

FUNDING CLIMATE CHAOS

HOW UK BANKS ARE
CONTINUING TO FUND
THE CLIMATE CRISIS



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FOREWORD

CAROLINE LUCAS MP

WE'RE CURRENTLY EXPERIENCING A GLOBAL HEALTH AND ECONOMIC EMERGENCY. THE COVID-19 CRISIS IS EXPOSING IN THE STARKEST TERMS THE FAILINGS OF OUR ECONOMIC AND FINANCIAL SYSTEMS: INADEQUATE INVESTMENT IN PUBLIC SERVICES, THE ACCUMULATION OF PRIVATE PROFIT BY A PRIVILEGED FEW AND A LACK OF RESILIENCE TO FUTURE SHOCKS AND THEIR CASCADING IMPACTS. ABOVE ALL, THE EMERGENCY EXPOSES A FAILURE TO PLAN AND PREPARE FOR THE LONG-TERM.

As we tackle the current emergency, we must also learn lessons for future emergencies. That means not going back to business-as-before and restoring our broken systems but rebuilding them in a way that puts people and the environment front and centre.

So this report is a vital and timely contribution to our understanding of why systemic change is necessary. In spite of growing instances of extreme weather and a terrifyingly short timescale to limit global heating to 1.5 degrees, major UK banks are still financing fossil fuel projects. Since the Paris Agreement was signed, Barclays and HSBC have provided £158 billion in financing for fossil fuels.

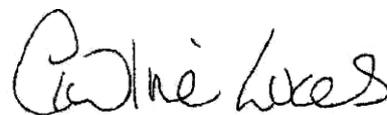
It was less than a year ago that Parliament declared a climate change emergency. The UK has just experienced its wettest February ever. Last winter's flooding damaged thousands of homes and businesses, and led to more than £360 million in insurance claims. Climate scientists have warned that this could become the norm in Britain. Globally, the economic consequences of unchecked climate change have been estimated to run to over \$20 trillion.

Yet policy-makers and regulators continue to pursue a voluntary approach, despite the huge risks to the

global economy. The parallels with events leading up to the 2008 financial crisis are obvious: private short-term profiteering at our collective long-term expense, facilitated by inadequate regulation. It's time to acknowledge this approach is not working. It's time to re-write the rules to secure the transformational change required.

This report demonstrates that several years on from the Paris Agreement, major UK banks, despite their progressive rhetoric, are not taking meaningful steps towards the necessary phasing out of all fossil fuel financing. Regulations should be introduced to shift lending and investment out of high-carbon sectors.

This global health emergency has laid bare the failings in our current system. But if we choose to, we can lay the groundwork now for a fairer, greener recovery, and rebuild a society that is more equal and more resilient, and where people and nature thrive.



EXECUTIVE SUMMARY

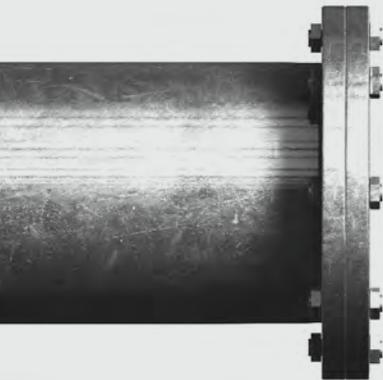
THE FINANCIAL IMPACT OF THE COVID-19 CRISIS, ON TOP OF A CRASH IN OIL PRICES, HAS SHOWN US EVER MORE CLEARLY THAT ECONOMIES BASED ON FOSSIL FUELS ARE VULNERABLE IN AN EMERGENCY. WE HAVE TO RESPOND TO THE IMMEDIATE HEALTH AND ECONOMIC CRISIS WE FACE, BUT WE MUST ALSO TAKE THIS MOMENT TO MAKE SURE THAT WE BUILD THE RESILIENCE WE NEED TO HANDLE OTHER CRISES IN THE FUTURE.

Despite this urgent need to move away from fragile, fossil fuel-based economies, drilling for oil in the arctic and in deep water, extracting oil from tar sands, and fracking shale rock for gas continues 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 invested £2 trillion*[\$2.7 trillion] in the fossil fuel industry's continued growth since 2016. Without these funds, the climate destroying activities of corporations like BP and Shell are not possible.

UK banks Barclays and HSBC are the worst offenders in Europe.



 **BARCLAYS**

Barclays lent fossil fuel companies almost £91 billion between the end of 2015, when the Paris Agreement was signed, and 2019. This makes them the 7th worst bank in the world and the worst in Europe on the rankings.

 **HSBC**

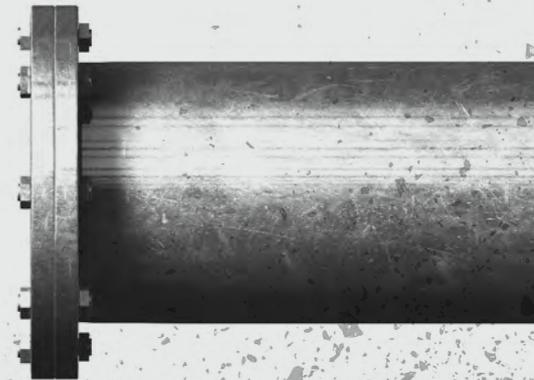
HSBC ranks 12th globally, with £67 billion of support for the industry. It continues to pursue financing a coal power plant in Vietnam and port-dredging in Bangladesh, that will allow more coal imports, despite projections that from 2030, around 70,000 people could die every year due to coal power pollution across South East Asia.

The plans laid out by governments and companies would lead to a 4°C increase in global temperatures, leading to droughts, flooding, food and water shortages and mass migration. Companies won't stop digging and burning fossil fuels on their own, so in order to protect a habitable planet and organised society we must cut off the finance they need to grow these projects.

Our first priority must be to make sure that banks do not use the Covid-19 emergency to roll back existing

or planned climate regulations. Any public money allocated to companies, including banks, must come with a condition that their plans will reduce emissions in line with the Paris Agreement.

Covid-19 isn't a 'one-off' event from which we will just return to the same ways of working. We must recognise and fix our broken systems, which have shown how vulnerable we are to emergencies. It is time for bold, transformational change that centres ordinary people and the planet.



BARCLAYS & HSBC IN TOP BANKS WORLDWIDE FUNDING CLIMATE CHANGE

WE ARE IN CRISIS

THE COVID-19 PANDEMIC AND THE RESULTING HEALTH AND ECONOMIC CRISIS ARRIVED IN SPRING 2020, JUST AS PEOPLE WERE FINALLY WAKING UP TO THE CLIMATE CRISIS.

Vast wildfires in the Amazon and Australia, floods in Indonesia and ongoing drought in southern Africa early in the year made the climate emergency plain to see. Here in the UK we had the wettest February ever, which brought it right up to our front doors. Storms, one after another, battered our coastlines and flooded our towns; with homes, community spaces and businesses destroyed, causing at least £363 million of damage.

As we write, the priority is, rightly, the immediate response to the Covid-19 pandemic. The rapid transformation we are witnessing in all aspects of our everyday lives brings fears and challenges. However, it will also show us new ways of doing things. When the time comes to rebuild our economies and livelihoods, we can and must put people and the planet at the centre of our recovery.

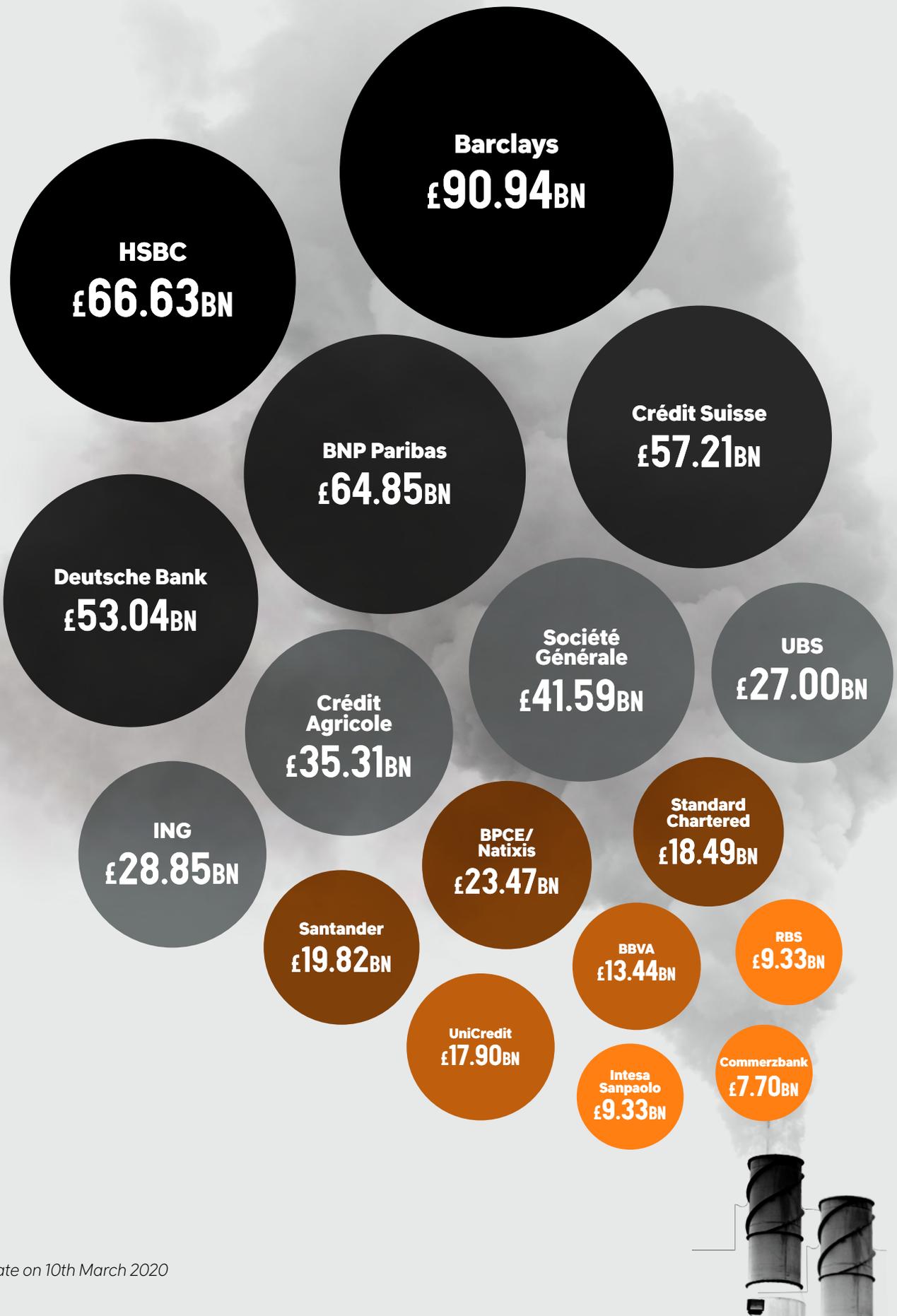
Up to now, banks have continued to throw good money after bad by financing drilling in the arctic and in deep water, extracting oil from tar sands, and fracking shale rock for gas. These fossil fuels have high environmental, social, and climate impacts - polluting drinking water, destroying habitats, causing earthquakes and disrespecting indigenous

rights and lands. Expensive extraction projects can't go ahead without investment, and it is the banks on our high street that are supporting them.



HSBC AND BARCLAYS VS EUROPEAN BANKS

TOTAL FOSSIL FUEL INVESTMENT 2016-2019



*Exchange rate on 10th March 2020

HOW OUR BANKS ARE FUELLING CLIMATE CHANGE

A report published in March 2020 by a coalition of NGOs: Rainforest Action Network, Banktrack, Indigenous Environmental Network, Reclaim Finance, Sierra Club and Oil Change International, shows that in the five years since the Paris climate change agreement, thirty-five global banks have together financed the fossil fuel industry with £2 trillion* [\$2.7 trillion], making possible the climate destroying activities of corporations like BP and Shell.

Decision-makers at these banks know the consequences of their actions, but refuse to stop. Instead they increase financing for these projects year on year. Barclays and HSBC have provided funding to oil, gas and coal companies totalling £158 billion since the Paris Agreement, which makes them the worst offenders in Europe and in the top 12 most climate-damaging banks in the world.

This is setting us on a path to the destruction of organised society and an uninhabitable Earth.

**Exchange rate on 10th March 2020*



UK BANKS RANKED

£90.94BN



 **BARCLAYS**

£66.63BN



 **HSBC**

£18.49BN



Standard Chartered 

£9.33BN



 **RBS**
The Royal Bank of Scotland

Former Bank of England governor Mark Carney has warned that global financial institutions are backing carbon-intensive projects which would lead to a 4°C rise in global temperatures above pre- industrial levels. This would result in the collapse of food systems, mass migration and unthinkable health consequences. It would put most of the east coast of England and large parts of London permanently under water due to sea level rise by 2080.

We must ensure that banks do not use the Covid-19 emergency to roll back existing or planned climate regulations. We cannot allow the response to one crisis to make another worse. Any public money allocated to companies, including banks, as part of a rescue or support package must be conditional on them delivering a credible strategy transition plan that is aligned with the Paris Agreement.



IN THE THREE YEARS AFTER THE PARIS AGREEMENT, BARCLAYS WAS THE:

#1

EUROPEAN BANKER OF FOSSIL FUELS
BY 36% (£91BILLION), FOLLOWED
BY HSBC (£67 BILLION)

Barclays was #1 in 2016, 2017 and 2018

#1

EUROPEAN BANKER OF 100 TOP
COMPANIES EXPANDING FOSSIL
FUELS (£27 BILLION)

#1

EUROPEAN BANKER OF TAR SANDS OIL

#1

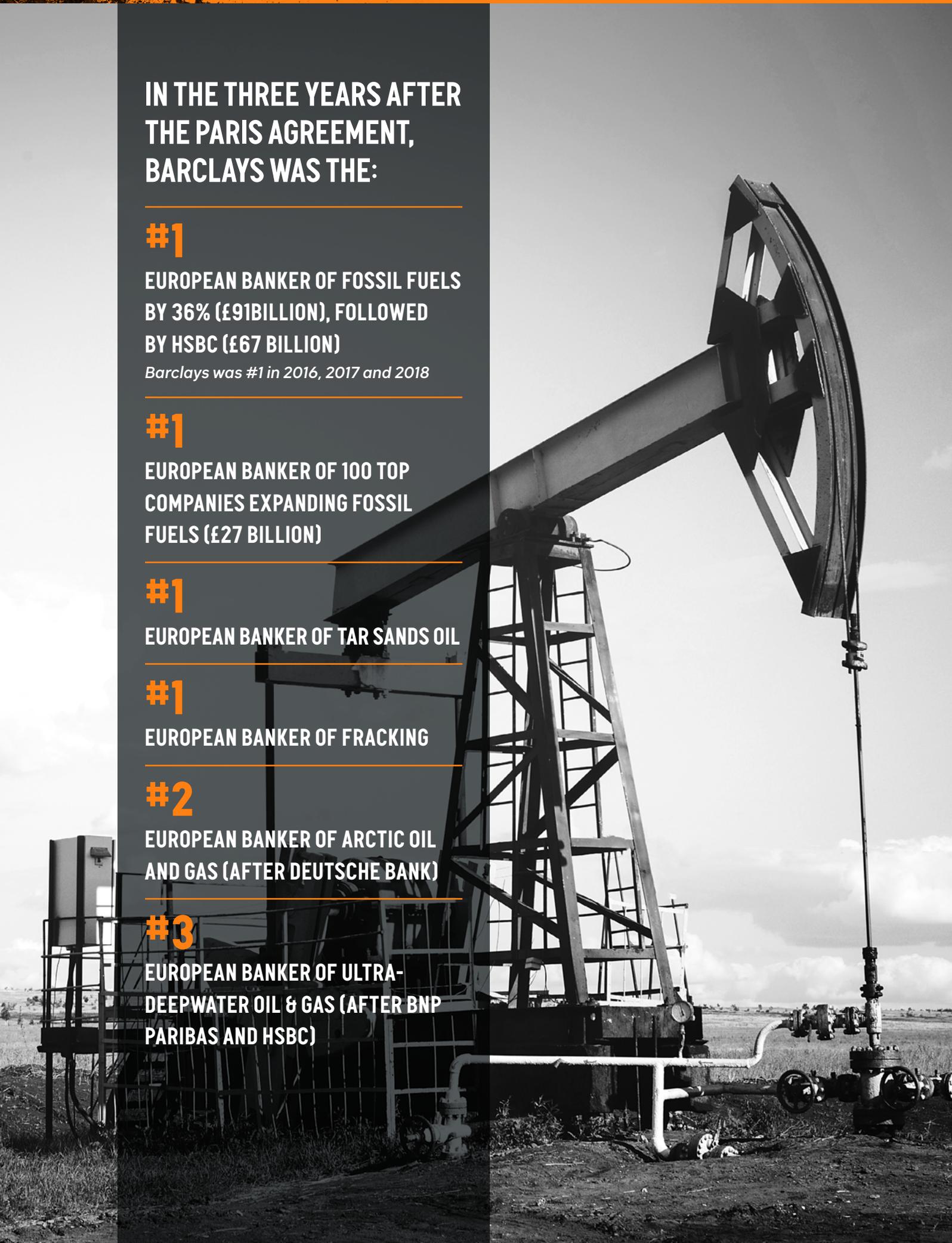
EUROPEAN BANKER OF FRACKING

#2

EUROPEAN BANKER OF ARCTIC OIL
AND GAS (AFTER DEUTSCHE BANK)

#3

EUROPEAN BANKER OF ULTRA-
DEEPWATER OIL & GAS (AFTER BNP
PARIBAS AND HSBC)



WHAT ARE BRITISH BANKS DOING?

BANKS ARE SUPPORTING THE EXTRACTION OF COAL, OIL AND GAS, IN WAYS THAT EXPLOIT LOCAL COMMUNITIES AND RESOURCE-RICH ENVIRONMENTS ACROSS THE WORLD, MAKING OUR GLOBAL SOCIETY EVEN MORE UNEQUAL.

British banks are supporting companies involved with dirty coal projects in countries including Indonesia, Vietnam and Bangladesh, led by corporations that are guilty of human rights abuses. They are seemingly indifferent that their business decisions could consign billions of people to hunger, disease, poverty and war resulting from the worst impacts of unchecked climate change.

The banks are behaving like fossil fuel companies, pushing for ever more profit from coal, oil and gas, despite calls to stop, and UK banks Barclays and HSBC are some of the worst offenders in Europe.





BARCLAYS

No European bank is more implicated in the expansion of fossil fuels than Barclays.

The UK based bank lent fossil fuel companies almost £91 billion (that's 91 with nine zeros!) between the end of 2015, when the Paris Agreement was signed, and 2019. So far, Barclays has taken no meaningful measures to restrict this flow of money.

Barclays' track record of investing in tar sands really makes it stand out from the crowd. Tar sands are known as the dirtiest oil on the planet: one of the most carbon-intensive and environmentally destructive fossil fuel extraction methods.

Barclays is among the top ten global funders of this disastrous fuel.

Without finance, tar sands and other fossil fuels would stay in the ground. So to create a liveable future, we need to take on the banks just as we do the fossil fuel companies. Barclays should be right at the top of the list.

"HSBC's polluting double standard policy permits the global bank to finance coal plants in Bangladesh, Indonesia and Vietnam, whilst supporting clean tech in developed countries, forcing those who are poor to breathe sulphur dioxide and smog."

HONG HOANG, [350.ORG](https://350.org) VIETNAM COORDINATOR/CHANGE

HSBC

In April 2018, HSBC announced that it would "stop financing new coal-fired power in all countries around the world", but excluded Bangladesh, Indonesia and Vietnam.

HSBC continues to pursue financing a coal power plant in Vietnam and port-dredging in Bangladesh, which will allow more coal imports, despite projections that from 2030, more than 43,600 people could die annually due to coal power pollution in Indonesia and Vietnam alone.

THIS IS POSSIBLE

BEFORE THE COVID-19 PANDEMIC, MOMENTUM WAS BUILDING TO FORCE ACTION FROM THE BANKS TO RESPOND TO THE CLIMATE CRISIS. FINANCIAL INSTITUTIONS THEMSELVES WERE INCREASINGLY UNDERSTANDING THE RISK TO THEIR OWN REPUTATIONS, AND BOTTOM-LINE, OF PROVIDING SERVICES TO COMPANIES THAT ARE FUELLING THE CLIMATE EMERGENCY.

The pressure from campaigns was working. In a leaked memo, investment bank Goldman Sachs said "our Global Energy team believes that the coal divestment movement has been a key driver of the coal sector's 60% de-rating over the past five years".

On January 14th 2020, after years of increasing pressure from climate activists, investors and legislators, Larry Fink the CEO of BlackRock announced a set of measures for the coal industry that he said would put climate change and sustainability at the center of BlackRock's business model.

These actions, coming from organisations traditionally reluctant to take any climate action, is a clear sign to other institutions that the age of coal is over.

However, despite taking these measures against coal, Blackrock are ploughing on with helping to finance the Keystone XL tar sands oil pipeline, showing that these organisations need more pressure to step away from fossil fuels entirely.



The sudden Covid-19 pandemic marks a new line in the sand. Beyond the immediate public health response, governments and financial institutions are having to decide how they respond to the economic impacts of the Covid-19 crisis. On top of this, our whole society is re-thinking what kind of future we want to see.

What happens next will have a huge and long-term impact, including for the climate, and we know that the future we choose should not be one that continues to make the climate crisis worse.

Naomi Klein has reminded us of Milton Friedman's words on the power of a crisis to bring about radical transformation:

"Only a crisis - actual or perceived - produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable."

MILTON FRIEDMAN, ECONOMIST

The Covid-19 crisis is the moment when we must fight for the bold and transformative policies that will create the fair, equal and sustainable future we want to see.

Government bailouts are now happening across the world and we must create new and stronger regulations to ensure banks cannot return to financing the climate crisis. This isn't an event from which we can return to business as usual.



RBS

In February 2020, RBS announced that they would no longer finance projects to find new oil and gas reserves, and wouldn't fund new coal mining or coal power projects. Yet we already know that other oil and gas projects are also driving climate breakdown. RBS' ambition is to halve the climate impact of their financing by 2030; but banks must stop financing all fossil fuels as soon as possible.

RBS insists that they will withdraw support for companies without a credible plan to transition to net-zero by 2050. Now we need to see the details about what makes a plan credible. BP have recently published an underwhelming and deceptive plan for net-zero by 2050 which continues business as usual as a major oil producer but would RBS consider this credible? Do they expect to continue financing BP past 2021? We should not celebrate RBS as an example of best practice until these crucial questions have convincing answers.

Chris Saltmarsh, Co-Director Climate Change Campaigns, *People & Planet*

THE ROLE OF REGULATORS

The global economy is already at risk of a major recession as a result of Covid-19. As the social and economic impacts of climate breakdown intensify, a humanitarian and environmental crisis also becomes a financial one, and our economies will face a further reckoning. That means that climate change needs to be a top priority for financial regulators, including central banks. Because meaningful climate action has been delayed for so long, we are now running out of time for a gradual and orderly transition away from fossil fuels. The longer we wait, the more disruptive the transition will be for the global economy. Governments and central banks therefore need to act to drive this shift now, via regulation, taxes, subsidies, and public investment. Crucially, they hold the power to rein in commercial banks' reckless funding of the climate crisis.

Commercial banks continue to finance emissions that will generate warming exceeding 4°C. If they persist in pouring money into new fossil fuel development, we will have no chance to stave off the worst of the climate crisis. Through their regulatory regimes and monetary policy operations, central banks can disincentivise banks from lending to fossil fuels, making it riskier and more expensive for them to do so.

Given the UK's position at the crossroads of global finance, and our historic role in the climate crisis, the Bank of England's role is especially important.

Anna Vickerstaff,
Senior UK Campaigner, [350.org](https://www.350.org)



WHAT DO WE WANT?

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 STOPPING FINANCING ALL FOSSIL FUELS.

And now, in the midst of pandemic, the big players of finance and fossil fuel extraction are using the crisis to their advantage. Under its cover, fossil fuel companies are calling for bail outs of zombie projects that were already morally and financially bankrupt. For their part, financiers around the world are supporting them - recklessly backing bids to ram through controversial pipelines under cover of a global pandemic. We cannot let this go unseen.

Now and in the months to come, we cannot allow our banks to roll back on existing or planned climate regulation. They must continue to report the impacts of their actions and plan for future climate related financial risks. Any public money allocated to companies, including banks, must come with a condition that their plans will reduce emissions in line with the Paris Agreement. This will need strong regulation, from an ecologically literate regulator.

Covid-19 isn't a 'one-off' event from which we will just return to the same ways of working. We must recognise and fix our broken systems, which have shown how vulnerable our financial system leaves us all in times of emergency. As its cracks are revealed for all to see, it is time for bold, transformational change that centres ordinary people and the planet.

TO DO THIS, BANKS NEED TO:**1**

Acknowledge that the fossil fuel industry is the major driver of climate breakdown, and recognise their own role in enabling the industry by providing it with financial services.

2

Stop all forms of financing in connection with any new fossil fuel extraction projects, including infrastructure (like pipelines, railways, ports, and refineries) or the expansion of any existing projects.

3

Phase out all financing for any fossil fuel extraction and infrastructure to align with limiting global warming to 1.5°C including a commitment to phase out all finance for existing coal infrastructure to ensure the coal fleet in the OECD is retired by 2030 and the rest of the world no later than 2040.

4

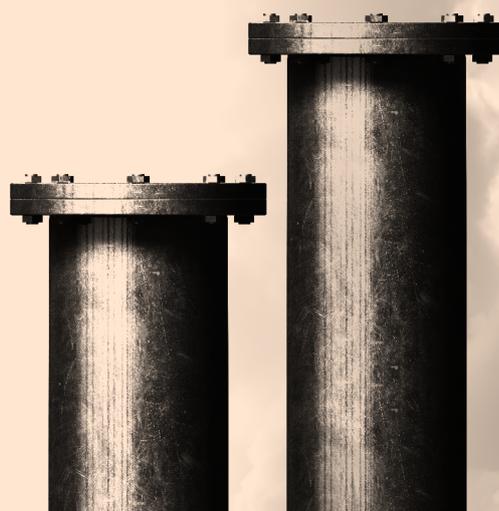
Fully respect all human rights, particularly the rights of Indigenous peoples, including their rights to their water and lands and the right to free, prior, and informed consent, as articulated in the [UN Declaration on the Rights of Indigenous Peoples](#). Prohibit all financing for projects and companies that abuse human rights, including Indigenous rights.

WHAT YOU CAN DO

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.

VISIT [FUNDINGCLIMATECHAOS.CO.UK](https://fundingclimatechaos.co.uk) FOR MORE INFORMATION.



AUTHORS & COLLABORATORS

Chris Saltmarsh, People & Planet

Nick Bryer, 350.org

Robert Noyes, Platform London

Juliet Rayment

The Sunrise Project

THANKS TO:

Alison Kirsch, Rainforest Action Network

Argo Scott, Campaign Strategy Consultant

Brett Fleishman, 350.org

Charlie Kronick, Greenpeace

Louise Hazan, 350.org

Lucie Pinson, Reclaim Finance

Sam Hayward, Share Action

Yann Louvel, Reclaim Finance

Jack Bertolus, Market Forces

ALL THE AUTHORS OF 'BANKING ON CLIMATE CHANGE 2020':

