

## Enserva Member Brief

# Bill S-243 | An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts

July 9, 2024

## Overview

[Bill S-243](#), also known as *the Enacting Climate Commitments Act*, is a private members' bill introduced by Quebec Senator, Rosa Galvez in March 2022.

Bill S-243 aims to require banks and federal financial institutions to align their lending decisions with Canada's climate commitments (i.e. the Paris Agreement), tracked through new reporting requirements. The requirements specifically target direct and indirect emissions and all upstream and downstream value chain emissions of the "fossil fuel" industry.

While a private members' bill is unlikely to receive full passage through the House of Commons, the intent of the proposed legislation – particularly in combination with the enacted [Bill C-59](#) and upcoming [sustainability disclosure standards](#) – directly threatens the continued viability of Canada's oil and gas sector.

According to the Canadian Bankers Association, S-243 would make borrowing so expensive that it would effectively ban lending to the energy sector. <sup>1</sup>

## Provisions of Note:

### 1. Reporting entities:

- The bill applies to federal financial crown corporations, banks, trust and loan companies, pension funds, and credit unions.
- Eventually, boards of the reporting entities must not include anyone who:
  - Owns shares or voting rights or occupies any position in a company that is not aligned with the defined "climate commitments".
  - Engaged in lobbying activity on behalf of an organization not aligned with the defined "climate commitments".

### 2. Definition and priority of "climate commitments":

- Boards of specified entities must prioritize alignment with "climate commitments" over all other priorities, except duties under the *Income Tax Act*.
- "Climate commitments" target absolute zero emissions rather than net zero, negating the value of carbon capture, utilization and storage, and offsets.
- "Climate commitments," as defined in the legislation, mean the "elimination of dependence on and lock-in of emissions-intensive activities, including by avoiding new fossil fuel supply infrastructure and exploring for new fossil fuel reserves and instead planning for a fossil fuel-free future."

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<sup>1</sup> [Standing Senate Committee on Banking, Commerce and the Economy; Testimony of Darren Hannah, Senior Vice President, Canadian Bankers Association; November 22, 2023.](#)

3. Restrictions on lending institutions and financial entities:
  - Banks and insurance companies will be restricted from financially facilitating entities that are unwilling or unable to align with the “climate commitments”, under oversight by the Superintendent of Financial Institutions.
4. Capital-risk weights:
  - The bill proposes increased capital-risk weights of 1,250 percent for debt exposure to new fossil fuel resources or infrastructure, and 150 percent or more for any loan to an existing fossil fuel activity.

## Status

Bill S-243 [remains](#) with the Senate for consideration and is in front of the Standing Senate Committee on Banking, Commerce and the Economy. Should the bill pass through all stages of the Senate, it will also need to proceed through all stages of the House of Commons when Parliament is in session before it can be passed into law.

## Path Forward

Though Enserva does not anticipate S-243 moving quickly to the next stage of the legislative process, we will be closely tracking its progress through the Senate and House of Commons.

We are raising S-243 and the Senate progress it has made thus far as a concern with federal officials and will ensure we have a significant pushback strategy in place if it is needed.

## Additional Reading:

- [GARYK – Trudeau Government Wants Greenwashing Bill C-59 Gag to be Oil & Gas Environmental “Greenhushing”](#)
- [OLIVER – Will the Liberals adopt an unhinged Senate bill discouraging fossil fuel investment?](#)