

# **Financing Climate Mitigation Initiatives: Debt Financing Of Sustainable Energy & Adaptation**

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# Our View on Climate Change.....



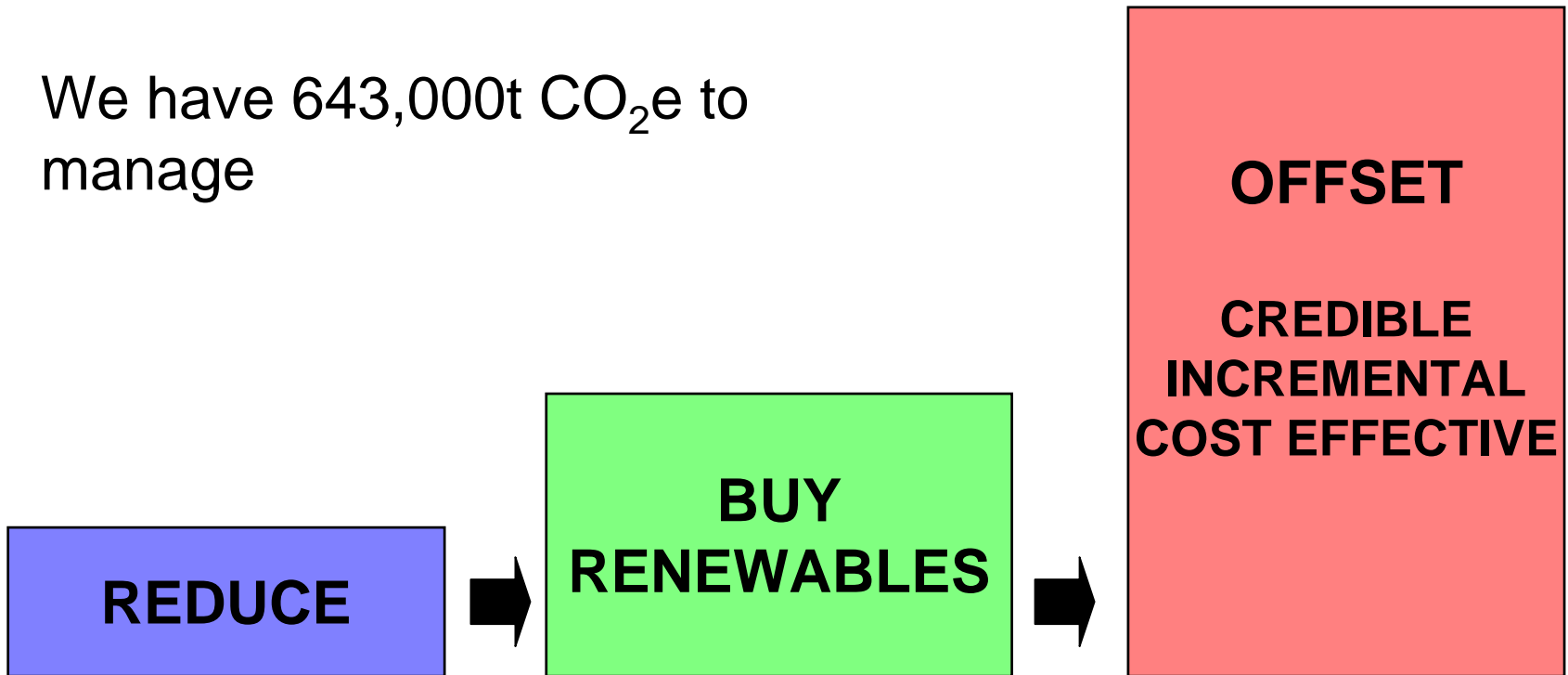
**“It is our judgement that climate change represents the largest single environmental challenge this century”**

(Sir John Bond, Group Chairman, HSBC Holdings plc April 2004)

# Managing our Footprint.....

**HSBC will be the world's first major bank to go carbon neutral**

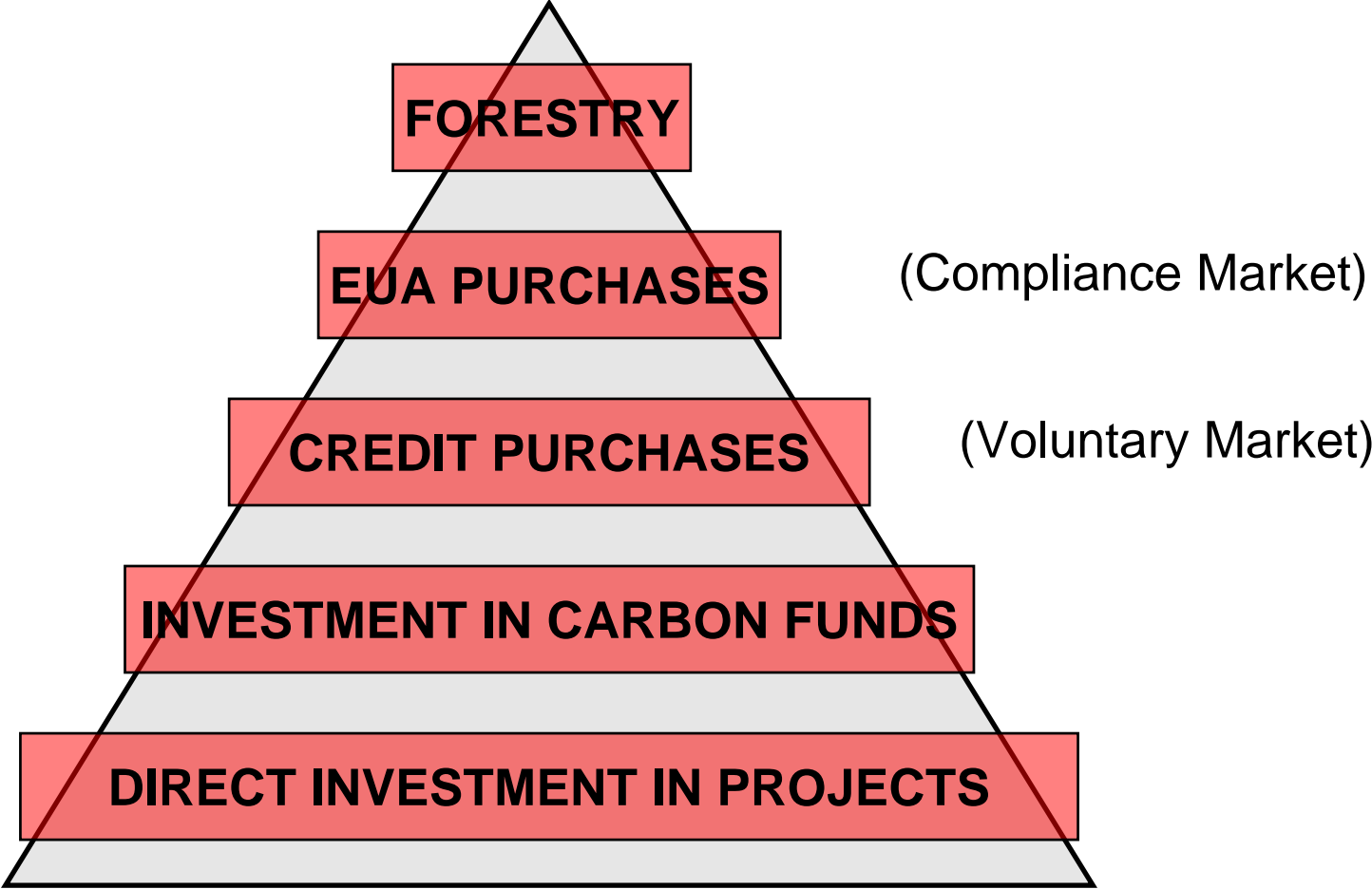
We have 643,000t CO<sub>2</sub>e to manage



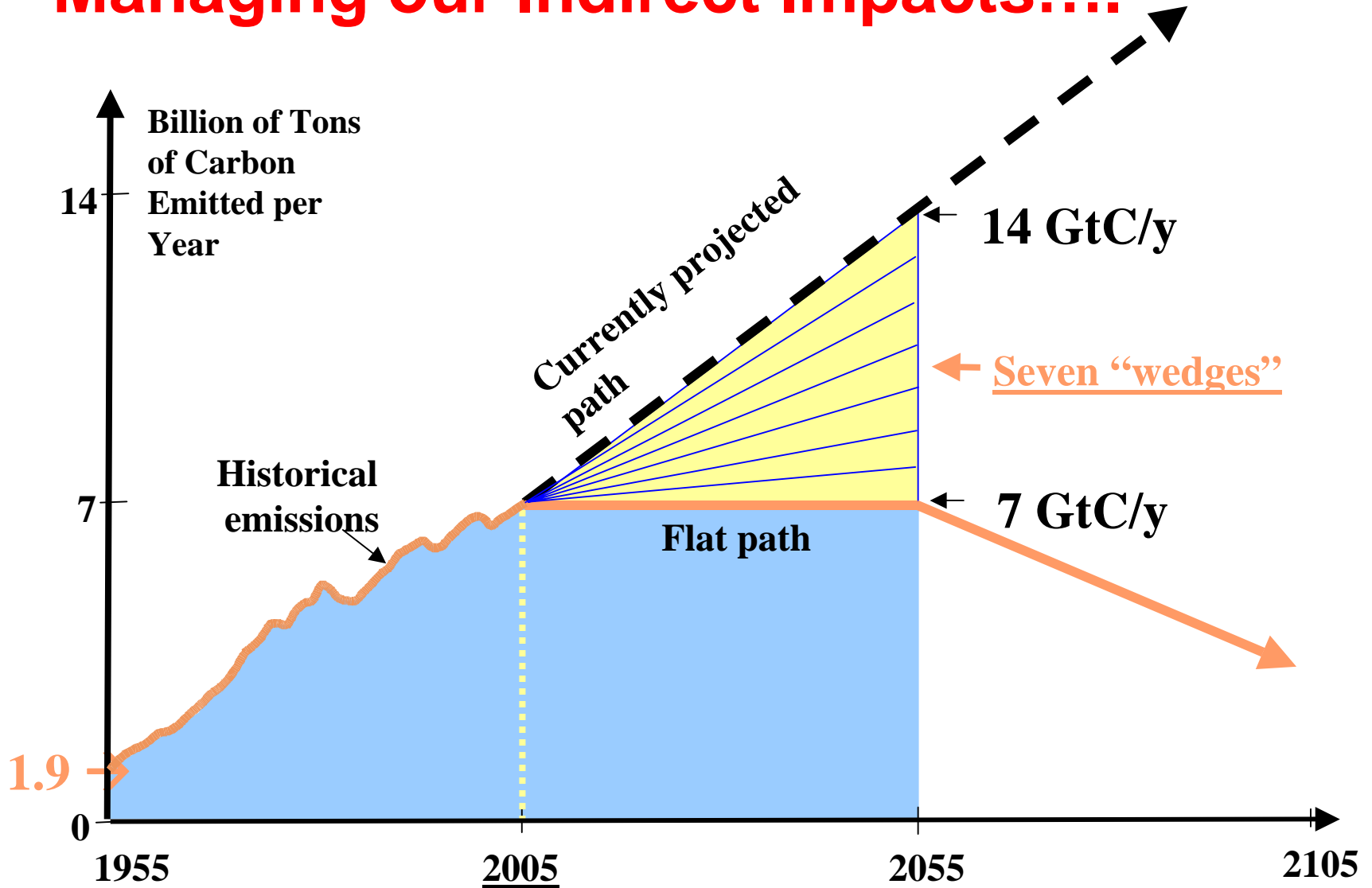
# Our Process & Capacity.....

- ▶ **Carbon Management Task Force** established under the sponsorship of the Group Chief Executive
- ▶ **Business Partnerships** - founding members of The Climate Group's Bank Working Group
- ▶ **University Partnerships** - "Understanding Change to Change Understanding"
- ▶ **Education** - Carbon Neutral Schools sponsorship

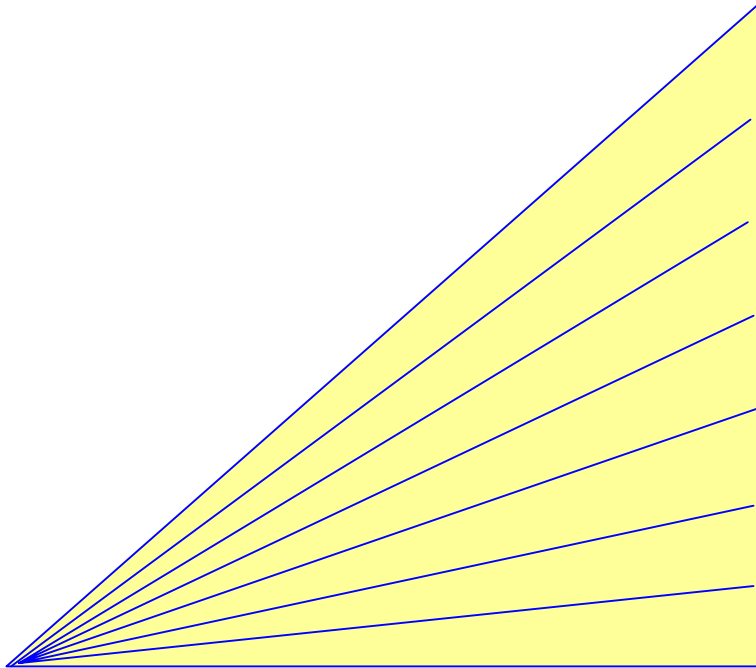
# Our Approach & Priorities....



# Managing our Indirect Impacts....



# Our Areas of Focus....



- ⑩ Energy Efficiency
- ⑩ Transport
- ⑩ Fuel Switching
- ⑩ Wind, Solar PV
- ⑩ Biofuels
- ⑩ Landfill Gas Recoveries
- ⑩ Carbon Capture & Storage
- ⑩ Nuclear, Hydrogen

# Some Barriers to Overcome....

- ▶ **Post 2012 risks**
- ▶ **CO<sub>2</sub> L/T Price Curve**
- ▶ **Additionality**
- ▶ **Time**
- ▶ **Cost**
- ▶ **Complexity**
- ▶ **Capacity**
- ▶ **Standards**

*Project finance timelines are often 10-20 years. Critical success issues are additionality and creating a post 2012 framework primarily, and addressing time, cost and complexity secondarily.*

# Our Perception of Opportunity [1].....

- ▶ Asia Infrastructure Investment ~ USD200bn pa, 81% from China (Source: World Bank, June 2004)
- ▶ China: Energy demand 2000 - 2050: +2.6bn toe
- ▶ A necessity to delink GDP growth and energy:
  - ▶ Energy security
  - ▶ Price
  - ▶ Environment, Health, Climate Change
- ▶ Energy Efficiency/Transport Efficiency

# Our Perception of Opportunity [2].....

- ▶ An opportunity to delink energy demand and carbon
  - ▶ Renewables (10% by 2010)
  - ▶ Hydro
  - ▶ Natural Gas
  - ▶ Carbon Capture & Storage
  - ▶ Biofuels
- ▶ Transfer of technologies, product and financing

# Our Perception of Opportunity [3].....

- ▶ proactively seek opportunities in
  - ▶ lower carbon energy
  - ▶ energy efficiency
  - ▶ clean technology innovations
- ▶ leverage existing project finance capabilities in US, Europe and Asia
- ▶ apply related carbon credits to achieve our own carbon neutrality and to trade with clients
- ▶ Standards: Voluntary (VER/Gold Standard) vs Compliance (CDM/JI) Markets

# Our Perception of Opportunity [4].....

- ▶ “Clean” projects in the developing world - we are uniquely positioned
- ▶ Emissions trading
- ▶ Consumer products and services
- ▶ Carbon funds
- ▶ Climate Risk identification and management
- ▶ Taking a leadership position in understanding the needs of and opportunities for our clients

**Any Questions?**