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Supporting Canadian exporters in demanding times



MAIREAD LAVERY
CEO
Export Development Canada

From multinationals to micro-enterprises, how EDC is helping Canadian businesses meet the sustainability expectations of their consumers.

Cast your mind back to a little over a year ago, before COVID-19 even had a name. The number of wildfires in the Amazon rainforest had doubled from the previous year to 70,000. In November, Venice was under two meters of water. Australia's fire season started in June and went until March of the following year. Millions took to the streets to

protest climate inaction. Greta Thunberg sailed to New York and spoke to world leaders at the United Nations. She said: "How dare you."

It feels like a lifetime has passed, but just one year ago climate change was the number one issue on our minds.

Today, the pandemic may be top of mind, but in terms of climate science, nothing has changed. The earth still faces a fatal tipping point. Without fast action to reduce carbon emissions, our planet will begin the inevitable transition into an ecosystem with unthinkable consequences. It won't be a question of if the planet changes – but how fast it does.

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All of us in international finance, are confronting a similar tipping point. Global investment recognises the role it plays in this looming environmental catastrophe. We see the momentum building. So much so, that I believe the global financial system faces a similar ultimatum:

It is no longer if finance will help us make the transition to a more sustainable future, but how fast.

The evidence is everywhere. One dramatic exhibit was presented

just this January, when the world's largest private investor, BlackRock Inc., doubled down on its growing commitment to shift its \$7.8 trillion-dollar portfolio away from investments in fossil fuels and pressed its clients to do likewise. BlackRock is not alone. Major pension funds, banks, and other investors around the world are signaling their departure from carbon intensive sectors; many of them transitioning to newer, greener opportunities.

Export Development Canada, the company I lead, has a role to play in this transition. As a Crown corporation of the Government of Canada, we have a hybrid role – a commercial bank and insurance company, operating under a national mandate to promote Canadian exporters. That mandate demands we work across a wide range of businesses, from the micro to the multi-national, and across the vast spectrum of Canadian industrial sectors, from agriculture, natural resources, and the extractive industries, to telecoms, digital services and cleantech.

Today, EDC is one of the world's largest and most active export credit agencies, in an average year helping to facilitate over \$100 billion in Canadian trade and investment in markets around the world. In 2019, that year before COVID, we recommitted ourselves to responsible and sustainable business practices, initiating

new policies governing our conduct in the areas of climate, human rights, and business transparency. We may not have the capital of a BlackRock; but we do have the mandate, and the will, to influence.

A range of companies

EDC's mandate is national – we provide financial and advisory solutions that support businesses of all sizes, and in all sectors, and we take on an important role of equipping Canadian companies to be ready for the high expectations of responsible business conduct. Among the smaller companies we work with, our greatest leverage most frequently comes in the form of our advisory services.

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These emerging exporters, many of them start-ups, are eager to understand the climate and human rights risks that may exist in their own supply chains. EDC can use its influence to prevent and address these risks. Then there are the large-sized exporters, giants in international business. These companies are likely to be more advanced in their progressive business practices – having the resources and experience to be aware of sustainability goals, human rights, and business integrity standards. EDC's engagement with these companies, in the form of either project or corporate finance, can help them continue to adapt and evolve their responsible business practices.

Where it can get tricky for export credit agencies like ours, is working with the mid-sized companies. These businesses may be aware of sustainability standards, but may not have the resources to respond. Again, EDC's engagement can prove not just worthwhile, but essential. Our efforts can – and do – help them manage both human rights and climate risks, advancing goals of sustainable trade and contributing to our customers' international value proposition.

A spectrum of sectors

Providing solutions to all sectors of an economy as diverse as Canada's invites a common critique from civil society: if Canada supports the Paris Agreement, how does its export credit agency support oil and gas? Of course, saying no is an option. But with a national mandate that leans toward participation, EDC is more likely to use a more active form of leverage in these industries to help their transition to more sustainable approaches. In 2020, for the first time our support to O&G customers was conditional on companies signing onto the Taskforce on Climate-related Financial Disclosures (TCFD), an important first step toward mitigating their impact on the climate – and an example of how engagement can produce tangible outcomes.

Of course, the Canadian spectrum of industries includes more than the carbon intensive. Since 2012, cleantech has been an EDC priority, and an area of steady growth. We are, in fact, among the largest Canadian financiers of cleantech companies, facilitating \$4.5 billion in business for this sector in 2020.

A community of ECAs

Among the world's export credit agencies, there's another important factor that promotes progress: international agreement. I mentioned the TCFD, to which EDC was an early signatory. There is also the matrix of international standards, represented by the International Financial Corporation (IFC), the Equator Principles, the OECD and the United Nations Sustainable Development Goals, all of which offer important approaches against which we can all measure our efforts. As economies recover and competition grows for post-pandemic success, solidarity among all ECAs in support of these international standards will be essential, if we are to maintain our momentum toward a just and sustainable transition.

I, for one, have confidence. The signs continue to accumulate. EDC's lone shareholder, the Government of Canada, remains committed to the Paris Agreement and the United Nations SDGs. In the United States, the Biden administration has rejoined Paris, and made ambitious commitments to cutting emissions. Corporate America seems to be clearly onside: in January, General Motors announced the goal of making almost all of its vehicles electric by 2035.

Clearly, there is a transition happening in our economy, and people are leading it. We in business, finance and government have the critical role of enabling it. We know what's happening and we know what must be done. We just need to keep doing it. And fast. ■