Government
of
Saskatchewan

**Minister of Environment**

Legislative Building
Regina, Canada S4S 0B3

APR 16 2024

Honourable Pamela Wallin
Senator and Chair
House of Commons
OTTAWA ON K1A 0H3
pamela.wallin@sen.parl.gc.ca

Dear Senator:

I am writing with concern regarding Senate Bill S-243 (referred to as an Act to enact the *Climate-Aligned Finance Act* and to make related amendments to other Acts – shortened to "the *Act*" in this letter) under review by the Standing Senate Committee on Banking, Commerce and the Economy (the Committee).

Saskatchewan is committed to sustainable development, especially in agriculture, mining, and oil and gas sectors. These industries drive the provincial economy and set global sustainability benchmarks. Saskatchewan's agricultural sector, for example, has pioneered techniques to significantly reduce water usage and chemical inputs, enriching soil health and promoting biodiversity.

Our province's sustainable development practices lead the international oil and gas industry. Saskatchewan has captured over 40 million tonnes of CO2, cutting oil and gas emissions by 82 per cent with The Carbon Capture, Utilization and Storage Credit Standard and enhanced oil recovery. As the world's top potash supplier (37 per cent in 2022), our mines boast 50 per cent lower emissions, showcasing our commitment to eco-friendly economic growth.

Saskatchewan has demonstrated that it's leading the world in sustainable resource innovation. However, the Government of Saskatchewan is concerned that, if approved, the Bill would impair our industries' access to the financing crucial for developing our agricultural, energy and mineral resources.

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This *Act* and its amendments across multiple pieces of legislation impose strict climate and social justice restrictions on Canada's financial sector (e.g. banks, investment managers, pension funds and insurance companies), limiting investments in high-emission industries.

This includes several land- and natural-resource-based industries crucial to Saskatchewan's economy. Such investment restrictions could lead to economic hardship for many Saskatchewan businesses and agricultural producers and could be further compounded by strict reporting requirements and prohibited funding.

Saskatchewan agrees with the Canadian Bankers Association's assertion that the proposed capital adequacy requirements for fossil fuel projects (e.g. a risk weight of 1,250 per cent on any loans for new exploration or infrastructure) would severely harm the energy sector in Canada, with producers facing increasing costs and a potential lack of capital financing options.

Bryan Radeczy of the Canadian Bankers Association and Peter Routledge, Superintendent of Financial Institutions, have highlighted concerns that the *Act* could interfere with the financial sector's due process and function by creating negative unintended consequences (e.g. such as through imposing capital adequacy requirements). We agree that this may be a distraction which would draw focus from the continued development of practical climate action guidelines for the financial sector.

The Government of Saskatchewan agrees with the Agriculture Carbon Alliance and the Saskatchewan Association of Rural Municipalities (SARM), which have voiced that the *Act* has the potential to undermine food security by weakening agricultural producers through regulatory reporting requirements while impeding access to loans critical for this capital-intensive industry. SARM further indicates that the *Act* would create systemic harm to the agricultural sector by enabling subjective views to affect the assessment of financial tools and investments.

SARM maintains that industry and government can collaborate on reducing emissions while maintaining competitiveness and producer profits. Recent research commissioned by the Global Institute for Food Security found that Saskatchewan's net carbon footprint for crop production is significantly lower than that of competitive jurisdictions. Governments should encourage more crop production in Saskatchewan to reduce global emissions, not create new barriers for producers to navigate.

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Along with this *Act*, the Government of Saskatchewan remains focused on developments on climate risk disclosure requirements. This includes the Canadian Sustainability Standards Board's consideration of the International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures, and the development of the Climate Risk Management Guideline B-15 by the Office of the Superintendent of Financial Institutions. These processes to develop non-legally binding standards and guidelines have stimulated discussion about potential regulatory overreach, imposition of undue administrative and financial burden and impractical timelines while penalizing innovative companies that are supporting energy security, affordability, food security and technological advancement. Several stakeholders from the Saskatchewan and Canadian livestock sector have raised concerns with the draft IFRS S1 and S2 standards during public consultations.

The Government of Saskatchewan maintains that this law would impede the province's ability to manage its climate change response in a sensible way that reflects regional needs and strengths while promoting the growth of Saskatchewan's economy. We respectfully submit our recommendation that this bill be voted down and not advanced to the House of Commons for consideration.

Sincerely,

Christine Tell
Minister of Environment

cc: Honourable Chrystia Freeland, Minister of Finance Canada
Honourable Steven Guilbeault, Minister of Environment and Climate Change Canada