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Dear Councillors,

RE: **MM28.37 - Addressing the Financial Industry's Carbon Footprint**

I am writing to you on behalf of the Toronto Climate Observatory, a research institute based out of the University of Toronto, to express our strong support for the upcoming motion MM28.37. As the authors of the Bay Street Climate Report[1], we have uncovered the extent of financed emissions from Toronto's financial institutions. We believe the City of Toronto is uniquely positioned to advance net-zero aligned policy, as articulated in the motion's key recommendations.

This motion comes to the City Council at a pivotal moment for sustainable finance in Canada. This past January, all of Canada's largest banks left the Net-Zero Banking Alliance, a coalition committed to aligning financial activities with net-zero carbon emissions. Each of these six banks are included in our report as are major contributors to financed emissions. Based on our research, RBC, BMO and CIBC are among the top enablers, financing 233 million tCO_2e, 169 million tCO_2e, and 158 million tCO_2e[2] respectively in 2022. These emissions are financed by institutions based in Toronto.

Although these banks have stated they will continue to follow their own climate strategies, their past efforts to accurately report emissions have been inadequate. Our research shows that these financial institutions are consistently and significantly underreporting their financed emissions. This is not new information, as researchers and experts have identified this issue in the past. However, the extent of this discrepancy became apparent in our research. The gap in reported versus calculated financed emissions was significant across financial institutions, with the most notable differences from the National Bank of Canada (our calculations being 2756% greater than the bank's self-reported numbers), BMO (2205%), and Sun Life Financial (1309%). While these comparisons are not entirely conclusive, they are still useful in understanding the magnitude of carbon emissions that Toronto financial institutions enable through their investing and lending activity, and should be taken into account by the City of Toronto.

With this knowledge, we must stress that financial institutions have not taken accountability for their financed emissions. With these banks removing themselves from the Net-Zero Banking Alliance, it is now especially important that the City of Toronto steps forward to provide guidance and leadership to its financial industry, based on knowledge and research from experts in climate mitigation and adaptation.

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[1] Oshinowo, T., Nesbitt-Jerman, A., Soden, R. 2024. Bay Street Climate Monitor: Tackling the Global Carbon Footprint of Toronto's Financial Industry. Toronto Climate Observatory. Toronto, ON. Available online at: http://climateobservatory.ca/baystreetclimatemonitor
[2] *Ibid*. Scope 1, 2, and 3 emissions.

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We firmly believe that taking action to align finance with climate goals is in the best interest of the City of Toronto and its residents. In July 2024, Toronto experienced dangerous flash flooding which caused almost $1 billion in insured damages, as well as infrastructure damage, business closures and uninsured costs. As long as fossil fuel emissions increase, weather events like these will continue to occur, and the City of Toronto and its residents will pay the cost of the consequences. By encouraging the shift toward climate-aligned finance, the city can also help mitigate climate-related financial risks while positioning itself as a leader in the growing sustainable finance sector.

We strongly endorse the recommendations outlined in the motion that

1. The City should convene experts to develop a Toronto 'Sustainable Finance Hub'.
2. The City should conduct a study on best practices from peer cities regarding supporting sustainable finance.
3. The City should encourage and support the development of mandatory climate transition plans from provincial and federal governments
4. The City should express support for comprehensive climate-aligned finance regulation that would position Canada as a global leader in sustainable finance
5. The City should urge all Toronto-based finance institutions to take all actions possible to reduce financed emissions and accelerate financial support for the energy transition

These recommendations are based on actions taken from cities around the world, including the City of London, New York, Auckland, and Stockholm. Toronto sits among these cities as a financial centre, but has not yet come forward to position itself as a leader in sustainable finance. In early 2025, the City of London launched the Transition Finance Council initiative, which brings together key financial and political stakeholders to make the City of London a global leader in transition financing. Similarly, the New York City Comptroller reports on the financed emissions of each of the city pension plans, and has committed to divest each of these pension funds from fossil fuels. These are actions that Toronto is fully capable of undertaking, and which would significantly benefit the city in the long-term.

We urge the council to support this motion without delay. Climate change requires immediate and comprehensive action. Addressing the impact of Toronto's financial sector on global emissions is critical to building a liveable future and ensuring a secure economy for years to come.

Sincerely,

Robert Soden
Founder and Director, Toronto Climate Observatory