EXECUTIVE SUMMARY

Brookfield, one of the world’s largest alternative asset managers, touts itself as a leader in green finance, but its actions tell a different story. Despite Brookfield’s public pledge to support “net zero” greenhouse gas emissions, it has made new investments in oil sands, natural gas, and coal infrastructure. Brookfield’s “net zero” pledge excludes most of the emissions associated with its fossil fuel infrastructure investments, and even its renewable energy arm is invested in fossil fuel infrastructure.

Brookfield has $825 billion in assets under management and presents itself to clients and policymakers as a leader in decarbonization. Mark Carney, the United Nations Special Envoy for Climate Action and Finance and Co-Chair for the Glasgow Financial Alliance for Net Zero, is the Chair of Brookfield Asset Management Ltd. (NYSE: BAM) and its Head of Transition Investing. Brookfield touted Carney’s appointment as “another step in Brookfield’s longstanding commitment to sustainability, with ESG principles embedded across the investment process and operations of its businesses.”

However, as detailed in this report:

1. Brookfield affiliates have invested billions of dollars of new capital into fossil fuel infrastructure since Brookfield announced Carney’s appointment in August 2020. This includes a multi-billion-dollar acquisition of Inter Pipeline, Canada’s fourth largest oil and gas pipeline operator, which operates in the Alberta oil sands.

2. Companies in which Brookfield affiliates have a significant ownership interest have expanded or are planning expansions of their existing fossil fuel infrastructure, including building new pipelines and expanding what is already one of the largest coal loading terminals in the world, all while Brookfield claims that its goal is to decarbonize high-emissions sectors of the economy.

* Unless otherwise specified, “Brookfield” refers collectively to Brookfield Corporation (NYSE: BN), Brookfield Asset Management Ltd. (NYSE: BAM), and the asset management business jointly owned and controlled by BN and BAM (Brookfield Asset Management ULC or BAM ULC). BN’s “perpetual affiliates,” including Brookfield Renewable Partners L.P. (NYSE: BEP) and Brookfield Infrastructure Partners L.P. (NYSE: BIP), and private funds managed by BAM ULC are referred to by their specific names. BN owns between 27% and 100% of the perpetual affiliates and indirectly owns 100% of the general partner of each perpetual affiliate. BAM ULC provides management and administrative services to the perpetual affiliates and to the private funds. BAM was spun off from BN in 2022; prior to this transaction, BN was known as Brookfield Asset Management, Inc., (NYSE: BAM) and owned 100% of the asset management business. Bruce Flatt is the CEO of both BN and BAM. For a complete description of the relationship between the various Brookfield entities, see https://bn.brookfield.com/sites/brookfield-ir/files/2022-10/brookfield-final-circular-sedar-filing-version.pdf

3. Brookfield’s “net zero” pledge excludes Scope 3 emissions. Scope 3 includes the emissions from the burning of coal, oil, and gas transported through fossil fuel infrastructure owned by the reporting entity. Failure to report these emissions is inconsistent with transparency principles that Brookfield claims to support, and it allows Brookfield to claim to be pursuing a net-zero commitment while its portfolio companies plan to expand their capacity to transport fossil fuels. For example, a Brookfield affiliate is the largest shareholder in the operator of the Dalrymple Bay coal terminal in Australia, which touts a net-zero commitment that includes emissions produced on-site (Scope 1) and emissions from the generation of electricity used by the terminal (Scope 2) but excludes the emissions from the burning of coal shipped through the terminal (Scope 3). In fact, even as it is planning to expand its coal export capacity, the terminal operator pledges to “work closely with Brookfield” on its response to climate-related risks and pledges to achieve “net zero Scope 1 and Scope 2 greenhouse gas emissions” by 2050 – a “net zero” coal terminal.

4. Brookfield claims its net zero commitment is based on the Paris Aligned Investment Initiative Net Zero Investment Framework, but it contravenes that framework’s recommendations by allocating additional capital to oil sands and thermal coal infrastructure.

5. Brookfield presents its Brookfield Renewable affiliate to investors as a “Global Leader in Decarbonization” and a “pure-play renewable power platform,” but Brookfield Renewable is a limited partner in four Brookfield Infrastructure funds with fossil fuel investments, including the fund which recently purchased Inter Pipeline, the pipeline operator which operates in the Alberta oil sands.

**INTRODUCTION**

On June 22, 2022, Brookfield Asset Management announced its final $15 billion close on its Brookfield Global Transition Fund (BGTF), “the world’s largest private fund dedicated to facilitating the global transition to a net-zero carbon economy.” BGTF was co-headed by Mark Carney, Brookfield’s then-Vice Chair and Head of Transition Investing, who said, “With the global carbon budget being rapidly run down, now is the time for comprehensive, determined action.” BGTF followed Brookfield’s 2021 commitment to reach net-zero emissions by 2050 or sooner across all assets under management.

Brookfield’s recent investment practices tell a different story. At the same time Brookfield was raising BGTF and making net zero commitments, the company was expanding its investment in fossil fuel infrastructure. Since hiring Carney to head ESG investing, Brookfield has purchased a stake in several fossil fuel infrastructure companies, and some of its portfolio companies have taken steps to expand their capacity to transport fossil fuels. It has done so while declining to report on the emissions caused by the transportation of fossil fuels through its oil and gas pipelines and coal terminals.

1. **New fossil fuel investments**

Brookfield affiliates have invested billions of dollars of new capital into fossil fuel infrastructure since Brookfield hired Mark Carney in August 2020 to lead an expansion of ESG investing.

On August 26, 2020, Brookfield announced it had hired Carney as Vice Chair and Head of ESG and Impact Fund Investing. Carney is the United Nations Special Envoy for Climate Action and Finance and Co-Chair for the Glasgow Financial Alliance for Net Zero and now serves as the Chair of Brookfield Asset Management Ltd. (NYSE: BAM) and Head of Transition Investing. Brookfield touted Carney’s appointment as “another step in Brookfield’s longstanding commitment
to sustainability, with ESG principles embedded across the investment process and operations of its businesses.” However, since shortly before Carney’s appointment and during his tenure, Brookfield has committed billions of dollars in new investments in fossil fuel infrastructure. Key investments include:

- **June 2020 (two months before Carney’s appointment):** A consortium including Brookfield and other investors purchased a $20.7 billion stake in the Abu Dhabi National Oil Company’s (ADNOC) natural gas pipeline assets, comprising 38 pipelines covering 982.3 km.\(^8\)

- **September 2020 (after Carney’s appointment):** Brookfield Infrastructure purchased an approximately 21% stake in Cheniere Energy Partners, in a deal that values Brookfield Infrastructure’s stake at approximately $3.5 billion.\(^9\) Cheniere Energy Partners operates the Sabine Pass liquified natural gas export terminal in Louisiana,\(^10\) which *The Times Picayune* reported is a major driver of the current natural gas drilling boom in Louisiana.\(^11\)

- **April 2021:** Brookfield Infrastructure and Itausa SA purchased the remaining 10% interest in the NTS gas pipeline network in Brazil for $337 million. They had previously purchased a 90% interest of the network for $5.2 billion in 2016, meaning the transaction brought their ownership of NTS to 100%.\(^12\) Brookfield Infrastructure’s ownership stake increased from 28% to 31%, and its voting stake increased from 90% to 92%.\(^13\)

- **September 2021:** Brookfield Infrastructure received regulatory approvals to resume majority control of the operator of Dalrymple Bay coal terminal and began buying more shares. Brookfield Infrastructure had previously owned Dalrymple Bay Infrastructure outright, before listing the company publicly and selling 51% in December 2020.\(^14\)

- **October 2021:** Brookfield Infrastructure completed an $8.6 billion CAD (6.8 billion USD) takeover of Inter Pipeline Ltd., after a several-months-long bidding war. Inter Pipeline is Canada’s fourth largest oil and gas pipeline operator and operates in the Alberta oil sands.\(^15\)

- **March 2022:** Brookfield Super-Core Infrastructure Partners agreed to acquire a 37.5% stake in Scotia Gas Networks Ltd, the second largest gas distribution network in the United Kingdom.\(^16\)

### 2. Expanding fossil fuel infrastructure

**Companies in which Brookfield affiliates have a significant ownership interest have expanded their already existing fossil fuel infrastructure, including pipelines and a coal terminal, all while Brookfield claims its goal is to decarbonize high-emissions sectors of the economy.**

Brookfield has claimed that its net zero strategy is not only to invest in renewable energy, but to “go where the emissions are” and set high-emissions investments “on a path to net zero.” This is how Brookfield explains why it does “not have a firm-wide exclusion on coal or other fossil fuel investments.”\(^17\) While this approach may make sense for an investment in an electric utility which the investor plans to transition from fossil fuels to renewable generation, it is unclear how this approach translates to investment in infrastructure whose core purpose is to facilitate the exploitation of oil, gas, and coal. In fact, several fossil fuel infrastructure companies owned by or with large investments by Brookfield affiliates are currently taking steps to expand their capacity rather than decarbonizing. These companies include:

- **Dalrymple Bay Infrastructure** is pursuing a major expansion of its coal terminal. Brookfield Infrastructure is the largest shareholder of DBI, and Brookfield Infrastructure’s 2022 annual report refers to the terminal as “our Australian export terminal.”\(^18\) The project, known as 8X, would increase the terminal’s capacity from 84.2 million
tonnes to 99.1 million tonnes annually. Though Dalrymple has said it may one day add a hydrogen export facility to the complex, its only announced expansion project is for the terminal’s coal capacity. Dalrymple Bay is already one of the largest coal loading terminals in the world.

- NTS, the Brazilian natural gas pipeline company owned entirely by a Brookfield-led consortium, announced in September 2022 that it would spend 12 billion reais (approximately $2.4 billion USD) to build new infrastructure over the next eight years, including liquefied natural gas storage facilities and gas pipeline expansions.

- Cheniere Energy Partners, in which Brookfield Infrastructure purchased a 21% stake in 2020, completed a major expansion of the Sabine Pass LNG terminal in February 2022. Northern Louisiana is in the midst of a natural gas drilling boom, with rigs in the Haynesville Shale increasing from 47 in 2021 to 70 in 2022. One report cited liquefied natural gas facilities, including Sabine Pass, which allow natural gas exports, as the reason for the boom.

- NorthRiver Midstream, a company owned by Brookfield Infrastructure that owns thirteen gas processing facilities and three pipelines in western Canada, won a split-decision approval from the Canada Energy Regulator to advance into an approval assessment for the NEBC Connector, a $280 million ($350m CAD) natural gas liquids system in September 2022.

- In March 2022, Natural Gas Pipeline Company of America, in which Brookfield Infrastructure holds a 37.5% interest, issued a nonbinding solicitation of interest for an expansion of pipeline capacity on the Louisiana Line system, with a targeted in-service date of 2025.

3. **Scope 3 emissions and the “net zero” coal terminal**

Brookfield’s “net zero” pledge excludes Scope 3 emissions. Scope 3 includes the emissions from the burning of coal, oil, and gas transported through fossil fuel infrastructure owned by the reporting entity. Failure to report these emissions is inconsistent with transparency principles that Brookfield claims to support, and it allows Brookfield to claim to be pursuing a net-zero commitment while its portfolio companies plan to expand their capacity to transport fossil fuels.

Brookfield stated in its 2021 ESG report that its interim target for its Net Zero commitment is “reducing Scope 1 and 2 emissions across $147 billion of our AUM by approximately two-thirds by 2030.” At the time, $147 billion represented only one third of Brookfield’s assets under management (AUM). But the other two thirds of AUM were not all that was missing from the commitment. In climate reporting, carbon emissions are categorized into Scope 1, Scope 2, and Scope 3. Scope 1 encompasses direct emissions (e.g., emissions directly from a firm’s facilities), and Scope 2 encompasses emissions from the generation of electricity powering the firm’s activities. Emissions from the burning of fossil fuels that are transported via Brookfield’s infrastructure fall under the broad category of Scope 3 emissions. But Brookfield does not include these Scope 3 emissions within the scope of its net zero commitment; nor does it even report them in its 2021 ESG report. This omission excludes what is surely the most significant source of greenhouse gas emissions associated with its investments in fossil fuel infrastructure.

Brookfield’s 2021 ESG report touts its becoming a signatory to the Net Zero Asset Managers Initiative (NZAM) and states, “In 2021, we became supporters of the Task Force on Climate-Related Financial Disclosures (TCFD), and we are aligning our practices with the organization’s recommendations.” One of the commitments of NZAM is to “Take account
of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.” Likewise, the TCFD “strongly encourages all organizations to disclose Scope 3 GHG emissions” and “When considering whether to disclose Scope 3 GHG emissions, organizations should consider whether such emissions are a significant portion of their total GHG emissions.”

However, Brookfield’s 2021 ESG report includes Scope 3 emissions only for business air travel. In May 2022, Brookfield’s interim Net Zero commitment said, “We intend to include Scope 3 once data is available and of sufficient quality.” Neither document explains why Brookfield cannot currently document the emissions from the burning of coal, oil, and gas transported through fossil fuel infrastructure in which it has a significant ownership interest. Nor do they indicate whether or not Brookfield considers such Scope 3 emissions material. A December 2020 report by the Institute for Energy Economics and Financial Analysis called the omission of Scope 3 emission data by gas pipeline companies an “ESG Reporting Loophole.”

The Dalrymple Bay Coal Terminal (DBT) is an illustrative example of this phenomenon. DBT is the world’s largest metallurgical coal export facility. Dalrymple Bay Infrastructure Limited (DBI) owns a 99-year lease on DBT. Brookfield Infrastructure was the largest shareholder of DBI as of November 2022 and refers to DBT as “our Australian export terminal.” The terminal’s supply chain is capable of handling up to 84.2 million tonnes per annum (Mtpa) of coal. In calendar year 2021, DBT exported 54.3 million tonnes of coal, including 10.4 million tonnes of thermal coal. This amount of thermal coal is roughly equivalent to all of the coal used to heat households in Poland on an annual basis (and roughly 87% of the amount of coal consumed in homes across the European Union in 2019) according to the Polish independent think tank Forum Energii.

DBI’s 2022 Sustainability Report claims that “DBI is committed to achieving net zero Scope 1 and Scope 2 greenhouse gas emissions from DBT operations by 2050.” DBI reports that 98.6% of the terminal’s carbon emissions are associated with grid electricity, and that “considered solutions” include renewable power purchase agreements, low-emission vehicle prioritizations, and residual offsets.

However, the coal terminal’s real-world impact on climate change has little to do with the emissions of the terminal itself or the electricity it uses, and almost everything to do with the emissions from burning the coal that moves through the terminal, which are categorized as Scope 3 emissions. DBI’s 2022 Sustainability Report makes no commitment to reducing Scope 3 emissions, reporting only that “DBI and the Operator will conduct a materiality assessment of its Scope 3 categories to determine DBT’s material Scope 3 emissions.”

In fact, DBI is planning an expansion of the amount of coal that can move through the terminal. DBI’s proposed “8X Project” would expand DBT’s capacity by up to 14.9 Mtpa, a 17.7% increase over the current 84.2 Mtpa capacity. DBI has already completed preliminary technical studies on the expansion, with economic assessments expected to be completed in the second half of 2023. With an expanded capacity of over 99 Mtpa, DBI could transport enough coal each year to emit roughly 200 million metric tons of carbon dioxide (which, for DBI and Brookfield, would count as Scope 3 emissions). This amount is greater than the annual emissions of Argentina, or over half the annual emissions of the United Kingdom. This figure is also roughly 45,000 times the Scope 1 and 2 emissions that Brookfield reported in its 2021 ESG report. Dr. Ulf Erlandsson, CEO of the non-profit climate finance organization Anthropocene Fixed Income Institute, estimated that running the expanded DBI at capacity for ten years “shaves off 1% of the remaining global carbon budget [to keep global warming under 1.5 degrees Celsius].” And yet, by excluding Scope 3 emissions, DBI (like Brookfield) claims to be pursuing a “net zero” commitment.
4. Not exactly “Paris Aligned”

Brookfield claims its net zero commitment is based on the Paris Aligned Investment Initiative Net Zero Investment Framework, but it contravenes that framework’s recommendations by allocating additional capital to oil sands and thermal coal infrastructure.

Brookfield is required to report on interim net zero commitments as part of its membership in the Net Zero Asset Managers Initiative. One of NZAM’s requirements is to disclose what methodology the asset manager uses for its targets. Brookfield’s disclosure indicates that it follows the Paris Aligned Investment Initiative Net Zero Investment Framework for its methodology.55

The Net Zero Investment Framework instructs investors, “Decarbonisation and avoided emissions should generally be treated separately. Similarly, investors should not offset emissions in one part of their portfolio through accounting for avoided emissions in another part. Given the necessity of effectively reaching zero emissions from investments over time, trading these two against each other is not consistent with creating incentives for investors and underlying assets to maximise their efforts to decarbonise their portfolios to the full extent possible.”56 But in February 2021, Carney publicly claimed that Brookfield was net zero across its portfolio due to its “enormous renewables business that we’ve built up and all of the avoided emissions that come with that,” a claim that was later walked back amid much public criticism and claims of greenwashing.57 While Carney was speaking extemporaneously, Brookfield stated in a letter to shareholders the same month that it is “already net negative on scope 1 and 2 across our entire $600 billion of assets under management on an avoided emissions basis.”58

The Net Zero Investment Framework further recommends that investors should not allocate new capital to companies “planning or constructing new thermal coal projects and associated infrastructure” or “taking forward new exploitation of tar sands.” Where investors already have holdings in such companies, “they should use active and escalating engagement with the aim of ensuring no new thermal coal generation is developed and no further tar sand resources are exploited, and also that phase out of existing unabated capacity and activity is undertaken in line with net zero pathways.”59 Since Brookfield joined NZAM to formalize its net zero commitment, Brookfield affiliates have committed new capital to oil sands pipelines (Inter Pipeline) and thermal coal infrastructure (Dalrymple Bay). Brookfield has given no public indication that it plans to phase out either operation and, as described above, Dalrymple Bay is currently exploring a major expansion.

5. Brookfield Renewable’s fossil fuel investments

Brookfield’s renewable power affiliate, Brookfield Renewable, is a limited partner in four Brookfield Infrastructure funds with fossil fuel infrastructure investments.

Touted as a “Global Leader in Decarbonization,”60 Brookfield Renewable is one of Brookfield’s publicly traded “perpetual affiliates” and claims that it operates “one of the world’s largest publicly traded, pure-play renewable power platforms and provider of decarbonization solutions.”61 Brookfield Renewable’s investor brochure emphasizes investments exclusively consisting of clean energy assets such as hydro, wind, and solar, and does not mention investment in fossil fuel infrastructure.62 (Brookfield Renewable is traded on the New York Stock Exchange as BEP and BEPC and on the Toronto Stock Exchange as BEP.UN and BEPC.)

However, an ESG-minded investor who chooses to invest in BEP or BEPC after seeing them on lists of top green energy stocks63 or in the iShares Global Clean Energy ETF index64 might not know that Brookfield Renewable is invested in
several infrastructure funds with fossil fuel investments, including in Canadian oil sands pipelines. Brookfield Renewable is a limited partner in Brookfield Americas Infrastructure Fund, Brookfield Infrastructure Fund II, Brookfield Infrastructure Fund III, and Brookfield Infrastructure Fund IV.65

Brookfield Infrastructure Fund IV was the fund that purchased Inter Pipeline in 2021.66 It also led the consortium that in 2020 purchased a 42% stake in Cheniere Energy Partners, which owns the Sabine Pass LNG terminal.67 Of $20 billion raised for Brookfield Infrastructure Fund IV (reportedly making it Brookfield’s largest fund ever), $5 billion were committed by two of Brookfield’s publicly traded affiliates, Brookfield Infrastructure and Brookfield Renewable.68

Brookfield Infrastructure Fund III was reported as the purchaser in 2018 of NorthRiver Midstream,69 a Brookfield portfolio company that describes itself as “a Canadian gas gathering and processing business with operations across prolific gas and oil resource plays in Northeast British Columbia and Alberta.”70 The fund was also reported as the purchaser for Brookfield’s stake in the Brookfield-led consortium that purchased a 90% stake in the NTS pipeline system in Brazil in 2016.71

Brookfield Americas Infrastructure Fund and Brookfield Infrastructure Fund II jointly own Rockpoint Gas Storage, which describes itself as “the largest independent owner and operator of natural gas storage in North America.”72

Endnotes

NorthRiver Midstream is a Brookfield Infrastructure portfolio company. [https://www.nrm.ca/about/our-team/](https://www.nrm.ca/about/our-team/).


https://www.brookfield.com/responsibility/brookfields-net-zero-commitment See section “We Are Committed to Transparency.”


https://www.netzeroassetmanagers.org/reporting/


https://www.sec.gov/Archives/edgar/data/1406234/000162828023008523/bip-20221231.htm, p. 81


https://www.listcorp.com/asx/dbi/dalrymple-bay-infrastructure-limited/news/2021-annual-report-2689096.html, p. 31. 54.3mt of total coal exports times 19% thermal coal = 10.4


https://img1.wsimg.com/blobby/go/946d6aac-e6cc-430a-8898-520cf90f5d3e/AFII_Broofield_Coal_and_ESG-0001.pdf

https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf, p. 34


https://www.ft.com/content/2d96502f-c34d-4150-aa36-9dc16ffdcad2


https://bep.brookfield.com/


https://capir.cheniere.com/sec-filings/all/sec-filings/content/0001193125-20-259794/d51297dsc13d.htm, p. 7. Brookfield Infrastructure Fund IV GP LLC is listed as the general partner of BIF IV Cypress Aggregator (Delaware) LLC, which was the entity making the purchase for Brookfield (see p. 8 for transaction description).


https://www.nrm.ca/

https://www.infrastructureinvestor.com/brookfield-led-team-to-buy-petrobras-pipeline-for-5-2bn/

https://www.rockpointgs.com/Home/AboutUs,”Company Overview”