Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

HSBC's objective to source 100% of its electricity from renewable sources by 2030

Institution	Principle	Related Work Stream(s)
HSBC	PRINCIPLE 1: COMMIT to Climate strategies	SPREADING A CLIMATE STRATEGY INTO A WHOLE ORGANISATION

Publication date: 2018

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
In November 2017, HSBC, one of the largest banking and financial services organizations in the world, committed to 100% renewable electricity across its global operations by 2030. They also committed to an interim goal of 90% by 2025.	In addition to developing its portfolio of PPAs, HSBC joined the RE100 initiative in 2017 and is actively collaborating with governments and regulators to open up renewable energy markets where power purchase agreements are not currently available.	Reducing CO2 emissions is in HSBC's GCOO scorecard as well as its CDP score. HSBC's commitment to become RE100 by 2030, was part of a wider range of sustainable finance commitments made by HSBC in 2017.

Monitoring, reporting tools	How Implemented?
HSBC reports on a yearly basis the percentage of electricity procured from renewable sources as part of their GHG reporting (assured by PwC) and as part of their CDP disclosure. Internally, HSBC track progress made via Monthly Governance meetings and quarterly reporting to Group COO Sustainability Committee.	HSBC's target will be implemented as follows: 1. HSBC will actively collaborate with RE100, governments and regulators to open up renewable energy markets where PPAs or similar are not currently available, and support the decentralization of power generation across their operational centres, thereby enabling HSBC and the corporate sector to develop PPAs globally. 2. All projects must be truly additional i.e. the long-term commitment of HSBC to procure the electricity enables the project to raise finance and the facility to be constructed. 3. HSBC will not make use of unbundled Renewable Energy Certificates ('RECs') or other instruments that do not represent a direct investment or purchase of renewable electricity.

Key Lessons
• The renewable markets in the regions HSBC have concentrated on have different levels of maturity. This brings both challenges and opportunities. When evaluating different approaches, HSBC quickly learned that structures or methodologies that worked well in one country cannot always be applied to another. This fundamentally required a collaborative approach across Real Estate, Legal, Procurement, Sustainability and specialist teams within Global Banking and Commercial Banking. • Strong 'additionality' or sustainability selection criteria makes both internal decision making straightforward, but also send a clear signal to developers on what types of projects HSBC is likely to contract with. • HSBC understands that it will be a huge challenge to meet the 100% renewable target, especially in markets where PPAs or similar mechanisms are not yet available. This challenge is one that is faced by HSBC clients as well. HSBC uses its experience to drive the renewable energy market in regions where it is yet to develop, so that its clients may also decarbonize their electricity supply. Again, a collaborative approach is required. Working with other corporates and partners as well as understanding regulatory concerns and policy drivers enables a clearer pipeline of projects to be developed in certain markets.

Introduction

In 2011, HSBC set a target to reach 25% renewable electricity by 2020, which was increased to 40% in January 2017. The experience they gained in the renewable electricity market means they are now able to make the highest level of commitment to renewable electricity: 100%.

In November 2017, HSBC Management Board approved a wide range of sustainable finance commitments and announced it on the sidelines of COP23. HSBC committed to create US$100bn of additional finance and investment to support the transition to a low carbon economy and to 100% renewable electricity across its global operations by 2030, with an interim goal of 90% by 2025.

The global strategy consists of ten goals and is owned by HSBC's operational functions including Corporate Real Estate, Procurement, IT, Marketing and Operations. These teams work across regions and collaborate with suppliers to make sure projects get off the ground and initiatives are implemented.

Development and Design

As part of HSBC's commitment to decarbonise their own electricity consumption and support the development of the global renewable energy market, HSBC has been procuring its electricity through renewable power purchase agreements (PPAs) since 2014. HSBC believes that PPA's are a critical component of the global transition to renewable energy supply as they create additional capacity to be built in key markets. As of December 2017, HSBC had signed PPAs covering 24% of their global electricity consumption, focusing initially on countries where their consumption is the highest. In addition, HSBC aims to build a diversified, global portfolio of various types and sizes of renewables projects including wind, biomass and solar projects. HSBC currently has operational PPAs in the UK, India and Mexico.

All projects must be truly additional i.e. the long-term commitment of HSBC to procure the electricity enables the project to raise finance and the facility to be constructed. It is HSBC's policy to NOT make use of unbundled Renewable Energy Certificates ('RECs') or other instruments that do not represent a direct investment or purchase of renewable electricity.

HSBC understand that this is ambitious goal will be easier to achieve if they collaborate through initiatives like RE100 and its growing membership.

Results

HSBC is consistently rated as one of the leading organisations for operational sustainability and has a world leading approach to energy efficiency, green buildings, de-carbonising our electricity supply and paper sourcing. As a result, HSBC received a CDP score of A in 2016 and A- in 2017.

Impact

Since 2014, HSBC has been procuring its electricity through renewable power purchase agreements (PPAs), which creates additional capacity in key markets. Currently, HSBC signed PPAs to cover 24% of its global consumption, focusing on areas where its consumption is the highest, and in regions that also have high capacity factors.

Experience and Impact

HSBC will continue to focus on PPAs. Something that sets HSBC apart from many other RE100 members is that it does not consider renewables that are already included in the grid. Going 100% renewable for their global electricity use is one of five new commitments that HSBC is making to tackle climate change and support sustainable growth in the communities it serves. The other four are:

• Provide $100 billion in sustainable financing and investment by 2025;

• Reduce exposure to thermal coal and actively manage the transition path for other high-carbon sectors. This includes discontinuing financing of new coal-fired power plants in developed markets;

• Adopt the recommendations of the Task Force on Climate-related Financial Disclosures to improve transparency. In its next two Group annual reports, HSBC will give more details on its approach to climate-related risks and opportunities;

• Lead and shape the debate about sustainable finance and investment. This includes promoting the development of industry-wide definitions and standards.