

Degnarain, 2020

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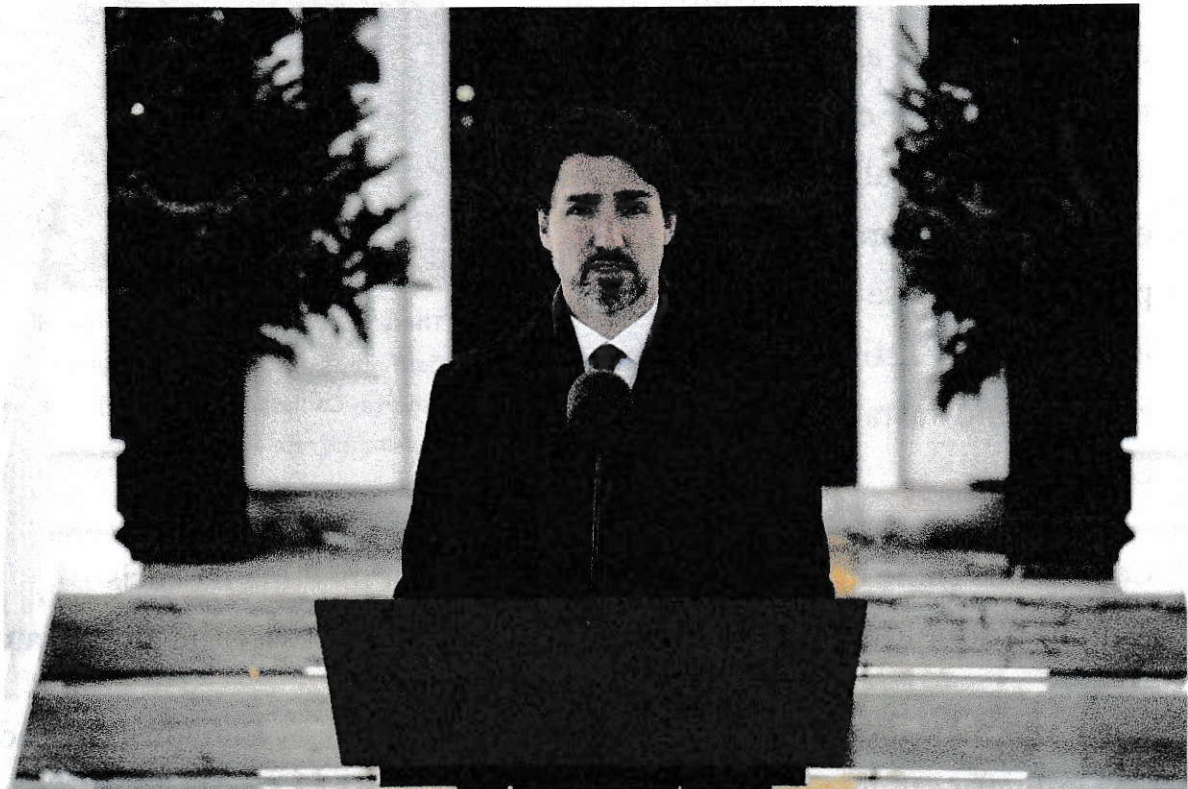
What Canada Is Getting Right With Its Covid-19 Economic Response Plan



Nishan Degnarain Contributor ⓘ

Manufacturing

I cover innovation within the green/blue industrial revolution.



Canadian Prime Minister Justin Trudeau speaks during a news conference on COVID-19 situation in ... [+] AFP VIA GETTY IMAGES

Last week, the Canadian Government announced a raft of new measures to support businesses during the COVID-19 pandemic.

Among the headlines, was an important measure announced by Prime Minister Justin Trudeau on sustainability. Large businesses (with revenues above \$300 million), that apply for Government loans, must publish Annual Climate Disclosure Reports.

This is an important measure to start to identify the business and economic risk being faced by the Climate Crisis. Such disclosures include emissions directly from business operations, from products, as well as assessing climate risk along global supply chains.

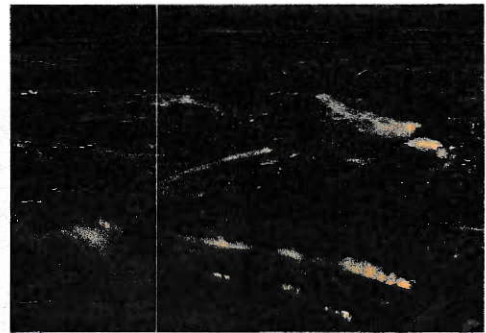
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Along with Climate Disclosure, these companies must also produce reports that link to other environmental sustainability goals. Details have been evolving on the precise sustainability policies, but these are important steps to link the COVID stimulus to a more resilient and sustainable post-COVID economy.



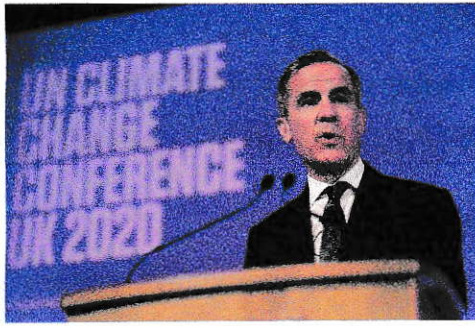
There is explosive growth in the oil field areas around Fort McMurray, Alberta, Canada. The oil ... [+] THE WASHINGTON POST VIA GETTY IMAGES

Canada has come in for criticism recently for not meeting its Paris Climate Commitments, even though it is warming at twice the global rate.

The Canadian Government did reject a 17 page letter by Canada's Oil and Gas industry asking for environmental standards to be lowered as part of the COVID response (in line with what some other countries have attempted). However, Canada's oil and gas industry received a \$1.7 billion coronavirus package with links to methane reduction and cleaning up contaminated oil and gas wells.

Climate Disclosure

Climate Disclosure is part of the Taskforce on Climate Related Financial Disclosures (TCFD) Framework established by former Governor of the



LONDON, ENGLAND - FEBRUARY 27:
Outgoing Bank of England governor
Mark Carney makes a keynote address
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Bank of England (and Canadian), Mark Carney, as part of the G20 response to the climate crisis in 2015.

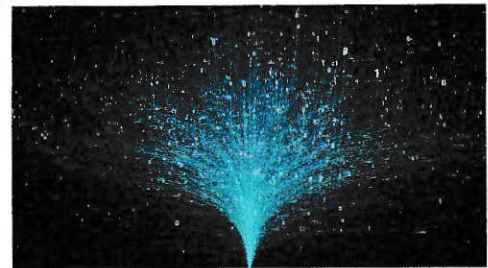
This is a model created after the 2008 Banking Crisis when G20 leaders created the G20 Financial Stability Board (FSB) to ensure stability of the banking system for over 80% of the global economy.

Whilst TCFD is an important policy, there are five further steps that businesses, Governments and international organizations can take if linking COVID stimulus to Climate Disclosure.

From Disclosure to Action

1. Automate the process

Currently, only 30 of the top 80 companies in the EU even mention the TFCF. Partly, this is because assessing climate risk is a manual, laborious and time-consuming process. There are a range of new technologies and companies (such as low cost satellites and machine learning) that can create a digital model of climate impact by geography and commodity. These datasets are easily available and can quickly be automated, and could be encouraged for rapid adoption in the post-COVID world.



New technologies such as low cost sensors and machine learning can radically transform ... [+] GETTY

2. Independent Audit of Climate Disclosures

Once companies publish climate disclosures, these should be open and transparent. Independent Audits of Climate Disclosures (rather than self-reporting) can ensure there is public trust



Transparent and independent auditing will strengthen the credibility of Climate Disclosures. GETTY

and credibility in such reports. In the same way that **Credit Rating Agencies** assess a company's debt profile, similar sorts of auditing and ratings may be needed based on the credibility and robustness of the Climate Disclosures.

3. Move from Risk Assessment to Action

Whilst disclosure of risk is important, companies are moving too slowly to offset the amount of carbon they emit and mitigate climate risk in their supply chains. Over 200 of the world's most

influential companies have pledged to become 100% renewable (although their timelines vary). Microsoft MSFT is one of the few companies to have made a bold statement to offset all carbon emitted in its history, by 2050. Such declarations will catalyze a new wave of innovation into green technologies, and could be accelerated through the COVID-cycle.



Swiftly moving from Climate Disclosure to Climate Action is critical GETTY

4. Aggregated Climate Disclosure at National and International Level

More than 1000 companies with a market capitalization of \$12 trillion have made a pledge toward TCFD. This is important but will need to increase, given global GDP is over \$85 trillion (and changing due to COVID-19). A strong way to

ensure this is to strengthen National and International reporting requirements for Climate Disclosure. Most Central Banks Assessments as well as the **IMF Article 4s**, do not systematically include a robust Climate Risk Section for policymakers to reflect on. Such Climate Risks should be aggregated through Central Banks and become a core part of OECD, IMF and Regional Bank discussions as part of the fixed, formal agenda.



2019 IMF Spring Meeting: Climate Risk should form a core part of the fixed agenda of leading ... [+] GETTY IMAGES

5. Aligning national legislation around Stock Markets

Many companies are using excuses around **Stock Market Rules** of listing potential investment risk, to delay disclosing their climate risk. Progress on Climate Resilient Stock markets has been incremental, despite guidance being issued on how to **balance Stock Market Rules**, over 1000 companies now signed up to TCFD, and multiple sustainability accounting forums that have only made incremental progress on this issue. Given the scale of the COVID-19 Pandemic that has **eroded over \$6 trillion** in value from stock markets around the world, now is the time for a radical and rapid response that leverages the **latest technologies**.



A man looks at an electronic stock quotation board of the Tokyo Stock Exchange in Tokyo on May 18, ... [+] AFP VIA GETTY IMAGES

Eyes of the world are watching



WASHINGTON, DC, MAY 14, 2020: U.S. Speaker of the House Rep. Nancy Pelosi (D-CA) speaks during a ... [+] GETTY IMAGES

Last week, a coalition of 300 US businesses with valuation of \$12 trillion called for a **Climate Resilient COVID-19 Economic Plan**. As the Congress passed a \$3 trillion relief package, the negotiations are only just beginning on the extent to which this will reflect a new climate reality.

With Canada's strong opening gambit to link its COVID-stimulus to Climate Change plans, the world awaits a series of new economic response plans that are expected from the **EU, UK, China, US** (including **individual States**), that could make or break the global response to the climate crisis.

As part of the review process in 2016-17, Nishan Degnarain provided advice to the TCFD Taskforce, particularly on the ocean pathways for climate-linked financial risk.



Nishan Degnarain



I am a Development Economist focused on Innovation, Sustainability, and Ethical Economic Growth. I currently work with leading Silicon Valley technology companies on... **Read More**

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