TRUE NORTH INSTITUTE

# CDPQ is defunding the energy transition

Several institutional investors I have spoken with in recent days were stunned by a recent article in *New Private Markets*, entitled *"CDPQ Beats Climate Targets."* The CDPQ—Caisse de dépôt et placement du Québec—is one of the world's most respected institutional investors. As a leading Canadian pension fund with C$473 billion in assets under management, it has long been held up as a model of sophisticated, long-term investing.

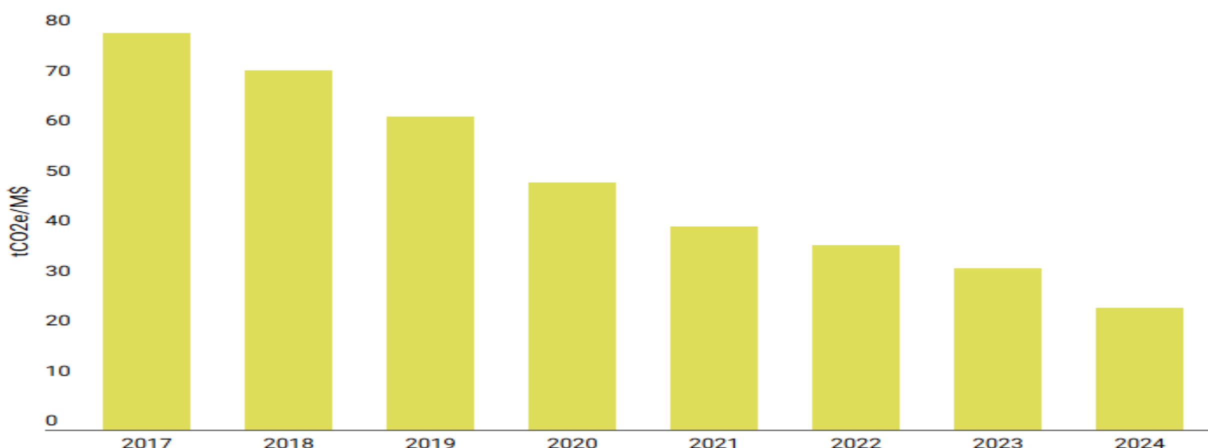
**In its 2024 Sustainable Investing Report, CDPQ proudly highlights the extent to which it has removed high-emitting companies from its portfolio. Ironically, many of these companies will be among the most ambitious and committed to decarbonizing their operations.** While it's understandable to divest from oil and gas firms facing near-insurmountable transition challenges, excluding large emitters that are actively pursuing and financing their own decarbonization efforts is deeply counterproductive. These industrial, transportation and electric utility companies are collectively spending close to $2 trillion a year on the energy transition. Divesting from them risks defunding some of the most essential actors in global decarbonization.

**Institutional shareholders should be doing the opposite: supporting and accelerating the progress of companies working hardest to reduce real-world emissions.** The most sophisticated investors I speak with frequently emphasize a clear principle: the goal is to decarbonize the *real world*, not just their financial portfolios.

This month's "Chart of the Month" comes directly from CDPQ's 2024 report. It quantifies the impact of their strategy to remove these major decarbonizers, presumably, in an effort to remain in compliance with their commitment made to the Net-Zero Asset Owner Alliance (NZAOA)—a UN-convened initiative. The NZAOA commitment, as stated on their website, reads: *"My organisation commits to transitioning its investment portfolios to net-zero GHG emissions by 2050…."* The NZAOA was undoubtedly well-intentioned, presumably hoping that portfolio decarbonization would be the result of company management transitioning their businesses to low or no carbon operations, all the while institutions owned them and encouraged them to do so. We are sure that the NZAOA is not encouraging institutional investors to do what CDPQ has done, which is to divest large emitters who are making the largest investments in global decarbonization.

## CDPQ defunds the global energy transition by divesting from the largest decarbonizing companies

The pace of the CDPQ portfolio's carbon intensity can easily be achieved by divesting high emitting industrial, transportation and utility companies, potentially having a significant negative impact on the real environment



Source: CDPQ 2024 Sustainable Investing Report

Over the past five years, my conversations with respected investors such as GIC and Norway's sovereign wealth fund (NBIM) have revealed a shared skepticism about the wisdom of divesting from entire high-emitting sectors—like industrials, utilities, and transportation—as a way to signal climate leadership. Doing so doesn't eliminate emissions; it simply shifts the responsibility to other asset owners. True climate impact comes from identifying and backing the companies doing the hard work to transition.

Both GIC and NBIM explicitly commit to owning "transitioning" companies in their respective sustainability policies. The NZAOA should urgently reconsider its messaging. In its current form, it may be doing more harm than good—and arguably undermining the very decarbonization it claims to support. **At a time when global momentum for the energy transition is already under threat—from forces like US President Donald Trump's administration—we can ill afford for initiatives like the NZAOA to unintentionally align with that reversal.**