

Vancity's Response to BC's Draft Climate Preparedness and Adaption Strategy

Vancity has made [five important commitments](#) to help build a clean and fair world, and to support a climate transition that both puts people at its centre and leaves no one behind. Adapting to, preparing for, and mitigating the impacts of the climate crisis is critical to this work, and Vancity welcomes the opportunity to share feedback on B.C.'s draft Climate Preparedness and Adaptation Strategy.

As B.C. moves forward on the four pathways outlined in the draft strategy, we encourage the Government to look to financial institutions and the financial sector as a way to work upstream at promoting climate preparedness and resilience. Financial institutions have a critical role to play. This includes changing what they fund, transitioning from emissions-heavy industries in favor of cleaner jobs and industries, and factoring climate risks and social benefits into the assessment of loan requests and investment decisions.

But it starts with people and the options we make available to help them. Today, economic inequality severely impacts climate resilience. If you have financial means and security, you are likely less exposed to the coming climate risks, with better housing and mobility. And you are better positioned to take action to reduce your risks and improve your resilience – for example, climate-proofing your home, retraining if your industry is impacted, or adapting in other ways. You will shoulder less of the burden of the climate crisis, and will be better equipped to handle the impact that does come your way.

The reverse is true for the many people in our societies already on the wrong end of financial inequity. There is ample evidence today that lower-income people are more exposed to climate risks. As a result, if your financial means and security are more limited, you are likely to shoulder more of the burden of the climate crisis, while also being unable to afford to make changes that reduce your climate risks and improve your resilience.

This is how the climate crisis will magnify existing systemic inequities, creating barriers for some and advantages for others. If we allow this to happen, the effort to make a successful climate



transition will fail. Everyone must be in a position to make a transition, and financial institutions must use loans, mortgages, investment options, and other products to help achieve this.

In the following submission, we outline specific feedback to the proposed plan and offer recommended steps that the Government can take to support such an approach.

Draft Guiding Principles

Vancity is supportive of the six principles that have guided the draft strategy: Building a shared path with Indigenous peoples, taking an equity-informed approach, enhancing health and well-being for all, promoting nature-based solutions to enhance community resilience, aligning emissions reduction with climate adaptation, and taking a proactive approach.

The commitment to building a shared path to climate resilience in true partnership with Indigenous peoples is critical to the success of this work, and should be implemented as a central tenet of the strategy.

Only through true partnership with Indigenous peoples can an equity-informed and intersectional approach be developed. Similarly, only through the integration of emission reductions into adaptation strategies will the impacts of climate change – which disproportionately threaten the well-being of Indigenous peoples – be reduced or mitigated.

Mitigation and preparedness are inextricably linked, and without strong government investment and leadership, both could serve to worsen inequity.

These linkages manifest when defining “vulnerable populations” within the context of climate change.

For example, the draft strategy includes immediate action on initiatives aimed at “improving the provincial response to extreme heat and wildfire smoke for unhoused and housing insecure populations.” Sadly, many of the nearly 600 people who died during BC's recent heat dome died at home, including inside single-family dwellings. This demonstrates how as the frequency and severity of climate change-related extreme weather events increases, so will the reach of their impacts. The heat dome was also a reminder of how large-scale systemic events can have disproportionate impacts on certain populations – in this case the elderly and those who lived alone.

Similarly, when wildfires destroyed nearly every home in Lytton, B.C., access to credit became crucial to displaced families. These families were already suffering from the loss of their homes, of their community and many were likely facing uncertainty about the fates of their friends and

extended family. Finding, booking and affording lodging in the height of the region's busy tourist season was an added challenge for many middle class families who either didn't hold or carry credit cards, or who might carry high-interest cards with a maximum balance that could cover only a few nights' lodging.

The reach of climate change and the threat it poses to such a broad demographic section of B.C.'s population, underscore the need for linking mitigation and adaptation in B.C.'s preparedness strategy.

As Vancity charts a path toward our commitment to be net zero in our lending by 2040, this work will include ensuring the homes and businesses that our members own and operate are climate-ready and resilient. With these commitments in mind, our feedback focuses primarily on two pathways outlined in the draft strategy, particularly as they relate to improving data and building a clean and climate-ready economy.

We applaud the BC Government for the steps it is taking in crafting this strategy, and look forward to working with you on this important strategy.

Pathway 1: Strengthen foundations – Data, Monitoring, Education and Partnerships

Vancity welcomes efforts and investments in enhancing climate data monitoring and forecasting. This work is essential not only to better track and understand the impacts of climate change, but also for establishing agreed-upon climate models and integrating climate-related risks into our economy.

It critically important that the government also develop a system for sharing these data, and making them open source. Many sectors would benefit from improved data sets related to climate, and the financial institutions in particular need better data that can illuminate and quantify the physical and transition risks to their lending and investments.

One of the greatest barriers to the integration of climate into BC's financial system is the availability and quality of climate-related data. Traditional risk management approaches and stress testing tools will be insufficient for contemplating climate-related risks until better data is available, and shared broadly.

There is a particular challenge to understanding climate-related risks, in that historical data are not necessarily predictive of future trends. This problem underscores the need for an agreed-upon widely applied business-as-usual baseline scenario to help inform risk metrics. An agreed-

upon baseline could also support and inform the research that is needed to better understand risk in financial sectors including commercial banking, private equity, real estate and infrastructure.

The need for better climate-related data from BC's financial sector is urgent. We have already seen at least one mortgage application fail due to difficulties securing home insurance in parts of the province hard-hit by wildfires.

Data are also critical to Vancity's progress on our climate commitments, which include working with our members toward being net zero in all our lending by 2040. Our efforts to quantify and reduce our financed GHG emissions would be well-served if the Government were to put in place a framework with regulated utilities on sharing usage data. A better understanding of the energy efficiency of existing housing stock, particularly at a more granular level, would help Vancity track our progress and inform insights into the barriers and incentives that drive homeowners.

We are pleased to see the strategy's focus on increasing the climate-resilience of buildings in B.C. and welcome the approach of working with the National Research Council to develop and adopt climate-ready building codes. Vancity would welcome opportunities to contribute to this work, and share insights into the types and granularity of data that will most meaningfully drive the climate readiness of B.C.'s building stock.

Recommendations:

- Build data sets to inform and develop standardized climate models
- Commit to data sets being open source, and can support climate readiness within both the public and private sectors
- Government should put in place a framework with regulated utilities on sharing usage data

Pathway 4: Advance a Climate-Ready Economy and Infrastructure

Vancity agrees with the draft strategy's position that planning and preparing for a changing climate is more than smart business, but essential to a healthy, innovative and resilient economy. And we commend the Government for naming in the document that the finance, investment, and insurance sectors have a role to play in supporting businesses to identify and disclose climate-related risks.

The interests of investors, borrowers and the broader economy can only be served within the context of a robust and comprehensive risk management framework. Until climate-related risks are integrated into capital and regulatory frameworks, a destructive feedback loop of climate-related risks could begin to undermine the strength and resilience of Canada's financial system. Climate-related risks are inextricably linked with other risks—including credit, market and underwriting risks—and poised to be a major driver of risks for many decades to come.

The need for provincial regulators, including the BC Financial Services Authority (BCFSA), to integrate climate risks into capital and regulatory frameworks is urgent. Without a view of climate risks, current frameworks are modeled around two mutually exclusive predictions of the future: Little-to-no rise in global temperatures, and a steady rise in demand for fossil fuels.

The Government should also consider mandating climate-risk disclosure for large Crown corporations. Requiring internationally recognized disclosure frameworks such as the one developed by the Task Force on Climate-Related Financial Disclosures (TCFD) would enable the private and public sectors to contribute to and build consensus around climate models, and the data sets needed to inform this work.

A lack of recognition of climate-related risks is also leading to the overvaluation of unsustainable assets and the under-valuation of green and sustainable assets. This is undermining BC's ability to harness transition opportunities and escalating the level and complexities of risks that threaten the stability of our financial system and our economy in the long-term. There is a role here too for regulators, including the BCFSA, in building climate resilience into capital frameworks and incenting climate-friendly investment.

Market forces are a necessary but insufficient condition of driving climate preparedness and adaptation into BC's economy, and sound policy and regulatory oversight will be critical to BC's transition to a climate-ready economy.

The work outlined above will also support Small and Medium Enterprises (SMEs) by bolstering sectors that can drive sustainable economic growth, and establishing data sets and agreed-

upon climate models that will inform and streamline climate risk assessment. This points to the need to develop open source data sets that are accessible to business leaders and entrepreneurs across sizes and sectors.

Many businesses are already being impacted by operational risks resulting from climate change. For example, on any given day during the recent heat dome, approximately 5 per cent of Vancity's branches had to close because cooling systems weren't able to cool sufficiently to meet the WorkSafe guidelines which state a maximum temperature for workspaces to allow for the health and safety of the occupants. These spaces were never designed to accommodate such extreme temperatures. Systems running flat out were struggling to keep up and indeed the provision of 100% fresh air to meet COVID health guidelines contributed to the situation as systems were trying to take 40+ degree outside air and deliver it into the branch at just over half that amount (22 degrees). This was the case even for newer branches.

We heard related concerns from many of our small business members, including small restaurants who couldn't operate their kitchens at a safe temperature. The implications for many small businesses, and for workers who earn an hourly wage are significant and the Government should consider developing supports and incentives for commercial landlords to retrofit their buildings, and make them more climate resilient. This work should be supported by a new government entity, such as a secretariat, charged with taking a coordinated approach on climate resilient affordable housing, including retrofit strategies, incentives, information for consumers and best practices for building.

Recommendations:

- Work with BCFSa to integrate climate-related risks into BC's financial regulatory system, and climate resilience into capital frameworks
- Mandate climate-risk disclosure for large Crown corporations
- Develop data sources and climate models that SMEs can leverage for the purposes of climate risk assessment
- Develop and implement policy and regulatory frameworks that incent sustainable investment and innovation
- Build out supports and incentives for energy retrofits of commercial buildings
- Establish a new government entity, such as a secretariat, charged with taking a coordinated approach on climate resilient affordable housing, including retrofit strategies, incentives, information for consumers and best practices for building

Thank you

Thank you for the opportunity to respond to BC's draft *Climate Preparedness and Adaptation Strategy*. Vancity welcomes this discussion document, and offer our ongoing to support to the Government's efforts to prepare for and mitigate the effects of climate change.

We're grateful for the opportunity to respond and to share our perspective. Please reach out if there are any questions regarding Vancity's feedback. We look forward to the Government's leadership and next steps on this important issue.

About Vancity

Vancity is a values-based financial co-operative serving the needs of its more than 550,000 member-owners and their communities, with offices and 54 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay, within the unceded territories of the Coast Salish and Kwakwaka'wakw people.

With \$30.5 billion in assets plus assets under administration, Vancity is Canada's largest community credit union. Vancity uses its assets to help improve the financial well-being of its members while at the same time helping to develop healthy communities that are socially, economically and environmentally sustainable.

We support the Task Force for Climate-Related Financial Disclosures, the Partnership for Carbon Accounting Financials, and represent North America on the Board overseeing the implementation of the UN's Principles for Responsible Banking.