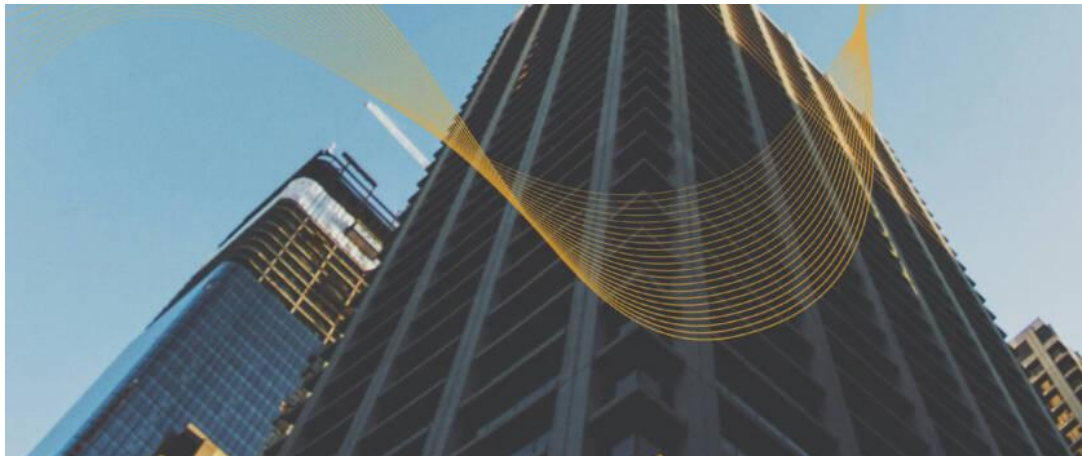




| Unpacking Canada's Sustainable Taxonomy

Jessica Carradine
She/ Her



environmental
defence

I Presentation Agenda

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What is a sustainable finance taxonomy?



A green taxonomy is a classification system that defines which economic activities and assets are “green” or environmentally sustainable



Taxonomies aim to increase investment in green activities or assets, and facilitate greenwashing detection



Companies, regulators and financial market actors (investors, lenders and insurers) use taxonomies to make informed decisions on sustainable economic activities which can help achieve net-zero or decarbonisation goals

What is Canada's sustainable finance taxonomy?



Government advances Made-in-Canada sustainable investment guidelines to accelerate progress to net-zero emissions by 2050

Government
of Canada

From: [Department of Finance Canada](#)

Backgrounder

October 9, 2024

The Government of Canada supports the development of voluntary Made-in-Canada sustainable investment guidelines (otherwise known as a taxonomy) that would categorize investments based on scientifically determined eligibility criteria that are consistent with the **goal of reaching net-zero emissions by 2050** and **limiting global temperature rise to 1.5°C** above pre-industrial levels.

Source: Government of Canada, (2024). [Government advances Made-in-Canada sustainable investment guidelines to accelerate progress to net-zero emissions by 2050.](#)

What is Canada's sustainable finance taxonomy?



Government
of Canada

Government announces next steps toward made-in-Canada sustainable investment guidelines

From: [Department of Finance Canada](#)

News release

December 18, 2025 – Ottawa, Ontario – Department of Finance Canada

The Canadian sustainable investment guidelines will be built on strong and independent governance and align with **global best practices**. These guidelines will become an important tool for investors, lenders, and other stakeholders, by credibly identifying “green” and “transition” investments. The Canadian taxonomy will be a new, **voluntary** market tool that will be aligned with and broadly compatible with other major, science-based taxonomies and frameworks around the world.

Source: Government of Canada, (2025). [Government announces next steps toward made-in-Canada sustainable investment guidelines](#).

What is Canada's sustainable finance taxonomy?



3 Policy Pillars of Sustainable Finance

Taxonomy

Disclosures

Transition plans



PART 6

Financial Products Alignment
Action Plan

(4) The action plan must include

(a) **criteria** for identifying financial products whose purposes are in alignment with climate commitments, taking into account this Act and the best available international standards and science and justifying any departure from them;

15

20

Why is it important?



Source: Institute for Energy Economics and Financial Analysis (2022). [Fact Sheet: Green taxonomies explained.](#)

Taxonomy Roadmap Report

Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments

Sustainable Finance Action Council
September 2022



Executive summary

Canada needs to scale up climate investment rapidly to achieve a net-zero economy by 2050. By some estimates, Canada's climate investment gap is as high as **\$115 billion** annually. In recent years, many countries facing similar investment gaps have been developing taxonomies as part of broader policy frameworks, to help mobilize and accelerate the deployment of capital in support of achieving climate objectives.

Source: Government of Canada (2022). [Sustainable Finance Action Council: Taxonomy Roadmap Report.](#)

Why is it important?

“The proliferation of... green and sustainable taxonomies around the world has shown the increasing interest in public and private sectors alike in fostering green capital flows. It’s time that Canada steps up in helping investors and industry build the future economy that is both sustainable and prosperous.”

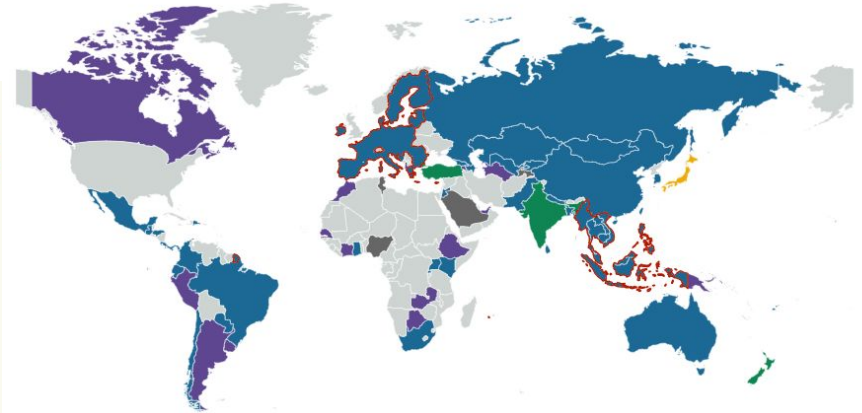


Eric Usher

Head of UN Environment Programme Finance Initiative

The Global Taxonomy Landscape

■ In Place ■ Draft Available ■ Under Development ■ Under Consideration ■ Guidance



Map: Global sustainable finance taxonomy tracker, developed by Caelan Welch, [Smart Prosperity Institute](#)

Made with Flourish • Create a map



Who are the key players?



Ambition: The taxonomy will be anchored in the ambition of the Paris Agreement, which will be operationalized using Canada's legislated net zero target.

**BUSINESS
FUTURE
PATHWAYS**

1) Decision-making body: Taxonomy & Transition Planning Council

2) Research team: Canadian Climate Institute

3) Working groups:

- Technical Advisory Group
- Financial Sector Advisory Group
- Sectoral Technical Working Groups

Source: Business Future Pathways, [Governance](#).

Who are the key players?



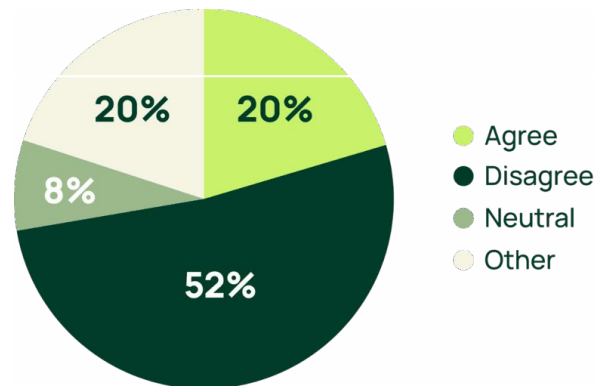
How to advocate for a fossil-fuel-free taxonomy?

Abatement-eligible measures

- Select emissions-reduction investments for activities that have materially high Scope 1 emissions today
- High likelihood of declining global demand in Paris-aligned pathways, due to high downstream Scope 3 emissions that cannot be fully decarbonized

Select emissions-reduction projects in upstream oil and gas production

Public opposition to the abatement category:



How to advocate for a fossil-fuel-free taxonomy?



Late 2026: Sector Consultation

Following the release of the final Methodology Report, specific technical screening criteria will be published for the first three priority sectors

- Electricity
- Buildings
- Transportation

43. Natural gas extraction will be addressed in a later stage under the abatement category. However, natural gas use will be considered where relevant in prioritized sectors, such as electricity, manufacturing, and transportation sector guidance.



What to look for in Budget 2026?

New green & transition bond commitments?

- ▶ To finance government spending that helps industrial and agricultural sectors get cleaner and more competitive, Budget 2025 announces the government's intention to explore the development of a Sustainable Bond Framework that would allow for the issuance of both **green and transition bonds** to be aligned with a Canadian taxonomy, and to expand the Framework to incorporate economic sectors as the taxonomy is being developed.



What to look for in Budget 2026?

New climate disclosure commitments?

- ▷ Budget 2025 announces that the government will work with provinces and territories to improve climate disclosure across the economy. This work will seek alignment with international standards and harmonised rules across federal-provincial-territorial jurisdictions.



Questions?

Learn more at
credibletaxonomy.ca