BARCLAYS' AND HSBC'S $43 BILLION FOSSIL FUEL PROBLEM

As we race towards COP 26 in Glasgow at the end of 2021, there's an urgent opportunity for the UK to show real climate leadership. This means leading the way in greening our financial system.

UK banks are some of the worst offenders in the world at financing fossil fuels. If we're serious in the UK about doing everything we can to succeed in our goal to protect the people and places we love from the climate emergency, we must stop UK banks from investing in climate chaos.

Despite this urgent need to move away from fragile, fossil fuel-based economies, drilling for oil and gas in the Arctic and in deep water, extracting oil from tar sands, and fracking shale rock for gas and oil continue to cause damage to lives, livelihoods and habitats. These expensive extraction projects can't go ahead without outside investment and thirty-five global banks have proven to be willing partners, having together financed $2.7 trillion in the fossil fuel industry's continued growth from 2016-2019. Without these funds, the climate destroying activities of corporations like BP and Shell are not possible.

THE ROLE OF BANKS: BARCLAYS AND HSBC

UK banks Barclays and HSBC are the worst offenders in Europe. Despite Barclays and HSBC making 'net zero by 2050' pledges this has done little to change their real-world financing decisions.

> **In fact new research from Rainforest Action Network reveals that from January - September 2020 Barclays has ploughed $24.58 billion into fossil fuels, meaning it has actually increased its levels of fossil fuel financing on the same period last year. HSBC is not far behind having financed $19 billion between January and September alone.**

Together, the two banks have channelled over $43 billion into fossil fuel companies this year. This includes coal, tar sands, arctic drilling companies, and oil and gas expanders, among others.

Making a commitment to go net-zero by 2050 means banks have to start curbing their lending and underwriting of fossil fuel companies and financing of fossil fuel projects. Also, HSBC needs to bring its asset manager HSBC Global AM and HSBC Bank (UK) Pension Scheme into the realm of any restrictive and forceful engagement policies. It's not a question of working out difficult methodologies or waiting to get the right data from companies. It's a matter of science.

Even though these banks have adopted certain restrictions, these policies are often cosmetic and have little material impact in the real world, for example in the case of HSBC on new coal projects, and Barclays on certain coal companies.

Barclays' policy not to lend to companies with revenues exceeding 50% from coal (reducing to 30% by 2025 and 10% by 2030) has very little impact as many of the most polluting coal companies fall well below this threshold and the economic outlook of coal makes the metric often almost redundant. According to the Global Coal Exit List, at least 30 companies that fall below this threshold together operate a massive 180 gigawatts (GW) of coal capacity.

The is the equivalent of the total amount of the operational coal fleet in Japan, Germany, Russia and South Africa - the 4th, 5th, 6th and 7th largest coal countries in the world, respectively.

HSBC's policy also doesn't prevent them from underwriting the coal companies themselves. In fact, HSBC is amongst the very few banks in Europe that doesn't restrict corporate finance to coal companies - even to those still constructing new coal plants (such as their regular client KEPCO). HSBC holds stakes in 18 out of 33 listed companies within the world's top 100 developers of new coal power stations, companies that are attempting to build another 80 GW of new coal power capacity around the world.

Banks often say they prefer to engage with their clients rather than excluding them from financial services. However, evidence and transparency of these efforts and their effectiveness are poor. There is also no viable transition route for thermal coal companies apart from winding down within the timelines specified by the Paris Agreement. Banks can assert more influence by refusing to finance certain clients and demanding a climate transition plan.

BARCLAYS

No European bank is more implicated in the expansion of fossil fuels than Barclays. Between January and September 2020 Barclays has already ploughed $24.58 billion into fossil fuels, meaning it has already exceeded its level of fossil fuel financing for the same period (Q1-Q3) last year which was $24.38 billion.

They could therefore be on course to finance more fossil fuels than they did in 2019 ($29.67 billion), even after committing in March 2020 to 'take a leading role in tackling climate change and help accelerate the transition to a low-carbon economy' with the ambition 'to become a net zero bank by 2050.'

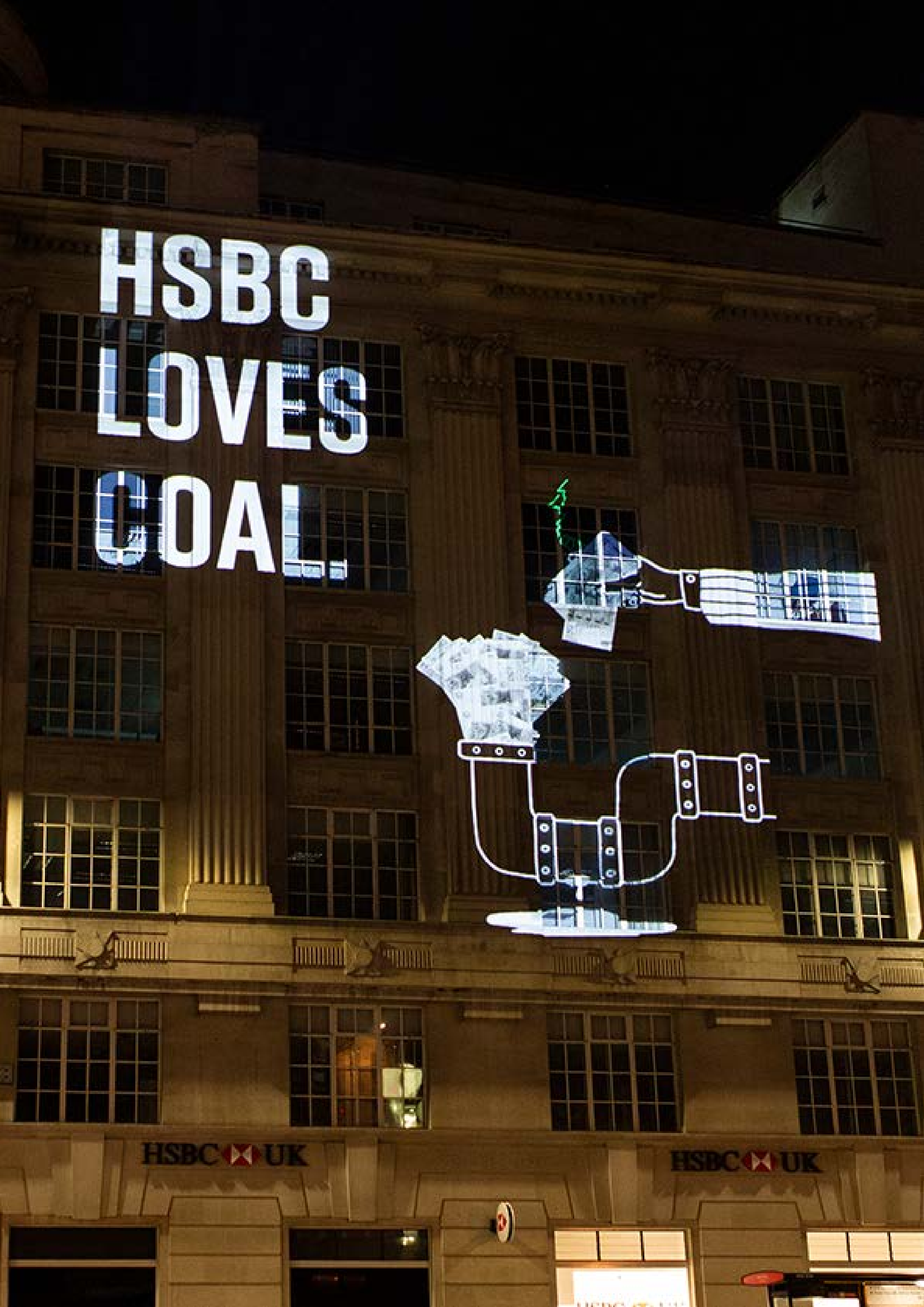
Adding this to previous research we can deduce that Barclays has provided fossil fuel companies over $142 billion (that's 142 with nine zeros!) between the end of 2015, when the Paris Agreement was adopted, and the end of September 2020. Even with their net zero commitment, Barclays has taken few meaningful measures to restrict this flow of money.

In fact, according to data by Eikon, in the months after announcing this commitment, Barclays has been heavily involved in a number of major coal, oil and gas, and tar sands deals which could lock in the growth of the fossil fuel sector.

To name just a few, Barclays played a lead role in a $5.4bn loan to Enel, a European utility company which is one of the leading European power companies that is leading Italy in to a fossil fuel lock-in by replacing its coal plants with gas (Brindisi Sud, for example), completely undermining the company's efforts to phase out coal.

On the day that it made its net-zero commitment (30 March 2020), Barclays played a key role in the provision of a $2.1bn loan to Enbridge. Enbridge is North America's largest energy infrastructure company and, according to Greenpeace, has a long track record of oil spills and indigenous rights violations (Stop Line 3). Enbridge is currently building a new pipeline, Line 3, which would be one of the largest crude oil pipelines in the world, carrying up to 915,000 barrels per day of tar sands crude – one of the most carbon-intensive fuels on earth.

The next day it lent $1.25bn to Exxon as part of a $10bn loan to the company which is facing criticism over leaked plans to increase carbon dioxide emissions.


HSBC
LOVES
COAL.
HSBC UK
HSBC UK

HSBC

In October 2020 HSBC became the latest bank to pledge net zero by 2050:

“Today, HSBC is setting out an ambitious plan to prioritise financing and investment that supports the transition to a net zero global economy – and helps to build a thriving, resilient future for society and businesses.

At the heart of the plan is a pledge to reduce financed emissions from our portfolio of customers to net zero by 2050 or sooner, in line with the goals of the Paris Agreement.”

But RAN research has exposed that between January and September 2020 HSBC has financed fossil fuels to the tune of $19 billion, which would mean it has provided $105.53 billion to fossil fuel companies since the Paris Agreement (2016-2019 total is $86.53 billion). In January-September last year, HSBC provided financing worth $21.58 billion.

New analysis by ShareAction reveals that, in the four months leading up to HSBC's net zero announcement, the bank financed at least four fossil fuel companies that are actively involved in the construction of new coal, tar sands and/or oil and gas infrastructure, as well as directly financing an offshore oil and gas project. The findings “cast serious doubt over the credibility of HSBC's climate commitments, given that phasing out financing of fossil fuels is an absolute must for any net-zero strategy”, according to ShareAction.

ShareAction analysed data from Eikon, revealing that Europe's largest bank could have provided as much as $1.8bn through its involvement in just five bond and loan transactions between June and September of this year. This estimate is only a snapshot of the fossil fuel transactions that the bank took part in in the last four months.

It is possible to stop banks from financing climate chaos

Here's the thing. While fossil fuel companies need banks, banks don't need fossil fuel companies.

Almost five years on from the Paris Agreement, major UK banks are talking a lot of talk about climate change, but aren't yet taking enough meaningful steps towards phasing out financing of all fossil fuels. Although we must continue to push banks and their investors to phase out their financing of fossil fuels, we must also ask regulators and the Government to step in and rein in the banks.

That means that climate change needs to be a top priority for the UK Government and financial regulators, like the Bank of England, on the grounds that these UK banks are threatening the financial stability of the UK and leading us to market failure. HSBC and Barclays wouldn't be able to continue to finance climate chaos if the Bank of England stepped in and prevented them. They are the most egregious examples of lack of such regulation and are preventing the UK from showing real climate leadership.

WHAT YOU CAN DO TO HELP

The UK is a centre of global finance. We have a huge opportunity, and a responsibility, to put our own house in order. Banks have failed us before and they are failing us now. Together, we can make them change.

1. Tell the Bank of England to cut off the money pipeline to dirty fossil fuels: sign the petition.

2. Send a message to HSBC, calling on the bank to stop financing companies and projects that would expand the scale of the fossil fuel industry: send a message to HSBC.

3. Tweet @Barclays or add a comment on Barclays facebook page telling them to phase out financing of fossil fuels, starting with coal, now.

4. And sign up to Fund Our Future to hear more about the campaign.

Methodology

Rainforest Action Network provided the authors of this report with updated figures for Barclays' and HSBC's fossil fuel financing (underwriting and lending) in the first nine months of 2020, using the same methodology as [Banking on Climate Change: Fossil Fuel Finance Report 2020,] but without the step of finding and including financing for fossil fuel companies that did not receive any bank financing from 2016-2019. This is therefore likely a conservative measure. See page 24 of Banking on Climate Change for full methodological details.

Fossil fuel financing figures from 2016-2019 are sourced from Banking on Climate Change: Fossil Fuel Finance Report 2020, published in March 2020 by Rainforest Action Network, BankTrack, Indigenous Environmental Network, Sierra Club, Oil Change International, and Reclaim Finance. This report adds up financing from 35 private-sector banks to the fossil fuel industry at large, summing their leading roles in lending and underwriting of debt and equity issuances.

Thanks to Rainforest Action Network, and all the authors of 'Banking on Climate Change 2020'.