HSBC and fossil finance

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HSBC is a major financier of fossil fuels around the globe, and the UK's biggest financier of destructive agribusiness. Despite pledging to end asset level financing of new oil and gas fields in December, HSBC has done nothing to address the larger sources of funding it provides to companies with oil and gas expansion plans. This contradicts HSBC's claim to adhere to the IEA 1.5C transition scenario that prohibits investment in new oil and gas expansion.

Fossil fuels: The 2022 'Banking on Climate Chaos' report showed that HSBC financed fossil fuels to the tune of over £15 billion (US$18 billion) in 2021 alone. Between 2016-2021, it funnelled over £109 billion (US$130 billion) of finance into fossil fuels. Similarly, ShareAction found that in the same period 2016-2021, HSBC provided £50 billion (US$59 billion) to 50 oil & gas expanders.

Not far enough: In December 2022, HSBC announced that it would no longer "provide new lending or capital markets finance" for new oil and gas fields. However, this only applies to asset financing, which represents only fraction of the funding provided to new oil and gas. HSBC needs to urgently turn its attention to the larger sources of finance it still provides to companies with oil and gas expansion plans.

Deforestation: HSBC is also the UK's biggest financier of destructive agribusiness. Global Witness has shown that between 2016-2020, the bank made deals worth an estimated $6.85 billion with some of the world's worst deforesters – and likely pocketed around $36.4 million in proceeds from the deforestation-risk parts of their clients' businesses, more than any other British financial institution.

Lobbying: While new GFANZ recommendations discourage lobbying against climate policies, GFANZ members are linked to lobbying activities that undermine their climate pledges. Many members remain involved in lobby groups that have pushed back against climate-related policies, aligning with fossil fuel interests. In dismissing and ridiculing calls for banks to better manage climate risks, former Head of Responsible Investment at HSBC AM, Stuart Kirk, may have revealed widespread attitudes towards climate in the financial sector.

Shareholder payouts: Last month, HSBC announced that its profits for 2022 were £14.5 billion. Its profits for the last quarter of 2022 were £4.3 billion, up more than 90% from the Q4 of 2021. The bank also made the largest dividend payout to shareholders since 2018.

Voluntary pledges are insufficient: The Climate Change Committee's latest Progress report to Parliament states that "policies which facilitate and amplify voluntary corporate Net Zero ambition are valuable, but should not be pursued in place of an effective regulatory environment and well-aligned financial incentives". HSBC is illustrative; since GFANZ membership and its net zero pledge in 2021, the bank has approved 58 transactions worth £10 billion (US$12 billion) in capital to fossil fuel developers. Initiatives like GFANZ are no substitute for government action through science-based, credible and robust legal and regulatory frameworks to enforce the private sector transition to Net Zero.