

## TACKLING THE AFFORDABILITY CRISIS THROUGH CLIMATE ALIGNED FINANCE

Canadians are facing a series of interconnected crises: climate, affordability, and housing. To genuinely help Canadians make ends meet, the Government of Canada must ensure that the economy works for people, not against them. Currently, financial institutions continue to support sectors that harm Canadians' quality of life, particularly the oil and gas industry. This sector not only contributes disproportionately to the climate crisis but also worsens the affordability crisis.

It is essential to take decisive action by shifting the burden of the climate transition away from working people and onto those most responsible for the crises and with the means to address it: financial institutions and the fossil fuel sector. To build a truly inclusive and sustainable economy, financial flows must be aligned with the country's commitments to climate science and justice. Now is the time for the financial sector to shoulder its responsibility in the transition to a greener future.

### Five Reasons to Implement Climate-Aligned Finance Principles in the NDP's 2025 Electoral Platform

- **Addressing the root causes of the affordability crisis.** Climate-related damages already increase the average Canadian's household's cost of living by \$700 each year and it will only get worse without swift action.<sup>1</sup> Moreover, in 2022, 40% of all higher prices ended up as corporate profit in just three industries including oil & gas and finance & insurance, those 2 sectors being amongst the lead causes of climate change.<sup>2</sup> This underscores the urgent need to ensure that capital flows are directed towards mitigating the crisis rather than exacerbating it.
- **Broad Public Support.** A majority of Canadians support climate-aligned financial policies. Recent polling shows that 65% of Canadians desire sustainable finance policies, with over 78% supporting measures to address greenwashing, and 80% expressing distrust in banks or financial institutions to deliver on their green promises. Additionally, 70% support requiring financial institutions to develop Climate Transition Plans.<sup>3</sup> Furthermore, a poll reveals that progressive voters would be more inclined to vote Liberal if the government implemented measures promoting sustainable finance, suggesting that it is not only environmentally necessary but also politically advantageous.<sup>4</sup> This is a reality the NDP should keep in mind in their strategic considerations as well. On top of that, CAFA is endorsed by over 120 civil society organizations.
- **Cross Party Support.** In an era of increasing polarization, climate-aligned finance offers a unique opportunity to build bridges within the House of Commons. Indeed, MPs from four different parties have backed a parliamentary motion urging the government to use legislative and regulatory tools to align Canada's financial system with the Paris Agreement. Furthermore, the Climate Aligned Finance Act (Bill S-243, also known as CAFA) is supported by five petitions in the House of Commons.
- **Harnessing Economic Opportunities.** Adapting the economy to confront climate change will unlock emerging economic opportunities in sectors like clean energy, which is projected to create 2.2 million well-paid jobs in Canada by 2050.<sup>5</sup> Aligning finance with climate goals is crucial for future-proofing Canada's economy.

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<sup>1</sup> Ness, R. [Climate damages are inflating the costs of living for every Canadian](#). *Canadian Climate Institute* (2023).

<sup>2</sup> Macdonald, D. [Where are your inflation dollars going?](#) *Canadian Center for Policy Alternatives* (2023).

<sup>3</sup> [Sustainable Finance Research](#), *Ecojustice* (November 2023).

<sup>4</sup> [Sustainable Finance Research](#), *Ecojustice* (November 2023).

<sup>5</sup> [A Pivotal Moment](#), *Clean Energy Canada* (March 2023).

- **Keeping Pace with Global Peers.** Canada must implement robust climate-aligned financial policies to avoid falling behind. Indeed, international trading partners like the European Union, the United Kingdom, and Australia have already adopted significant climate-aligned financial policies. Within Canada, provinces like Quebec have taken proactive steps, presenting a valuable opportunity for federal-provincial alignment on climate initiatives. In addition, CAFA enjoys an endorsement from international experts such as Eric Usher<sup>6</sup>, Head, UN Environment Program Finance Initiative, and [Thierry Philipponat](#), Chief Economist at Finance Watch. Former governor of the Bank of Canada and UN Special Envoy for Climate Action and Finance, Mark Carney<sup>7</sup>, as well as Nathan Fabian, Chief Sustainable Systems Officer at Principles for Responsible Investment<sup>8</sup>, have also suggested CAFA goes in the right direction.

### The policy that Canada needs

Canadians expect their elected officials to take decisive action on climate change, with the financial sector playing a key role. To meet this demand and seize the economic opportunities of the transition, Canada's NDP should include the following principles from Bill CAFA (S-243) in its upcoming electoral platform:

1. **Duties for Directors and Officers.** Establishing a duty for directors, officers, and administrators to align entities with climate commitments.
2. **Alignment of Purposes.** Aligning the purposes of federally regulated entities, crown corporations, and the financial regulator with climate commitments.
3. **Transition Plans and Transparency.** Requiring the development of climate transition plans, targets, and progress reports on meeting climate commitments, with annual reporting requirements and increased transparency by making them public and freely accessible.
4. **Board Expertise and Conflict Avoidance.** Ensuring climate expertise on certain boards of directors and avoiding conflicts of interest.
5. **Proportional Capital Adequacy Requirements.** Making capital adequacy requirements proportional to the microprudential and macroprudential climate risks generated by financial institutions.
6. **Alignment of Financial Products.** Amending taxation and bankruptcy laws to incentivize financial products that align with climate commitments and disincentivize those that are not.

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<sup>6</sup> Standing Senate Committee on Banking, Commerce and the Economy - [Transcript](#) (May 9, 2024).

<sup>7</sup> Standing Senate Committee on Banking, Commerce and the Economy - [Transcript](#) (May 8, 2024).

<sup>8</sup> Standing Senate Committee on Banking, Commerce and the Economy - [Transcript](#) (May 2, 2024).