



# Financing GLOBAL WARMING

## CANADIAN BANKS AND FOSSIL FUELS

***“Climate change is the greatest and widest-ranging market failure ever seen.”***

***- Sir Nicholas Stern, former chief economist of the World Bank. <sup>1</sup>***

**T**he investments made today by Canadian banks will shape Canada’s carbon footprint for decades to come. The enormous financial commitments made by Canada’s five biggest banks – RBC, TD Bank, Scotiabank, CIBC and BMO – to fossil fuel production, namely oil and coal operations, inextricably links them to the fueling of global climate change. Banks are the lifeblood of the fossil fuel industry.

While banks often track and report the carbon emissions associated with running their offices and staff travels, such “operational emissions” are dwarfed by the volume of climate-changing emissions that result from the projects they finance, so-called “financed emissions.” **For Canada’s largest banks, operational emissions represent less than one percent of their total contributions to climate change while more than 99 percent of their overall climate footprint comes from the fossil fuel production they finance.**

*“Financing Global Warming: Canadian Banks and Fossil Fuels”* is the first report to analyze and quantify the greenhouse gas emissions of seven leading Canadian banks – the aforementioned banks as well as Desjardins and Vancity – based on their financing of fossil fuels. In addition, the report makes recommendations for what banks, bank customers, regulators and civil society can do to help reduce the climate impacts of banking.

### FINANCED EMISSIONS OF CANADA’S TOP BANKS

**The financed carbon emissions from Canada’s five largest banks based on their funding of fossil fuels totals 625 million tonnes of CO<sub>2</sub> per year.** To put this in context, Canada’s greenhouse gas emissions from ALL energy use across the country – including all power plants, industry and manufacturing, transportation, homes and offices – totaled 583 million tonnes of CO<sub>2</sub> in 2006. <sup>2</sup>

Canada’s top banks provided more than \$155 billion in total corporate financing for fossil fuel extraction in Canada and internationally in 2007. The 625 million tonnes of carbon dioxide emissions from the extraction and burning of these fossil fuels results in **a carbon footprint for RBC, TD, Scotiabank, BMO and CIBC that is greater than Canada’s total energy use emissions.**

A substantial portion of bank loans, investments and other financing is going to fund the world’s largest and dirtiest fossil fuel development project: the massive expansion of tar sands oil production in Alberta. Canada’s five biggest banks have provided direct corporate loans and underwriting to 23 major tar sands companies. If all currently proposed tar sands projects proceed as planned, tar sands production will more than quadruple in the next 12 years, further increasing carbon emissions. <sup>3</sup>

<sup>1</sup> <http://www.occ.gov.uk/activities/stern.htm>

<sup>2</sup> [http://www.ec.gc.ca/pdb/ghg/inventory\\_report/2006/tab\\_eng.cfm](http://www.ec.gc.ca/pdb/ghg/inventory_report/2006/tab_eng.cfm)

<sup>3</sup> [http://www.strategywest.com/downloads/StratWest\\_Outlook.pdf](http://www.strategywest.com/downloads/StratWest_Outlook.pdf)

By contrast, Desjardins and VanCity, two significant banks based on the credit union model, have very low carbon footprints. Desjardins provided \$233 million in direct corporate loans and investments to fossil fuel producers, and Vancity stands out as the only Canadian bank profiled in this study that provided no corporate loans or direct investments to fossil fuel producers.

## THE CARBON FOOTPRINT OF A BANK ACCOUNT AND BANK CUSTOMERS

Polls increasingly show that Canadians are seriously concerned about the climate and their personal ability to reduce energy use. <sup>4</sup> **The carbon footprint of a bank has an indirect impact on the carbon footprint of each banking customer.**

Banks leverage every dollar deposited into \$10-15 dollars of new lending. Deposit accounts held in any of the top five high-carbon banks have carbon footprints ranging from 970 to 1,430 kg larger per \$10,000 than a deposit account held in Vancity, the lowest-carbon bank, and 25 to 38 times larger than Desjardins, the second-lowest-carbon bank.

Moving \$10,000 from Scotiabank, the highest-carbon footprint bank, to Vancity, the low-carbon bank leader, avoids an amount of financed CO<sub>2</sub> (1,430 kg CO<sub>2</sub>) comparable to <sup>5</sup>:

- > not driving a small car for five months;
- > replacing an average car with one that gets 33 percent better gas mileage;
- > eliminating seven two-hour airplane flights per year.

Based on the results of this report's findings, Rainforest Action Network has created a free Canadian bank carbon calculator to calculate the carbon footprint of a personal checking and savings account. The calculator is available at [www.climatefriendlybanking.org](http://www.climatefriendlybanking.org).

## CONCLUSION

With more than \$3.6 trillion in assets, the financing decisions of Canada's top banks greatly impacts Canada's \$1.3 trillion economy and the trajectory of the country's future greenhouse gas emissions. **When bank funding goes to dirty energy projects like tar sands expansion or new coal-fired power plants, it locks in a polluting infrastructure that will cast a long carbon shadow over the country for decades to come.**

By investing in carbon-intensive, long-lived infrastructure bank financing is locking Canada into higher carbon emission trajectories. At the same time, scientists are clearly and urgently warning us that if we are to prevent catastrophic climate change, we must shift investments to clean energy and energy efficiency pathways, decarbonize the economy, and quickly phase out fossil fuels.

Not unlike the 2007-08 global financial crisis spawned by the banking sector, major banks are financing a growth in greenhouse gas emissions that could lead to a catastrophic climate crisis that will negatively impact us all. Action must be taken quickly to ensure that banks are held accountable for the climate impacts of their financing, and to redirect their financial resources to build out a low-carbon, climate-friendly future.

For more information or to see the full report, please visit [www.climatefriendlybanking.org](http://www.climatefriendlybanking.org)

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<sup>4</sup> <http://www.cbc.ca/canada/story/2007/09/23/environment-poll.html> Accessed on October 31, 2008.

<sup>5</sup> Calculations based on information provided at: <http://www.onelesstonne.ca/sourcescalcs.pdf>