

In 2017, as the implications of the Paris Agreement sank in and pressures from investors, regulators and environmentalists mounted, some major banks jumped on a \$100-billion bandwagon. They pledged to spend \$100 billion or even \$200 billion for green or sustainable projects. JPMorgan Chase and UK-based HSBC were first off the mark.¹⁷⁴ TD was the first Canadian bank to make the \$100-billion pledge in December 2017. At the bank's 2018 annual general meeting, CEO Bharat Masrani emphasized the bank's growing green credentials. "We are targeting a total of \$100 billion by 2030 to help support the transition to a low-carbon economy in North America."¹⁷⁵ This money would go toward low-carbon lending, financing, asset management and internal corporate programs by 2030.

In April 2019, RBC upped the ante by promising to provide \$100 billion five years earlier than TD Bank—by 2025—with an average investment of \$14.2 billion a year.¹⁷⁶ Next in line was Scotiabank, which announced its own \$100-billion commitment in November 2019. It would "mobilize" \$100 billion by 2025, it promised, "to reduce the impacts of climate change" and play a role in "transitioning to a low-carbon, more resilient economy." This would include "renewable energy, energy efficiency, emissions reduction, green buildings, sustainable transportation, infrastructure resilience, biodiversity conservation, pollution prevention and control, waste

171 BMO Financial Group, "BMO Issues Inaugural Sustainability Bond" (news release), October 21, 2019, <https://newsroom.bmo.com/2019-10-21-BMO-Issues-Inaugural-Sustainability-Bond>.

172 Esteban Duarte, "RBC Green Bonds May Be Used to Finance Oil Companies," Bloomberg, May 21, 2019, <https://www.bnnbloomberg.ca/rbc-green-bonds-may-be-used-to-finance-oil-companies-1.1261834>.

173 Esteban Duarte and Divya Balji, "BMO Exploring Transition Financing for Carbon-Capture Project," Bloomberg, December 4, 2019, <https://www.bnnbloomberg.ca/bmo-exploring-transition-financing-for-carbon-capture-project-1.1357635>.

174 Natasha Bach, "HSBC Commits \$100 Billion to Combat Climate Change," *Fortune*, November 6, 2017, <https://fortune.com/2017/11/06/hsbc-commits-100-billion-to-combat-climate-change/>.

175 "Remarks to Be Delivered by Bharat Masrani, Group President and Chief Executive Officer, TD Bank Group," TD Bank Annual Meeting of Shareholders, Toronto, April 4, 2019, https://www.td.com/document/PDF/investor/2019/CEO's_Remarks_EN.pdf.

176 Bradshaw et al., "Bank CEOs Stress Importance of Energy Sector."

management and/or sustainable water and land use.¹⁷⁷ As with green bonds, reducing CO₂ emissions became just one of many targets.

Exchange-traded funds

As the “Financing Fossil Fuels” section suggests, banks have invested billions of dollars of their clients’ money in fossil fuel companies through the mutual and exchange-traded funds (ETFs) they administer. Investing in renewable energy is a growing activity, although it is subsumed under the broad ESG label, masking the actual amounts banks are investing in renewables. ESG investing took off in recent years as investors—particularly those who invest in mutual funds—became more concerned about climate change,¹⁷⁸ but some of their holdings cast doubt on their commitment to real change.

The iShares Jantzi Social Index ETF, administered by BlackRock, is one of the oldest. The fund’s largest holdings include three of the Big Five banks, Suncor Energy and Pembina Pipeline Corp., as well as Cenovus and Imperial Oil. The only exposure to renewables is a small holding in Brookfield Renewable Partners, which owns and operates renewable power facilities in Canada and elsewhere.¹⁷⁹ In 2019, RBC launched six ESG-focused ETFs in partnership with BlackRock. The top 10 holdings of the iShares ESG Aware MSCI Canada Index ETF, however, includes four of the five banks, Enbridge and TC Energy Corp.¹⁸⁰ And in January 2020, BMO made a big splash with the introduction of seven ESG-focused ETFs.¹⁸¹ These are strikingly similar to RBC’s. The BMO MSCI Canada ESG Leaders Index ETF’s top 10 holdings, for instance, include four of the five banks and Enbridge. A small holding in Algonquin Power & Utilities Corp. is the only exposure to renewables.¹⁸²

ESG investing took off in recent years as investors became more concerned about climate change, but some of their holdings cast doubt on their commitment to real change.

Bank underwriting and advising

As well as issuing their own green bonds, banks have been underwriting such bonds issued by other institutions and agencies.

- RBC and CIBC led the sale of a \$1.5-billion green bond issued by the Canada Pension Plan Investment Board. Proceeds could go toward investments in wind and solar energy, sustainable water, wastewater management or green buildings.¹⁸³ (2018)

177 “Scotiabank’s Climate Commitments,” Scotiabank, accessed November 20, 2019, https://www.scotiabank.com/content/dam/scotiabank/canada/common/documents/Scotiabank_Climate_Commitments_EN.pdf.

178 Divya Balji, “ESG-Hungry Investors Have Plenty of ETFs to Pick From in Canada,” Bloomberg, February 4, 2020, <https://www.bnnbloomberg.ca/esg-hungry-investors-have-plenty-of-etfs-to-pick-from-in-canada-1.1384554>.

179 “iShares Jantzi Social Index ETF,” BlackRock, September 11, 2020, <https://www.blackrock.com/ca/individual/en/products/239574/ishares-jantzi-social-index-etf>.

180 “iShares ESG Aware MSCI Canada Index ETF,” BlackRock, September 14, 2020, <https://www.blackrock.com/ca/individual/en/products/307298/ishares-esg-msci-canada-index-etf-fund>.

181 BMO Financial Group, “BMO Asset Management Inc. Launches Suite of Indexed ESG ETFs to Support Responsible Investing” (news release), January 21, 2020, <https://newsroom.bmo.com/2020-01-21-BMO-Asset-Management-Inc-Launches-Suite-of-Indexed-ESG-ETFs-to-Support-Responsible-Investing>.

182 “ESGA—BMO MSCI Canada ESG Leaders Index ETF,” BMO Global Asset Management, September 13, 2020, <https://www.bmogam.com/ca-en/advisors/esga-bmo-msci-canada-esg-leaders-index-etf/>.

183 Maciej Onoszko, “Canada Pension Plan Sets Record for Country’s Largest Green Bond in \$1.5-Billion Debut,” *Financial Post*, June 13, 2018, <https://business.financialpost.com/news/fp-street/canada-pension-plan-sets-record-for-countrys-largest-green-bond-in-1-5-billion-debut>.

- TD Bank led a US\$525-million green bond offering for Detroit-based DTE Electric to finance the construction of solar facilities and wind farms and the implementation of energy efficiency programs.¹⁸⁴ (2018)
- Scotiabank, TD Bank, CIBC and HSBC led a \$300-million green bond issue for Brookfield Renewable Partners for investments in renewable power projects.¹⁸⁵ (2018)
- RBC, CIBC and TD Bank were lead underwriters for a \$500-million green bond issued by Export Development Canada. Proceeds could go toward “the agency’s portfolio of green assets, such as loans made to companies active in ... the development of renewable energy and reducing climate change.”¹⁸⁶ (2019)
- CIBC and RBC were bookrunners on a \$500-million green bond for Ontario Power Generation to finance its acquisition of Eagle Creek Renewable Energy, which owns and operates 75 small hydro plants in the northeast US.¹⁸⁷ (2019)

National Bank CEO Louis Vachon made it clear the bank had no intention of withdrawing from its fossil fuel funding.

Banks are increasingly engaging in all forms of financing—lending, providing advice, underwriting debt and equity—for renewable energy projects. Largely shut out from big deals in fossil fuel project funding, National Bank and its investment arm, National Bank Financial, have been particularly active as sole lenders and as leaders in syndicates for renewable power projects and companies. The bank has pledged that its portfolio of loans to renewable energy companies will grow as fast, dollar for dollar, as its portfolio of loans to fossil fuel companies. At the bank’s 2018 annual shareholders’ meeting, CEO Louis Vachon explained the bank couldn’t find enough renewables projects in Canada, so it was financing projects in the US and Europe. Some of these loans, though, are to Canadian companies doing projects abroad. Vachon made it clear the bank had no intention of withdrawing from its fossil fuel funding. “We’ve had a business for over 40 years in Alberta,” he told the *Globe and Mail* after the meeting. “We continue to lend to the oil and gas sector.” He then delivered the bad news. Getting greener is “not going to be a short-term process, it’s going to evolve over quite a few years.”¹⁸⁸ National Bank’s *2018 Social Responsibility Report* has a section on environment but makes no mention of its lending to or investing in fossil fuel companies. Nor does it mention the Paris Agreement. It does discuss greenhouse gas emissions, but only in relation to its own operations.¹⁸⁹

Some of National Bank’s recent deals:

- 2017: National Bank was sole lender to Elemental Energy in its \$30-million debt financing for Brooks Solar, Western Canada’s first utility-scale solar project, in Newell County southeast of Calgary. The bank was also sole lender of \$30 million to Elemental for two wind farms in Nova Scotia in 2014.¹⁹⁰

184 “Global Energy Roundup: Market Talk,” Dow Jones Newswires, May 1, 2018.

185 “Canada’s Brookfield Renewable Eyes CAD 300m from 1st Green Bond Issue,” Renewables Now, September 24, 2018, <https://renewablesnow.com/news/canadas-brookfield-renewable-eyes-cad-300m-from-1st-green-bond-issue-627593/>.

186 “EDC Issues \$500 Million Green Bond,” *Advisor’s Edge*, August 15, 2019, <https://www.advisor.ca/news/industry-news/edc-issues-500-million-green-bond/>.

187 Taryana Odayar, “OPG Raises \$500M for Eagle Creek with Green Bond,” *Power Finance and Risk*, January 22, 2019, <http://www.powerfinancerisk.com/Article/3855050/Project-Finance-Archive/OPG-Raises-500M-for-Eagle-Creek-with-Green-Bond.html>.

188 James Bradshaw, “National Bank Looks Abroad to Meet Renewable-Energy Lending Targets,” *Globe and Mail*, April 24, 2019, <https://www.theglobeandmail.com/business/article-national-bank-looks-abroad-to-meet-renewable-energy-lending-targets/>.

189 National Bank, *2018 Social Responsibility Report*, January 2019, <https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/responsabilite-sociale/pdf/social-report-2018.pdf>.

190 Elemental Energy, “Elemental Energy Closes Financing for Brooks Solar, Western Canada’s First Utility Scale Solar Project” (news release), October 23, 2017, <http://elementalenergy.ca/elemental-energy-closes-financing-for-brooks-solar-western-canadas-first-utility-scale-solar-project/>.

- 2018: Boralex is a rapidly growing Québec-based renewables company, with 2018 revenues of \$550 million. It holds assets in hydropower, wind, solar and thermal energy facilities. In March, National Bank was the lead arranger and administrative agent in the extension of Boralex's \$460-million revolving credit facility. Four of the Big Five banks were members of the syndicate.¹⁹¹ In July, Boralex issued \$207 million worth of subscription receipts, the offering being led by National Bank and RBC, to pay for Boralex's acquisition of five Québec-based wind farms from Invernergy Renewables.¹⁹²
- 2019: National Bank was co-leader, with TD Bank, CIBC and BMO, for a syndicate that underwrote a \$150-million debenture issue for Innergex Renewable Energy, which develops, acquires, owns and operates hydropower projects, wind farms, solar farms and geothermal power generation plants in Canada, the US, France and Iceland. The proceeds were used to reduce drawings under the company's revolving term credit facility, making the facility available to fund further acquisitions.¹⁹³

The Big Five banks are also engaged in financing for renewables, as their participation in deals involving National Bank (listed above) documents, along with the following:

- 2018: CIBC and Citigroup advised NextEra Energy Partners in the sale of four wind farms and two solar projects to the Canada Pension Plan Investment Board for C\$741 million.¹⁹⁴
- 2018: BMO assisted the Tsilhqot'in National Government with a loan to finance the construction of a large-scale solar power facility west of Williams Lake, BC.¹⁹⁵
- 2018: TD Bank, JPMorgan and RBC acted as financial advisers to AltaGas in the \$2.4-billion sale of its Northwest Hydroelectric portfolio in the Tahltan Nation to Axiom Infrastructure and Manulife Financial Corp. to help pay for its takeover of WGL Holdings, a power distributor based in Washington, DC.¹⁹⁶
- 2018: CIBC was exclusive financial adviser to Enbridge in the sale of its 49 per cent interest in 14 operating wind and solar facilities in Canada and two in the US, to the Canada Pension Plan Investment Board for C\$1.75 billion.¹⁹⁷
- 2019: RBC arranged the year's largest renewable loan, a \$700-million credit facility for TransAlta Renewables,¹⁹⁸ one of the largest renewable power companies in Canada, with interests in 20 wind farms, 13 hydro facilities, one solar facility, plus fracked gas generation facilities and a pipeline.

Even with a growing inventory of renewable energy project financings, the banks haven't made a fundamental leap into renewables. Like the other banks, BMO claims to be contributing to

Even with a growing inventory of renewable energy project financings, the banks haven't made a fundamental leap into renewables.

191 Plamena Tisheva, "Boralex Gets Financing for Growth," *Renewables Now*, March 30, 2018, <https://renewablesnow.com/news/boralex-gets-financing-for-growth-607179/>.

192 Nephela Kirong, "Boralex Closes Subscription Receipt Offering to Fund Invernergy Wind Deal," *SNL Energy M&A Review*, August 1, 2018.

193 "Innergex Renewable Energy Inc. Completes C\$143.75M Convertible Debenture Offering," McCarthy Tetraault, September 30, 2019, <https://www.mccarthy.ca/en/work/cases/innergex-renewable-energy-inc-completes-c14375m-convertible-debenture-offering>.

194 Nephela Kirong, "NextEra Energy Partners Selling Canadian Renewable Portfolio for \$582.3 Million," *SNL Energy M&A Review*, May 1, 2018.

195 Monica Lamb-Yorski, "Tsilhqot'in National Government and BC Hydro to Negotiate Power Purchase Agreement," *Williams Lake Tribune*, March 30, 2018, <https://www.wltribune.com/news/tsilhqotin-national-government-and-bc-hydro-to-negotiate-power-purchase-agreement/>.

196 Taryana Odayar, "AltaGas Finds Buyer for Northwest Hydro Portfolio," *Power Finance and Risk*, December 13, 2018.

197 Nephela Kirong, "Enbridge Selling Interests in Renewable Assets to CPPIB for C\$1.75B," *SNL Energy M&A Review*, June 1, 2018.

198 Smith, "Oil Sands vs. Renewables."

BMO CEO Darryl White used the word “sustainable” nine times, but only in relation to economic growth and economic performance.

the social good. In an address to the Canadian Club of Montreal in November 2018, CEO Darryl White enumerated his bank’s ethical and sustainable activities. He noted that in 2018 the bank had “underwritten US\$6 billion of green, social or sustainable development bonds, participated in approximately \$6.5 billion worth of renewable energy equity and debt financing, and provided just over \$4 billion of loan commitments to renewable energy projects.”¹⁹⁹ He provided no details of how the bank defines these activities. Nor did he mention climate change, global warming, environment, carbon or pollution in his speech. The focus was growth and how good this is. He used the word “sustainable” nine times, but only in relation to economic growth and economic performance.²⁰⁰

The banks are financing sustainable energy projects; there is no question about that. But they’re not making renewable energy a priority. National Bank says it will put a dollar into renewables for every dollar it puts into fossil fuels. This is not a big commitment because National Bank has lagged in fossil fuel financing. The Big Five with their billions in loans and underwriting for fossil fuel companies would be making a more significant statement if they followed National Bank’s lead. But they’re not. Instead they’re burying their renewable energy financing under the overly broad ESG brand. They’ve barely begun to bridge the vast gap in funding between oil and gas and renewables.

199 Darryl White, “Built for Social Good: The Unique Role of Business,” Address to the Canadian Club of Montreal, November 5, 2018, https://www.bmo.com/ci/files/White_CanadianClub_Nov0518en.pdf.

200 White, “Built for Social Good.”

Conclusion

CANADA'S FOSSIL FUEL INDUSTRY TOOK SEVERAL HITS between 2014 and 2020. Oil prices fell and stayed low over the entire period compared to the previous decade. New pipeline capacity that had been in the planning stages for years failed to materialize. Yet oil sands production continued to rise—by half a million barrels a day over the seven-year period. This was a consequence of new projects being sanctioned years earlier when prices were stronger and pipeline prospects more promising. One project alone, Suncor Energy's Fort Hills mine north of Fort McKay, commenced operations in 2018, adding 194,000 barrels per day to total output.

During this period of uncertainty, Canada's big banks remained steadfast supporters of the fossil fuel industry, in both financial and non-financial realms. They increased their lending and lending commitments to the industry by 53 per cent to a record high of \$137 billion in 2020. They continued to pour billions of dollars of their clients' money into fossil fuel and pipeline company shares, with \$54 billion invested in the top 15 Canadian companies in 2019. True, their underwriting services collapsed in 2018 as the uncertainties on the horizon caused most companies to hesitate in taking on new debt or equity. Nonetheless, along with independent and foreign brokers, the banks did raise \$89.9 billion for the Canadian industry from 2014 to 2019. And they continued to provide financial advice to the industry, an important function during economically tough times.

Bank support reaches far beyond the realm of financial transactions. There's an executive transfer between bank and operating company through which personnel move into the industry at either board or senior operating levels. There are also interlocking directorates between fossil fuel and pipeline companies and the banks. Banks play a crucial role in running energy conferences that bring industry executives and investors together, overseen by the guiding hand of bank officials. As well as providing underwriting and investing services, bank analysts and economists write reports on the industry, on specific companies and on the overarching economic climate. Bank predictions of oil prices and demand are closely watched by company executives making capital expenditure decisions. Finally, banks are among the most important industry cheerleaders. Being perceived as being outside Alberta and outside the industry, they provide third-party validation, which is, in Enbridge CEO Al Monaco's view, "the best kind" of validation.²⁰¹ Starting in 2015 when Scotiabank CEO Brian Porter reaffirmed the critical need for more pipeline capacity, and with increasing frequency over the intervening years, bank CEOs have honed their message: we will never achieve a low-carbon economy unless we continue to develop the high-carbon one.

From 2014–2020, a period of uncertainty for the oil sector, Canada's big banks remained steadfast supporters of the fossil fuel industry, in both financial and non-financial realms.

201 Yedlin, "Get Behind Energy Sector, Scotiabank CEO Urges."

Banks have come to rely on the profits they earn from financing the capital-intensive fossil fuel sector.

Inevitably, banks have begun financing renewable energy projects. Proposals began coming to them to finance hydropower, wind, solar, thermal and other renewable endeavours. If the proposals made financial sense, banks would provide financing. Pressures from international agencies, governments, investors and environmentalists finally made them take action, starting with TD Bank's first green bond in 2014. By 2020, all the banks were doing green bonds. In 2017, the idea of a \$100-billion commitment to environmental, social and governance (ESG) goals took hold, and by 2020 all the banks were doing \$100-billion commitments.

Banks have come to rely on the profits they earn from financing the capital-intensive fossil fuel sector. Even after beginning to finance renewable energy projects with a grab bag of efforts subsumed under the ambiguous ESG brand, they have expressed no willingness to abandon fossil fuel financing. In September 2019, during the UN Climate Action Summit in New York, the CEOs of 131 banks signed the Principles for Responsible Banking, committing them to align their businesses with the goals of the Paris Agreement on climate change and the UN's Sustainable Development Goals. One principle requires banks to review how they are doing in meeting these principles and be held accountable for their contribution or lack thereof to society's goals.²⁰² In Canada, only National Bank and Desjardins Group, the Québec-based federation of credit unions, signed the documents. The Big Five were missing in action.²⁰³ Evidently they felt no urgent need to change direction. Yet urgency is required, as the United Nations Environment Programme's *Emissions Gap Report* has starkly pointed out and the Expert Panel on Sustainable Finance has reiterated. For Canada's big banks, it's past time.

202 "Principles for Responsible Banking," UNEP Finance Initiative, accessed January 15, 2020, <https://www.unepfi.org/banking/bankingprinciples/>. By September 2020 another 39 financial institutions, including BC-based Vancity, had signed on. For the most up-to-date list see: "Tracking the Principles for Responsible Banking," BankTrack, list of signatories last updated December 7, 2020, https://www.banktrack.org/page/tracking_the_principles_for_responsible_banking.

203 Amir Barnea, "How Canada's Banks Can Help Reduce the 'Collateral Damage' of Capitalism," *Toronto Star*, January 25, 2020, B2.



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