



April 4, 2023

Mr. Yves Giroux
Parliamentary Budget Officer
99 Bank Street, Suite 900
Ottawa, Ontario
K1A 0A9

Re: Information Request: IR0676

Dear Mr. Giroux:

Thank you for your letter of March 17, 2023 requesting a summary of Business Development Canada's total investment for the oil and gas (O&G) sector.

In response to your request, please find in **Annex A** BDC's existing exposure to the O&G from 2015 to 2022.

Consistent with BDC's appearance at the Standing Committee on Natural Resources on October 27, 2022, we would be grateful if you could also take note of the following context to inform your analysis of our submission.

- Pursuant to our mandate, BDC is a complementary lender that provides financing to entrepreneurs on commercial terms meaning that we price for risk and do not undercut the private sector. We do not offer financial subsidies.
- As such, BDC is self-sustaining and does not receive appropriations from the Government of Canada. The exposures presented in Annex A therefore do not implicate a fiscal cost to the government.
- Further, BDC's mandate is economy-wide and is demand-driven rather than on an allocation basis. As such, BDC's financing exposure to any given sector simply reflects evolving demands for the bank's offerings in those sectors.
- Given BDC's focus on SMEs, BDC's lending to Canadian oil and gas ("O&G") producers represents only approximately 1% of our portfolio.
- These transactions are completed primarily through participating in syndicated transactions with Canadian banks. In keeping with our complementary mandate, we do not lead syndicates but are rather approached by a Lead Arranger. BDC syndicated commitments from Canadian financial institutions is on a leverage of about 10:1, meaning that BDC's portion of broader deal with other Canadian financial institutions is, on average, about 10%.
- The international portion is effectively zero. BDC supports Canadian oil and gas producers with Canadian assets and does not finance foreign oil and gas producers.

- As a responsible lender, BDC is a leading driver of ESG diligence integration in oil and gas lending practices, influencing producers toward energy diversification and enhanced GHG transparency. As an existing lender, BDC is well-positioned to provide additional support as producers progress their energy transition strategies, investing in emissions reduction and clean technology to deliver low-carbon energy solutions. This approach also favours energy safety and security, especially considering the current geopolitical context.
- A key consideration for the shareholder in considering future direction to Crowns in the commercial financing of O&G (vs. subsidies) would be a potential shift by producers towards alternative domestic and foreign lenders, who have less stringent requirements (compared to Crowns and Canadian FIs).

I would like to highlight that BDC launched a \$600M Cleantech Fund in 2018 to address the lack of risk capital for the commercialization and scale up of Canada's cleantech and climate tech industry. With that fund now full committed, we announced a new \$400M Climate Tech Fund II earlier this month to continue to invest in Canadian cleantech firms.

Should your office have any questions regarding this response, do not hesitate to contact Shannon Glenn, Assistant Vice-President, Government Relations, at Shannon.GLENN@bdc.ca or by phone at (613) 410-5903.

Sincerely,



Isabelle Hudon
President and Chief Executive Officer