

GREENPEACE

WALKing the TALK:

Why RBC is obligated to stop funding
some of its biggest oil company clients

Walking the Talk: Why RBC is obligated to stop funding some of its biggest oil company clients

**A Greenpeace Canada Report
With support by the Greenpeace Canada Education Fund**

Author: Keith Stewart
Research: Keith Stewart
Design: Moe Pramanick

March 2024

GREENPEACE



Table of Contents

Executive Summary	1
RBC's New Approach to Client Engagement on Climate Change	3
The IEA Criteria for Determining if Oil and Gas Companies are Serious about the Energy Transition	7
Applying the IEA Criteria to Three Major Oil Sands Producers	9
Conclusion	21

Executive Summary



As the largest funder of fossil fuels in Canada and the fifth largest in the world, RBC has come under increasing pressure to phase out its funding of oil, gas and coal projects that fuel climate change, destroy biodiversity and violate the rights of Indigenous peoples.

In the face of this high-profile campaign by environmental, Indigenous and investor organizations, RBC published a new *Client Engagement Approach on Climate*¹ in November 2023 that could - if rigorously and honestly applied - help shift its finance from dirty to clean energy.

In this new engagement approach, RBC announced that it has prioritized the oil and gas sector for its Client Engagement Approach on Climate and “is prepared to make difficult business decisions and ultimately step away if a client, after repeated engagement, does not demonstrate sufficient planning for the energy transition.”

Determining what constitutes “sufficient planning for the energy transition” has been controversial. Fortunately, the International Energy Agency almost simultaneously published its November 2023 *The Oil and Gas Industry in Net Zero Transitions* report² that establishes authoritative criteria for determining whether oil and gas companies are, in fact, demonstrating sufficient planning for the energy transition.

RBC claims that its Client Engagement Approach is rooted in the IEA’s net zero scenario, so in this document, Greenpeace Canada applies the IEA’s criteria to three large oil sands producers (Cenovus, CNRL and Suncor). These companies were chosen because they are amongst RBC’s largest fossil fuel clients, have a long history of investment engagement on climate and have net zero commitments.

¹ RBC (November 2023). Client Engagement Approach on Climate: Energy. URL: https://www.rbc.com/community-social-impact/_assets-custom/pdf/rbc-client-engagement-approach-en.pdf. Accessed January 25, 2024.

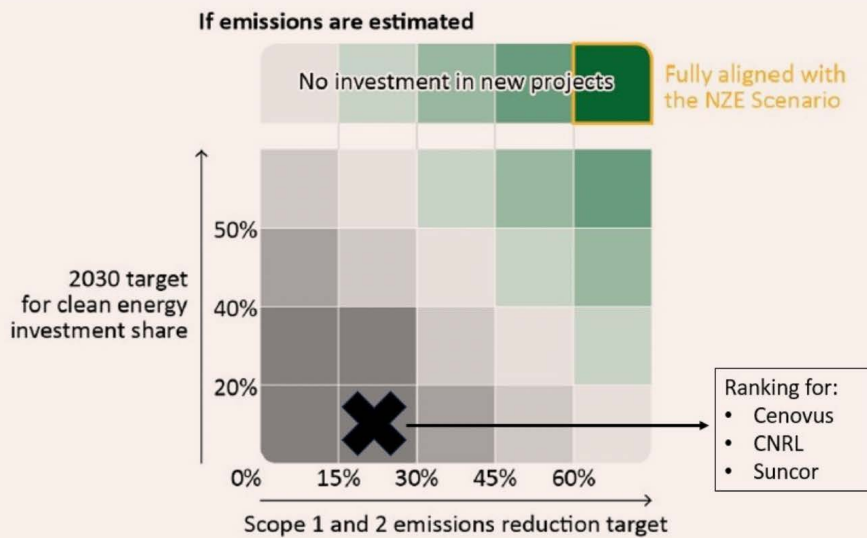
² International Energy Agency (November 2023). The Oil and Gas Industry in Net Zero Transitions. URL: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions>. Accessed January 25, 2024.

We find that these companies do not come close to meeting the IEA’s criteria for alignment with the IEA Net Zero scenario. Cenovus, CNRL and Suncor all have:

- A commitment to investing in new projects. Companies aligned with the IEA net zero scenario shouldn’t invest in new long-term fossil fuel projects.
- Earmarked less than 20 percent of their capital budget for clean energy. The IEA says it should be over 50 percent.
- 2030 GHG reduction targets in the 15-30 percent range. The IEA says it should be over 60 percent.

This places them in the lowest row and second-lowest column of the IEA’s assessment framework, i.e. in the dark grey area marked with an **X**.

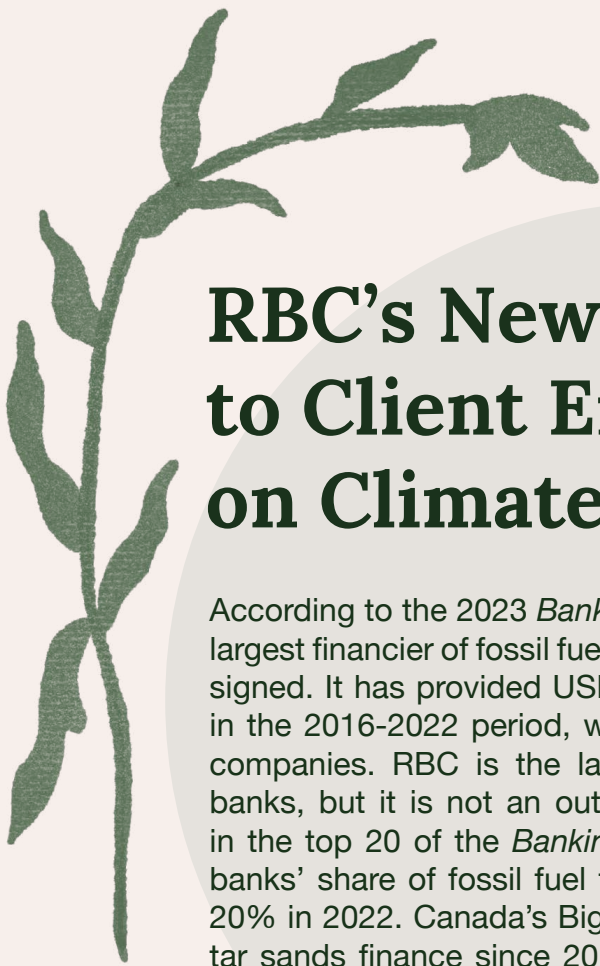
Figure 3.20 ▶ An IEA framework for assessing alignment of company targets with the outcomes of the NZE Scenario



Source: Adapted from Figure 3.20 in the IEA’s *The Oil and Gas Industry in Net Zero Transitions*.

In light of these findings, Greenpeace Canada calls for:

1. RBC to stop funding oil and gas companies, including the three companies assessed here, whose business plans are not aligned with the IEA’s criteria.
2. The federal government to introduce regulations to align all federally-regulated financial institutions’ investment in fossil fuels with our Paris climate commitments and the UN Declaration on the Rights of Indigenous Peoples.



RBC's New Approach to Client Engagement on Climate Change

According to the 2023 *Banking on Climate Chaos* report, RBC is the 5th largest financier of fossil fuels in the world since the Paris Agreement was signed. It has provided USD 250 billion to coal, oil and gas companies in the 2016-2022 period, with USD 31.8 billion dedicated to tar sands companies. RBC is the largest fossil fuel funder amongst Canadian banks, but it is not an outlier. Scotiabank TD, BMO and CIBC are all in the top 20 of the *Banking on Climate Chaos* ranking and Canadian banks' share of fossil fuel finance has increased from 15% in 2016 to 20% in 2022. Canada's Big Five banks are also responsible for 73% of tar sands finance since 2016, with their share increasing from 67% in 2016 to 89% in 2022.³

The outsized role of RBC and other Canadian banks in funding fossil fuel projects that fuel the climate crisis, destroy biodiversity and violate the rights of Indigenous peoples has generated a growing movement demanding that they change course.⁴ This has led to widespread media coverage of RBC's role in funding fossil fuels.⁵ In response, RBC created a new position⁶ in its senior executive ranks, the Head of Climate Transition, whose job description includes "Develop and implement effective and lasting responses to Climate activism."⁷

³ Rainforest Action Network et al. *Banking on Climate Chaos: Fossil Fuel Finance Report 2023*. URL: <https://www.bankingonclimatechaos.org/#data-panel>. Accessed January 25, 2024.

⁴ See <https://rbcrevealed.com/>. Accessed January 25, 2024.

⁵ For example: Canadian Press (April 13, 2023). "Royal Bank the No. 1 financier of fossil fuel development in the world, new report finds." CBC News. URL: <https://www.cbc.ca/news/business/royal-bank-oil-and-gas-1.6809011>; Rosa Saba (April 1, 2023). "Protesters across Canada demonstrate against RBC's fossil-fuel funding." CTV News. URL: <https://www.ctvnews.ca/business/protesters-across-canada-demonstrate-against-rbc-s-fossil-fuel-funding-1.6338875>; Canadian Press (September 12, 2023). "Canadian filmmakers, Hollywood celebrities urge TIFF to cut ties with RBC." CBC News. URL: <https://www.cbc.ca/news/entertainment/filmmakers-celebs-urge-tiff-cut-ties-rbc-1.6964476>

⁶ Nivedita Balu (August 3, 2023). "Royal Bank of Canada, criticized on climate, seeks executive to tackle issue." Reuters. URL: <https://www.reuters.com/world/americas/royal-bank-canada-criticized-climate-seeks-executive-tackle-issue-2023-08-03/>

⁷ See RBC Head of Climate Transition job description on LinkedIn: <https://www.linkedin.com/jobs/view/3675122352/?refId=FEH7LjH9TDyfIT4rFZN68g%3D%3D&trackingId=FEH7LjH9TDyfIT4rFZN68g%3D%3D>. Accessed January 25, 2024.

RBC's initial public response to the fossil-free banking campaign was to argue that they could be most effective by engaging with their clients (what RBC calls "active stewardship") rather than refusing to fund fossil fuels (divestment)

“While RBC Global Asset Management offers divestment solutions, we believe that the best approach to support the transition to a low-carbon economy is through active stewardship.

We support this belief by continuing to invest in companies that are taking actions to reduce their greenhouse gas emissions and that position themselves in line with the goals of the Paris Agreement. We also use our influence as active investors to make sure that companies have in place robust governance oversight of climate change and report transparently on the actions they are taking to integrate climate change into their strategic, financial and risk management processes. We make investment decisions on a case-by-case basis and use stewardship activities to motivate companies to implement strategies and take actions that enable climate mitigation and adaptation. We recognize the importance of our role as an active investor and we will continue to be an active part of the climate change conversation and the transition to a low-carbon economy.”⁸

The Client Engagement Approach on Climate released by RBC in November 2023, however, indicated for the first time that the bank would consider divestment from oil and gas companies:

“As a leading bank headquartered in a major energy producing and exporting economy, RBC can play an important role in supporting clients to achieve their objectives for the energy transition. Energy companies can help build the low-carbon energy system of the future while being at the heart of efforts to reduce emissions from conventional sources of energy today. RBC is committed to supporting clients to seize this opportunity as they continue to provide the energy the world requires to maintain energy security.

⁸ RBC GAM Responsible Investment Team (February 4, 2021). “Climate change: Active stewardship vs. divestment.” URL: <https://www.rbcgam.com/en/ca/article/climate-change-active-stewardship-vs-divestment/detail>. Accessed January 25, 2024.

That is why RBC CM [Capital Markets] has prioritized and accelerated formalization of the Client Engagement Approach on Climate for the oil & gas and power generation sectors. This approach includes a transition readiness framework (“Framework”) - a tool to assess energy sector client transition plans - coupled with support for clients on their transition journeys. RBC CM’s objective is to help clients accelerate their transition plans and progress their standing within the transition readiness framework.”

“RBC CM believes that clients who are proactively planning for the energy transition are better positioned to respond to associated emerging risks and opportunities. This is why client transition plans are an important consideration in RBC CM’s business decision-making. The business considers clients in the “non-committed” band of the maturity scale to be at particular risk of facing significant challenges in making appropriate adjustments to their operations and ultimately maintaining or improving their financial performance. **RBC CM is prepared to make difficult business decisions and ultimately step away if a client, after repeated engagement, does not demonstrate sufficient planning for the energy transition. On a case-by-case basis, and considered alongside other financial and non-financial factors, this could include reducing or eliminating available credit and other products and services.**”⁹ (emphasis added)

⁹ RBC (November 2023). Client Engagement Approach on Climate: Energy, pages 4 and 13. URL: <https://www.rbc.com/community-social-impact/assets-custom/pdf/rbc-client-engagement-approach-en.pdf>. Accessed January 25, 2024.

Yet there are elements of RBC’s “transition readiness framework” that are contradictory. On the one hand, “advanced” energy transition plans must include commitment to be “net-zero in all scopes by 2050.”¹⁰ Yet the bank will still support oil and gas companies unwilling to make the switch to non-fossil energy and there is no requirement for investments in non-emitting energy technologies:

“The ability to reduce end-use scope 3 emissions from the oil & gas sector depends on a shift in energy usage in the economy towards low-emissions energy sources, and some clients’ transition plans are based on diversifying their business to meet this demand. Other clients are aiming to meet continuing demand for oil & gas while in parallel reducing their emissions intensity. The business will continue engaging with its clients and support the acceleration of their transition plans.”¹¹

The day after RBC posted its new Client Engagement Approach on Climate to its website, the International Energy Agency resolved this contradiction by demolishing the argument that an oil and gas company can be considered to be serious about the energy transition while at the same time planning to continue meeting demand for oil and gas.

This is significant because RBC claims their Client Engagement Approach on Climate is rooted in the IEA’s net zero scenario. RBC’s Framework Design Principles for their client engagement includes that it is “**Informed by the shifts that could be required** to achieve the 1.5°C goal of the Paris Agreement, based on the IEA NZE scenario – which is a scenario commonly used by the financial sector to assess alignment with the 1.5°C goal of the Paris Agreement and is referenced in the Net Zero Banking Alliance Guidelines for Climate Target Setting” (emphasis in original).¹²

¹⁰ Ibid, page 10.

¹¹ Ibid, page 9.

¹² Ibid, page .

The IEA Criteria for Determining if Oil and Gas Companies are Serious about the Energy Transition



The International Energy Agency is widely considered to be the world’s leading energy authority. It was established by Canada and 16 other nations in the wake of the 1973 oil crisis when an oil embargo by major producers pushed prices to historic levels and exposed the vulnerability of industrialized countries to dependency on oil imports. Its initial purpose was to ensure the stability of the international oil supply but that mandate has been expanded to include a full range of energy issues, including climate change and decarbonisation. The IEA now has 31 member governments, who agreed in March 2022 to further expand the Agency’s mandate to include guiding countries as they build net-zero emission energy systems to comply with internationally agreed climate goals, and to broaden the Agency’s scope to include the critical minerals and metals needed to develop clear energy technologies.¹³

As part of its mandate to provide advice on decarbonization, the IEA published a report on the role of the oil and gas industry in net zero transitions in November 2023 that argued the industry faced a “moment of truth” over its role in the energy transition. IEA President Fatih Birol’s foreword to the report stated:

“The uncomfortable truth that the industry needs to come to terms with is that successful clean energy transitions require much lower demand for oil and gas, which means scaling back oil and gas operations over time - not expanding them. There is no way around this. So while all oil and gas producers need to reduce emissions from their own operations, including methane leaks and flaring, our call to action is much wider.”¹⁴

¹³ See IEA web page: “History: From oil security to steering the world toward secure and sustainable energy transitions.” URL: <https://www.iea.org/about/history>. Accessed January 25, 2024.

¹⁴ International Energy Agency (November 2023). The Oil and Gas Industry in Net Zero Transitions, page 4. URL: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions>. Accessed January 25, 2024.

The report noted that oil and gas producers were largely sitting on the sidelines. They account for only 1% of total clean energy investment globally, with more than 60% of this coming from just four companies. It points out that although many oil companies claim they'll be the last one standing in a world using less oil, they can't all be right and high-cost producers like Canada will be forced to shut in production.

According to the IEA, oil and gas companies have two options if they want to be considered as being aligned with a net zero transition.

The first option is to wind down their current operations by not investing in new oil and gas extraction while making their existing operations as efficient as possible. The second option is to transition from being oil and gas companies to become clean energy companies. In this case, they should avoid investing in new fields, allocate 50% of the capital to clean energy by 2030 and reduce upstream (scopes 1 and 2) emissions by at least 60% (or to be aligned with current best practices) by 2030:

“Not all oil and gas companies have to diversify into clean energy, but the alternative is to wind down traditional operations over time. Some companies may take the view that their specialisation is in oil and natural gas and so decide that - rather than risking money on unfamiliar business areas - others are better placed to allocate this capital. But aligning their strategies with net zero transitions would then require them to scale back oil and gas activities while investing in scope 1 and 2 emissions reductions.”

“An oil and gas company is fully aligned with the outcomes of the NZE Scenario only if it no longer plans to invest in new oil and gas projects and if it has a target for its scope 1 and 2 emissions intensity to be aligned with current best practices by 2030 or for these emissions to be cut by 60% by 2030.

However, if a company plans to continue to invest in new projects, it is assessed on its 2030 target to limit scope 1 and 2 emissions and 2030 target for the share of its capital budget going towards clean energy technologies. A target for a share greater than 50% in 2030 would allow the company to claim it is making a fair contribution to the scaling up clean energy necessary to achieve net zero emissions by 2050.”¹⁵

¹⁵ Ibid, page 16, 146-147.

Applying the IEA Criteria to Three Major Oil Sands Producers



For illustrative purposes, we will apply the IEA’s criteria to three oil and gas companies: Cenovus Energy, Canadian Natural Resources Limited (CNRL) and Suncor Energy. These companies have been chosen because they are:

1. Amongst RBC’s largest fossil fuel clients;
2. Have a long history of investor engagement on climate change, so this is not a new issue for them (or for RBC’s relationship with them); and
3. Have formal net-zero commitments (RBC’s framework says that oil and gas companies with a net zero commitment should be assessed as “advanced”).

Why these companies?:

Amongst RBC’s largest fossil fuel clients

According to the *2023 Banking on Climate Chaos* report, Cenovus, CNRL and Suncor are RBC’s first, second and sixth largest fossil fuel clients, with a combined \$29.3 billion in funding from RBC.¹⁶

TOP RECIPIENTS OF FOSSIL FUEL FINANCE FROM RBC (USD MILLIONS)

RBC Client	2016	2017	2018	2019	2020	2021	2022	TOTAL
Cenovus Energy (sum of Inc/CA and Inc)	786.45	4,575.55	1,730.59	1,719.93	707.22	2,372.90	1,368.71	13,261.35
Canadian Natural Resources Ltd (CNRL)	380.91	2,092.90	2,659.69	2,949.56	152.34	2,929.11	0	11,164.51
ARC Resources Ltd	704.55	737.52	722.02	716.49	0	3,016.24	1,291.98	7,188.80
Enbridge Inc	742.93	1,143.78	564.11	702.88	909.48	831.41	1,560.41	6,454.99
Calpine Corp	1,892.09	150.67	1,519.20	1,011.91	300.41	62.4	0	4,936.68
Suncor Energy Inc	383.93	1,026.43	0	1,465.79	631.87	1,362.24	0	4,870.26

Source: Data available on the [2023 Banking on Climate Chaos](#) website.

¹⁶ Rainforest Action Network et al. *Banking on Climate Chaos: Fossil Fuel Finance Report 2023*. URL: <https://www.bankingonclimatechaos.org/>. Accessed January 25, 2024.

Why these companies?:

History of investor engagement on climate change

Oil sands operators have been under sustained pressure on climate impacts since the mid-2000s that has included outreach to investors. Greenpeace Canada, for example, began organizing tar sands tours for investors in 2008, which included meetings with environmental organizations, Indigenous community members and companies. In 2008, Greenpeace published *BP and Shell: Rising Risks in Tar Sands Investment* that urged investors to ask questions of oil companies investing in the sector.¹⁷ We built on this analysis in 2016 with *Flawed Fundamentals – Shell’s and BP’s Stalled Tar Sands Ambitions*.¹⁸ And in 2017, our report *In the Pipeline: Risks for funders of tar sands pipelines* highlighted banks’ exposure to financial and reputational damage due to their financing of tar sands pipelines.¹⁹

After more than a decade of engagement, dozens of major investors have chosen to ‘step away’ from oil sands companies (to use RBC’s language). The Financial Exclusions Tracker is an initiative by BankTrack and other non-profit groups that maintains a list of companies that have been publicly excluded by financial institutions, for reasons ranging from human rights violations to environmental impact and other sustainability issues. As of January 2024, Cenovus and Suncor were the most-excluded companies in the climate category. They were each excluded by 52 major investors, while CNRL followed close behind with 50 exclusions on climate grounds.²⁰

¹⁷ James Marriott, Lorne Stockman and Charlie Kronick (2008). *BP and Shell: Rising Risks in Tar Sands Investment*. Greenpeace UK, Platform and Oil Change International. URL: <https://priceofoil.org/content/uploads/2011/05/RisingRisks.pdf>. Accessed January 25, 2024.

¹⁸ Oil Change International and Greenpeace UK. September (September 2016). *Flawed Fundamentals – Shell’s and BP’s Stalled Tar Sands Ambitions*. URL: <https://priceofoil.org/content/uploads/2017/04/FlawedFundamentalsTarSands.pdf>. Accessed January 25, 2024.

¹⁹ Greenpeace UK and Oil Change International (2017). *In the Pipeline: Risks for funders of tar sands pipelines*. URL: https://priceofoil.org/content/uploads/2017/10/In_the_pipeline.pdf. Accessed January 25, 2024.

²⁰ Financial Exclusions Tracker. URL: <https://financialexclusionstracker.org/>. Accessed January 25, 2024.

Why these companies?:

Net zero commitments

At least partially in response to the environmental campaigns and investor divestment, the five largest oil sands operators (including Cenovus, CNRL and Suncor, along with Imperial Oil and MEG Energy) established the Oil Sands Pathways to Net Zero initiative in June 2021.²¹ ConocoPhillips joined in November 2021²² and it was renamed the Pathways Alliance in 2022.²³

Collectively, the six companies in the Pathways Alliance operate about 95 percent of Canada’s oil sands production.²⁴ The Alliance describes itself as “Canada’s largest oil sands companies working together on responsible development, including achieving our goal of net-zero emissions from operations.”²⁵

The qualifier “from operations” in their net zero commitment is significant. Based on the companies’ own sustainability reporting, only 18 percent of their greenhouse gas emissions are from their operations (known as Scopes 1 and 2 emissions), with the remainder from burning of their products (gasoline, diesel, home heating fuels, etc.) after they are sold (known as Scope 3 emissions).

²¹ Pathways Alliance (June 9, 2021). “Press Release: Canada’s largest oil producers announce unprecedented alliance to achieve net zero greenhouse gas emissions.” URL: <https://pathwaysalliance.ca/news/press-release-canadas-largest-oil-producers-announce-unprecedented-alliance-to-achieve-net-zero-greenhouse-gas-emissions/>. Accessed January 25, 2024.

²² Pathways Alliance (November 3, 2021). “Press Release: ConocoPhillips Canada joins Oil Sands Pathways to Net Zero alliance.” URL: <https://pathwaysalliance.ca/news/press-release-conocophillips-canada-joins-oil-sands-pathways-to-net-zero-alliance/>. Accessed January 25, 2024.

²³ Pathways Alliance (June 15, 2022). “Key oil sands groups join forces under Pathways Alliance banner.” URL: <https://pathwaysalliance.ca/news/key-oil-sands-groups-join-forces-under-pathways-alliance-banner/>. Accessed January 25, 2024.

²⁴ Pathways Alliance webpage. “Our History.” URL: <https://pathwaysalliance.ca/who-we-are/our-history/>. Accessed January 25, 2024.

²⁵ Pathways Alliance homepage. URL: <https://pathwaysalliance.ca/>. Accessed January 25, 2024.

2022 GHG EMISSIONS (MT)

	Scope 1 & 2 (operated)	Scope 3 (end use)	Scopes 1-3
Cenovus ²⁶	24	143.7	167.7
Suncor ²⁷	34.96	126	160.96
CNRL ²⁸	26.34	124	150.34
Total (MT)	85.3	393.7	479.0
Total (percentage)	18%	82%	

Source: Data available on the [2023 Banking on Climate Chaos](#) website.

The Pathways Alliance target also doesn't cover all of the emissions from their operations. Pathways' plan only seeks to address 68 MT of upstream oil sands emissions (much of it through unproven or "emerging" technology),²⁹ whereas the federal government's greenhouse gas inventory states that there are currently 81 MT of upstream emissions from the oil sands.³⁰

The "foundational project" at the core of the Pathways Alliance 'net zero' strategy is carbon capture and storage (CCS).³¹ The Pathways CCS proposal would capture 10 to 12 MT of carbon per year at an estimated cost of \$16.5 billion.³² Pathways Alliance member companies are not, however, proposing to cover all, or even

²⁶ Cenovus Energy (2023). 2022 Environmental, Social & Governance Report, page 10. URL: https://mc-95523900-b89e-4513-a7cd-2165-cdn-endpoint.azureedge.net/-/media/Project/WWW/docs/sustainability/2022/2022-esg-report.pdf?rev=2a2d6aaa25794d3390aa0cab6ab93797&sc_lang=en&hash=11DA0E109DA56054404F319146569C9F. Accessed January 25, 2024.

²⁷ Suncor Energy (2023). Climate Report 2023. URL: <https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/climate-reports/2023-climate-report-en.pdf?modified=20230922220133>. Accessed January 25, 2024.

²⁸ Canadian Natural Resources Limited (2023). 2022 Stewardship Report to Stakeholders: Canadian Natural's Sustainability Report. URL: <https://www.cnrl.com/content/uploads/2023/08/2022-Stewardship-Report-to-Stakeholders.pdf>. Accessed January 25, 2024.

²⁹ Pathways Alliance (March 8, 2022). "Press Release: A Pathway to Net Zero Emissions for North America's Largest Oil Resource." URL: <https://pathwaysalliance.ca/news/press-release-a-pathway-to-net-zero-emissions-for-north-americas-largest-oil-resource/>. Accessed January 25, 2024.

³⁰ Environment and Climate Change Canada (2023). National inventory report : greenhouse gas sources and sinks in Canada, 2023 edition. Table 2-12. Page 65. URL: <https://publications.gc.ca/site/eng/9.506002/publication.html>. Accessed January 25, 2024.

³¹ <https://pathwaysalliance.ca/foundational-project/carbon-capture-and-storage-ccs/> eng/9.506002/publication.html. Accessed January 25, 2024.

³² Pathways Alliance. "A three-phased approach to reaching our net-zero goal." URL: <https://pathwaysalliance.ca/net-zero-initiative/planned-phases/>. Accessed January 25, 2024.

most, of these costs themselves.³³ In its 2022 budget, the federal government offered up to \$8.6B to cover 50 percent of the costs of carbon capture equipment and 37.5 percent of equipment to transport and inject the carbon,³⁴ but the oil sands companies said this would be inadequate.³⁵ The Government of Alberta has subsequently offered up to \$5.3B for CCS projects.³⁶

Yet the IEA makes it very clear that oil and gas companies cannot use carbon capture as a rationale for business-as-usual:

“Carbon capture, utilisation and storage is an essential technology for achieving net zero emissions in certain sectors and circumstances, but it is not a way to retain the status quo. If oil and natural gas consumption were to evolve as projected under today’s policy settings, this would require an inconceivable 32 billion tonnes of carbon captured for utilisation or storage by 2050, including 23 billion tonnes via direct air capture to limit the temperature rise to 1.5 °C. The necessary carbon capture technologies would require 26,000 terawatt hours of electricity generation to operate in 2050, which is more than global electricity demand in 2022. And it would require over USD 3.5 trillion in annual investments all the way from today through to mid-century, which is an amount equal to the entire industry’s annual average revenue in recent years.”³⁷

³³ Marco Chown Oved (March 10, 2023). “These oilsands companies raked in \$35B last year. Now, they’re asking for public money to help fight climate change.” The Toronto Star. https://www.thestar.com/news/canada/these-oilsands-companies-raked-in-35b-last-year-now-they-re-asking-for-public-money/article_9d109706-928b-520e-847f-fa3cc8829e12.html. Accessed January 25, 2024.

³⁴ Meghan Potkins (April 7, 2022). “Trudeau proposes tax credit to cover 50% of carbon capture technology cost.” Financial Post. URL: <https://financialpost.com/commodities/energy/oil-gas/trudeau-proposes-tax-credit-to-cover-50-of-carbon-capture-technology-cost>. Accessed January 25, 2024.

³⁵ Amanda Stephenson (April 27, 2022). “Federal tax credit not enough to get carbon capture projects built: Cenovus CEO.” The Canadian Press. URL: https://www.thestar.com/business/federal-tax-credit-not-enough-to-get-carbon-capture-projects-built-cenovus-ceo/article_749c6a0e-afc5-52e8-9b31-8047c9834599.html. Accessed January 25, 2024.

³⁶ Government of Alberta (November 28, 2023). “Alberta Carbon Capture Incentive Program.” URL: <https://www.alberta.ca/alberta-carbon-capture-incentive-program>. Accessed January 25, 2024.

³⁷ International Energy Agency (November 2023). The Oil and Gas Industry in Net Zero Transitions, pp. 4 and 16. URL: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions>

The problem here is that while CCS can capture some (but not all) emissions from oil and gas production, it cannot capture the majority of emissions from end-use, such as from vehicle tailpipes. Oil companies argue that these ‘scope 3’ emissions are largely beyond their control, so they focus on scopes 1 and 2 emissions. In its framework, the IEA acknowledges that there are challenges (and potentially perverse incentives) to oil companies adopting Scope 3 targets, but finds these challenges can be addressed by including a clean energy investment as an alternate metric as this captures their progress on transitioning out of fossil fuels and into low- or no-carbon energy.³⁸

Overview of the IEA Framework

The IEA summarizes its framework in the following way:

“In this framework, companies that chose to align with net zero transitions are assessed on: their 2030 target for scope 1 and 2 emissions reductions, whether or not they have plans to develop new long lead time conventional oil and gas production, and their 2030 target for the share of investment in clean energy, if they are looking to develop these types of projects (Figure 3.20). This is complemented by qualitative aspects including measurement and transparency, the planned use of offsets, and a company’s plans for the stewardship of oil and gas asset disposals.

“An oil and gas company is fully aligned with the outcomes of the NZE Scenario only if it no longer plans to invest in new oil and gas projects and if it has a target for its scope 1 and 2 emissions intensity to be aligned with current best practices by 2030 or for these emissions to be cut by 60% by 2030.

“However, if a company plans to continue to invest in new projects, it is assessed on its 2030 target to limit scope 1 and 2 emissions and 2030 target for the share of its capital budget going towards clean energy technologies. A target for a share greater than 50% in 2030 would allow the company to claim it is making a fair contribution to the scaling up clean energy necessary to achieve net zero emissions by 2050.”

We will now apply this framework to the three companies.

³⁸ International Energy Agency (November 2023). The Oil and Gas Industry in Net Zero Transitions, page 126. <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions>

IEA Criteria:

No investment in new fossil fuel projects

Cenovus, CNRL and Suncor are all committed to new fossil fuel projects, with current plans focused on expanding oil sands production.

Oil sands differ from conventional oil extraction in that companies don't have to explore for new reserves (the enormous bitumen deposits - representing the third largest reserve of oil in the world - are well-mapped), but can access them through expanding existing mines or adding drill pads to existing sites.

The next section references corporate statements showing that the three companies intend to remain pure-play oil and gas companies, but the companies' presentations to investors provide examples of specific expansion programs:

- According to its most recent investor presentation, Cenovus is planning for 110-120 thousand barrels per day worth of expanded production at its Foster Creek, Christina Lake and Sunrise oil sands sites.³⁹
- In its January 2024 investor presentation, CNRL boasts of being the only Canadian company with over 5 billion barrels of proved reserves. It has a goal of increasing total oil sands mining and upgrading production capacity by 33,600 barrels per day in 2025 and subsequent years.⁴⁰
- Suncor is ramping up total production at its Fort Hills oil sands mine by up to 35,000 barrels per day over the next few years⁴¹ and recently bought Total Energy's share of the Fort Hill mine for \$1.47B, increasing its share of production by 61,000 barrels per day.⁴²

³⁹ Cenovus (December 2023). Corporate Presentation, slide 10. URL: <https://www.cenovus.com/-/media/FCA5F5D0FBC345DC8FBC93DEF08D292E.ashx>. Accessed January 25, 2024.

⁴⁰ CNRL (January 2024). Corporate Presentation, slides 6 and 30. URL: https://www.cnrl.com/content/uploads/2024/01/V_Corp_Pres_Jan.pdf. Accessed January 25, 2024.

⁴¹ Suncor (November 2022). Investor Day Presentation, slide 31. URL: <https://sustainability-prd-cdn.suncor.com/-/media/project/suncor/files/investor-centre/investor-day-2022/2022-suncor-energy-investor-day-presentation-en.pdf?modified=20221212153002>. Accessed January 25, 2024.

⁴² Robert Tuttle (October 4, 2023). "Suncor to buy Total's Fort Hills oilsands stake in \$1.47-billion deal." Financial Post. URL: <https://financialpost.com/commodities/energy/oil-gas/suncor-total-fort-hills-oilsands-1-47-billion-deal>. Accessed January 25, 2024.

IEA Criteria:

50% of capital budget for clean energy by 2030

The three companies have actively chosen to not invest in clean energy, with Suncor selling off its wind and solar assets in 2022.

Cenovus and CNRL have clearly indicated that they do not intend to transition to clean energy. Their investor presentations (cited above) show no capital budget for clean energy and their leaders have publicly stated that they will remain oil and gas companies:

The next section references corporate statements showing that the three companies intend to remain pure-play oil and gas companies, but the companies' presentations to investors provide examples of specific expansion programs:

“The preference is to stick with what we know and what we’re good at,” said Tim McKay, president of Canadian Natural, during the Scotiabank CAPP Energy Symposium.

“If I was to get into wind power, I would have to relearn it and figure out how I could compete with other producers,” he said.

In the past, some executives have said it’s not about a lack of knowledge, since oil majors have branched out into new ventures like petrochemicals without any prior experience.

Cenovus chief executive Alex Pourbaix said the only renewable energy consideration would be potentially purchasing the electricity from a third party.

“Where we’re likely to remain is focused on oil and gas production,” he said at the symposium.

“Don’t look for us to become a late-entrant renewable-power developer.”⁴³

⁴³ Rod Nickel (April 6, 2021). “Canadian Natural Resources and Cenovus plan new emissions targets, no shift to renewables.” The Globe and Mail. URL: <https://www.theglobeandmail.com/business/industry-news/energy-and-resources/article-oil-producers-cnrl-cenovus-plan-new-emissions-targets-no-shift-to/> Accessed January 25, 2024.

Suncor did have significant renewable energy assets, but sold them off as part of what Suncor CEO Rich Kruger described as a pivot away from a “disproportionate emphasis on the longer-term energy transition” Kruger argued that “Today, we win by creating value through our large integrated asset base underpinned by oilsands.”⁴⁴

As part of this pivot back to the oil sands, Suncor sold its entire solar and wind power portfolios for \$730M in October 2022,⁴⁵ in a move criticized by Greenpeace Canada when it was first announced.⁴⁶ Then in October 2023, the company spent \$1.47 billion to secure a 100% stake in the Fort Hills oilsands mine.⁴⁷ Suncor says that it plans to spend an average of 10 percent of its annual capital budget in the 2021 to 2025 period on “projects aimed at lowering our emissions and advancing low-carbon energy offerings”⁴⁸ but it is not clear how much of this would count as “clean energy” spending by the IEA’s criteria, which excludes investment in scope 1 and 2 emissions reductions and carbon credits generated from outside the energy sector.

Selling off wind and solar assets to buy a larger share in a carbon-intensive oil sands mine is, of course, the exact opposite of what the IEA says is required for a company to be considered aligned with a net zero outcome.

The companies are exploring hydrogen production, but this would likely be ‘blue’ hydrogen which is made from fossil gas rather than ‘green’ hydrogen that can be made in a genuinely low-carbon way by using electricity generated from renewable sources to electrolyze water.

⁴⁴ Amanda Stephenson (August 15, 2023). “Suncor has been too focused on energy transition, must get back to fundamentals: CEO “ CBC News. URL: <https://www.cbc.ca/news/canada/calgary/suncor-too-focused-on-energy-transition-rich-kruger-says-1.6937360#>. Accessed January 25, 2024.

⁴⁵ The Canadian Press (October 6, 2022). “Suncor Energy to sell its wind, solar assets to Canadian Utilities Limited for \$730-million” The Globe and Mail. URL: <https://www.theglobeandmail.com/business/industry-news/energy-and-resources/article-suncor-energy-to-sell-its-wind-solar-assets-to-canadian-utilities/>. Accessed January 25, 2024.

⁴⁶ Amanda Stephenson (April 5, 2022). “Suncor’s move to get out of wind and solar criticized by Greenpeace Canada.” Global News. URL: <https://globalnews.ca/news/8737334/suncor-energy-wind-solar-greenpeace/>. Accessed January 25, 2024.

⁴⁷ Nia Williams and Tanay Dhumal (October 4, 2023). “Suncor Energy to acquire TotalEnergies’ Canadian operations for \$1.47-billion” Reuters. URL: www.reuters.com/markets/deals/suncor-energy-acquire-totalenergies-canadian-operations-c147-bln-2023-10-04/. Accessed January 25, 2024.

⁴⁸ Suncor Energy (2023). Climate Report 2023, page 10. URL: <https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/climate-reports/2023-climate-report-en.pdf?modified=20230922220133>. Accessed January 25, 2024.

IEA Criteria:

60% Reduction in Scope 1 and 2 emissions by 2030

The three companies have scope 1 and 2 emission targets, but these are in the range of 16 - 27 percent by 2030.

In setting their interim emission reduction targets, the three companies didn't use the precise metric found in the IEA framework so we have prorated their targets in the following way:

- Cenovus and CNRL have set absolute emissions reduction targets for 2035 in scope 1 and 2 emissions, based on 2019 and 2020 baselines (respectively). For the purpose of estimating a 2030 target, we have set it as two thirds of the 2035 targets (i.e. the first 10 years of a 15 year target).
- Suncor's target is more complicated, as it has a target of reducing emissions by 10 MT by 2030 across its business chain (i.e. including scope 3 emissions from its customers). Since this includes a maximum of 5.7 MT from scope 1 and 2 emissions and Suncor reported 34.96 MT of Scopes 1 and 2 emissions in 2022, we have set the scope 1 and 2 emission target as a 16% reduction by 2030.

	Scope 1 and 2 reduction target	Prorated 2030 target for scopes 1 and 2 emissions.
Cenovus	35% reduction in absolute GHG emissions by 2035, relative to 2019. ⁴⁹	Absolute 23% reduction by 2030.
CNRL	40% reduction in absolute GHGs by 2035, relative to 2020. ⁵⁰	Absolute 27% reduction by 2030.
Suncor	Up to 16% reduction in absolute emission from scope 1 and 2 emissions by 2030 (see above). ⁵¹	Absolute 16% reduction by 2030.

⁴⁹ Cenovus Energy (2023). 2022 Environmental, Social & Governance Report, page 18. URL: https://mc-95523900-b89e-4513-a7cd-2165-cdn-endpoint.azureedge.net/-/media/Project/WWW/docs/sustainability/2022/2022-esg-report.pdf?rev=2a2d6aaa25794d3390aa0cab6ab93797&sc_lang=en&hash=11DA0E109DA56054404F319146569C9F. Accessed January 25, 2024.

⁵⁰ Canadian Natural Resources Limited (2023). 2022 Stewardship Report to Stakeholders: Canadian Natural's Sustainability Report, page 20. URL: <https://www.cnrl.com/content/uploads/2023/08/2022-Stewardship-Report-to-Stakeholders.pdf>. Accessed January 25, 2024.

⁵¹ Suncor Energy (2023). Climate Report 2023, page 8. URL: <https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/climate-reports/2023-climate-report-en.pdf?modified=20230922220133>. Accessed January 25, 2024.

The IEA does provide an option for companies that have already significantly reduced scopes 1 and 2 emissions to align with best practices instead. For upstream production, the IEA identifies best practice as 8 kg CO₂e per barrel of oil equivalent (kg CO₂e/boe) for upstream production and 20 kg CO₂e/boe for refining.⁵²

As context, it is important to note that Environment Canada's greenhouse gas inventory says that oil sands production averaged 79 kg/boe in 2021 (down from 96 kg/boe in 2005). According to Environment Canada, a significant portion of the post-2010 reductions were due to a dramatic increase in the export of raw bitumen, which means the emissions associated with upgrading and refining happen in the United States and thus aren't calculated as part of the emissions per barrel in Canada.⁵³ This highlights the challenge of determining apples-to-apples comparisons of emissions per barrel when, for example, one company extracts, upgrades and refines a barrel while another simply counts the emissions from extraction.

Cenovus reports emissions of 56.5 kg/boe for upstream and 33.8 kg/boe for refining. CNRL reports emissions of 50 kg/boe.⁵⁴ Suncor reports emissions of 6.53 grams per megajoule;⁵⁵ one barrel of oil equivalent is 6118 MJ,⁵⁶ so this translates to 40 kg/boe. It is not clear if the CNRL and Suncor measurements include refining, or are simply for upstream emissions.

As it is not known if companies are calculating their emissions using the same methodology as the IEA and as they report emissions significantly higher than best practices, we will use the absolute GHG reduction metric to assess them against the IEA criteria.

⁵² International Energy Agency (November 2023). The Oil and Gas Industry in Net Zero Transitions, page 139. URL: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions>. Accessed January 25, 2024.

⁵³ Environment and Climate Change Canada (2023). National inventory report : greenhouse gas sources and sinks in Canada, Page 63. URL: <https://publications.gc.ca/site/eng/9.506002/publication.html>. Accessed January 25, 2024.

⁵⁴ Canadian Natural Resources Limited (2023). 2022 Stewardship Report to Stakeholders: Canadian Natural's Sustainability Report, page 65. URL: <https://www.cnrl.com/content/uploads/2023/08/2022-Stewardship-Report-to-Stakeholders.pdf>. Accessed January 25, 2024.

⁵⁵ Suncor Energy (2023). Climate Report 2023, page 44. URL: <https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/climate-reports/2023-climate-report-en.pdf?modified=20230922220133>. Accessed January 25, 2024.

⁵⁶ <https://www.justintools.com/unit-conversion/energy.php?k1=megajoules&k2=barrel-of-oil-equivalent>

Mapping the companies based on IEA criteria

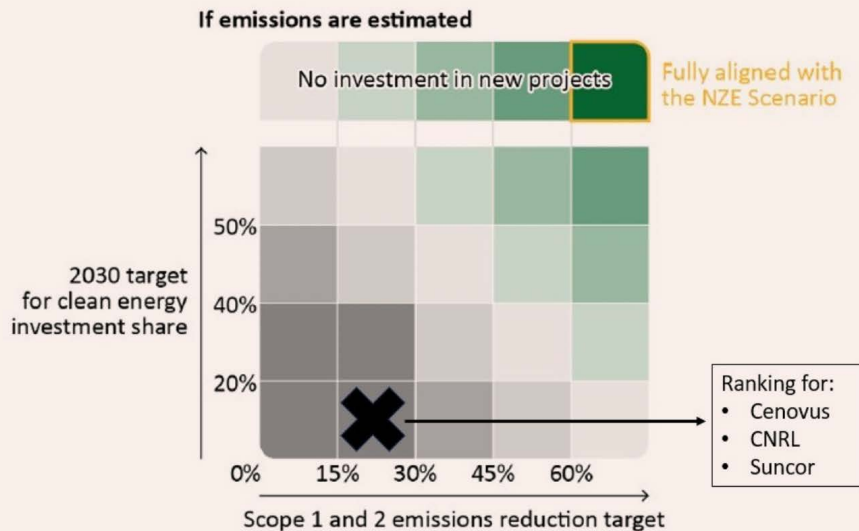
These results can now be mapped onto what the IEA calls its “more granular approach” for assessing alignment of company targets with the outcomes of the NZE Scenario that can be found in Figure 3.20 of the IEA report.

As shown above, Cenovus, CNRL and Suncor all:

1. Have a commitment to investing in new fossil fuel projects
2. Have earmarked less than 20 percent of their capital budget for clean energy
3. Have 2030 GHG reduction targets in the 15-30 percent range.

This places them in the lowest row and second-lowest column of the IEA’s matrix, i.e. in the dark grey area marked with an **X**.

Figure 3.20 ▶ An IEA framework for assessing alignment of company targets with the outcomes of the NZE Scenario



Source: Adapted from Figure 3.2 in the IEA’s [The Oil and Gas Industry in Net Zero Transitions](#).

Conclusion

This poor showing of the three oil sands majors relative to the IEA's oil company net zero criteria comes after many years of investor engagement and public pressure. The companies have all adopted 'net zero' plans (and advertised these commitments extensively⁵⁷), but these are clearly inadequate.

There is no reason to believe that further engagement from RBC will result in the dramatic shifts required for any of these companies to align with the IEA criteria for what it takes for an oil and gas company to be aligned with its net zero emissions scenario. Given that a core design principle of RBC's new client engagement approach on climate is that it is informed by the shifts required to achieve the IEA net zero emissions scenario, then RBC should be prepared to take the "difficult business decision" to "step away" from these clients.

Recommendation 1: RBC should stop funding oil and gas companies, including the three companies assessed here, whose energy transition plans are not aligned with the IEA's criteria.

Ultimately, RBC is not the only player. Voluntary actions from individual banks can show leadership and shrink the pool of capital available to recalcitrant oil and gas companies. Ultimately, however, we need to reduce funding of fossil fuel companies to achieve the rapid, sustained shifts in capital from dirty to greener energy required to avoid the worst impacts of climate change.

To achieve those rapid, sustained shifts in investment, we need the federal government to introduce regulations to align all federally-regulated financial institutions' investment strategies with Canada's climate commitments and Indigenous reconciliation objectives. There is currently legislation along these lines (the Climate Aligned Finance Act⁵⁸) being debated in the Senate, which should be introduced in the House of Commons.

Recommendation 2: The federal government should introduce regulations to align all federally-regulated financial institutions' investment in fossil fuels with our Paris climate commitments and the UN Declaration on the Rights of Indigenous Peoples.

⁵⁷ Greenpeace Canada (2023). Application for Inquiry into false and misleading representations made by the Pathways Alliance about their climate action and the climate impact of their business. URL: <https://www.greenpeace.org/static/planet4-canada-stateless/2023/03/8c835b91-amended-competition-bureau-submission-for-pathways-alliance-ad-campaign.pdf>. Accessed January 25, 2024.

⁵⁸ "S-243: An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts." URL: <https://www.parl.ca/legisinfo/en/bill/44-1/s-243>. Accessed January 25, 2024.

