

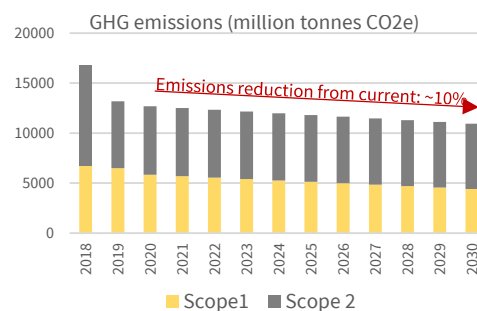
Enbridge oil sands SLB– participation trophy alert

A key element for believing in bond issuers' transition stories – especially those in the carbon intensive sectors – must be that the companies in question are able to face up to their current situation. Today (23 Jun 2021), one of the key companies in the oil sand industry – Enbridge – will hold an investor call with regards to a potential issuance in the form of a “Sustainability Linked Bond” (SLB),¹ which could potentially be a part of the energy transition. But it is not. Enbridge is a company that features on a fair number of investor exclusions lists, due to its high involvement in oil sands. The company is also known from recent protests in the US with regards to the construction of pipelines.²

The company does not – in a single instance – mention “oil sands” in its SLB documentation.³ The second opinion on the bond mentions it once.⁴ And this is perhaps important as a pointer to the robustness of the three performance metrics (targets that need to be met in order for the interest rate of the bond to not increase) of the SLB:

- KPI 1: CO2 emissions (scope 1 and 2) reduction of 35% by 2030. However, between 2018 (baseline) and 2020, the company already reduced by 25% which leaves roughly 1% CO2-emissions reduction per annum for the next decade.
- KPI 2: 40% women on the board by 2025. Today's number is 36% (4 out of 11), which means that by reducing the board by one male, alternatively get one more woman on it will make the KPI fulfilled.
- KPI 3: Workforce (racial and ethnic) diversity to reach 28% by 2025, from 21% today. Data measured through self-disclosure, which could open up a can of worms in terms of data-collection. Does not appear robust.

Figure 1. Projected emission reduction pace required from Enbridge to achieve the SLB KPI. Source: Enbridge, AFII calculations.



We opine that the step-up for the coupon of a potential Enbridge SLB should be in the region of 5-10% (full points) as not reaching such low thresholds would signal abysmal incompetence.

Banc of America, Citigroup, Credit Suisse, JPMorgan and SMBC are involved in this transaction and organizing investor calls. Feel free to get in touch with them for any questions.

¹ See "[Enbridge to Hold Sustainability Fixed-Income Investor Calls](#)", Bloomberg, 23 Jun 2021.

² See "[Enbridge Returns Workers to Pipeline Site After Outcry, Arrests](#)", Bloomberg Green, 8 Jun 2021.

³ Please refer to "[Sustainability-Linked Bond Framework](#)", Enbridge, 17 Jun 2021.

⁴ "[Second party opinion \(SPO\): Sustainability Quality of the Issuer and Sustainability-Linked Securities, Enbridge Inc](#)", ISS Corporate Solutions, 17 Jun 2021.

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