

Biden and the oil sand vanguard: Inaugural credit action

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One of the first actions of the incoming Biden administration was to cancel the Keystone XL pipeline project, much to the chagrin of bond issuer Province of Alberta (ALTA). Following the cancellation, the Premier demanded economic sanctions on behalf of Canada versus the US [sic] as “leverage” to protect the province’s oil sand industry, dependent on US pipelines such as Keystone XL.¹

This in our view a **clear credit negative for ALTA as an issuer, both in terms of fundamental economics as well as an apparently diminishing Governance quality.**

ALTA bonds appear to be a core fixed income position for asset manager Vanguard and Norges Bank Investment Management (NBIM), with total positions of around USD450/278mn across the curve, see Figure 1.

Figure 1. Lending to ALTA by investor.
Source: Bloomberg, AFII calculations.

Investor	Exposure USDmn
Vanguard	446.7
Norges Bank	278.0
Prudential	62.4
Raiffeisen	62.2
BlackRock	58.9
UBS	52.0
Allianz	48.2
Nikko AM	38.6
Manulife	30.4
JPM	24.8

We believe that these firms’ clients would not benefit from a continued insistence by Alberta to get US sanctions in place to protect Canadian oil sands industry. We suggest they engage with the Alberta treasury and speak adult with them. Divestment might be difficult, the lending through bonds is simply too big to be painlessly exited. Engagement from the biggest investors hopefully could further the regime’s understanding of trade policy and the future of heavy hydrocarbons.

Among other lenders to ALTA, we note Raiffeisen Bank (Austria) and UBS (Switzerland). We believe their clients are more interested in snowy mountaintops in the future than allowing Alberta’s oil tar sand spending spree continuing. Especially Raiffeisen’s position is large vis-à-vis what we would expect them to have competency to trade. Divestment might be slightly painful, but most likely better than starting to lose domestic clients.

Further investors that we believe should actively revisit their Alberta exposure following this event include Allianz, Schroders, DNB and GPIF. The Anthropocene Fixed Income Institute has previously discussed ALTA in [The Reformed SSA Trade: New Year’s Exclusions](#), [The ECB and Alberta’s oil tax holiday](#) and [An ECB Rapid Decarbonization Plan](#). We reiterate our view of ALTA climate based exclusions and that ALTA bonds should not be eligible for ECB repo.

¹ [Financial Times](#), 22 Jan 2021.

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