

HSBC: QUIT COAL!

This briefing is one in a series published by **BankTrack**, an international NGO that tracks banks and campaigns to transform their impact on people and planet, and is part of our **Banks: Quit Coal!** campaign. Visit www.coalbanks.org for extensive data and coverage of the banking sector's global coal financing. For any additional information or feedback, contact BankTrack's Climate and Energy Campaign Coordinator Yann Louvel at: yann@banktrack.org

APRIL 2016

THE IMPACTS OF HSBC COAL FINANCING CONTINUE TO STACK UP – TIME TO GET AHEAD OF THE REST, FINALLY

Let's not get carried away just yet. Although HSBC continues to refuse to publicly disclose figures related to its energy financing, the latest coal finance figures for HSBC that civil society analysts have been able to compile do show a decline in the bank's largesse for the beleaguered sector between 2013 and 2014 (see graph). Of course, we've been here before, in 2012, only for HSBC's overall coal financing to then jump in 2013.

And while coal companies around the world now appear to be stuck in a terminal death spiral, with investors likely to steer a long term, safe course away from the global climate's worst enemy, there remains a bit of a problem still at HSBC: inadequate coal financing policy coverage.

As many of its rival banks have been taking steps over the last nine months to make the rules governing their (still vast) financing to the coal sector vaguely fit for the twenty-first century, HSBC has yet to move on excluding finance for new coal mines around the world or for coal mining companies per se.

Staggeringly, the bank – if its policy laxness is to be taken at face value – is still open for business to the most destructive form of coal extraction: mountain top removal mining.

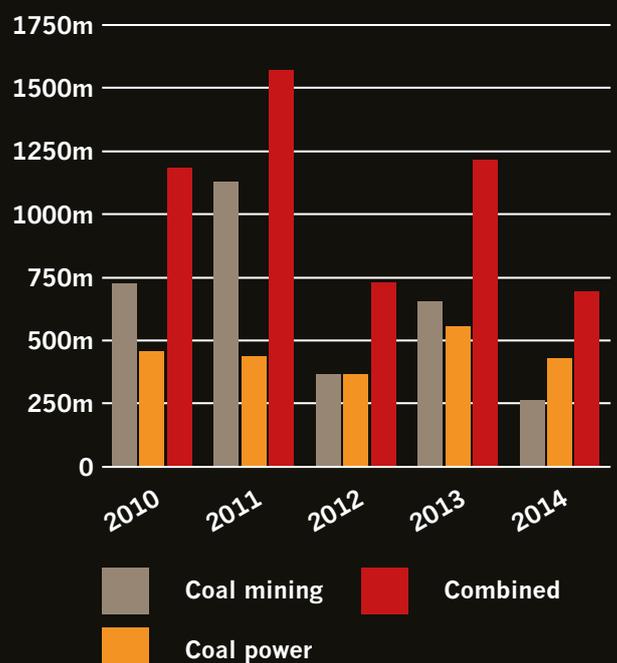
Even HSBC's long-time 'front runner' policy on coal power financing is now beginning to show its age. With the momentum provided by last year's global Paris Agreement, other banks such as Natixis in France and ING in the Netherlands are now starting to rule out all coal power projects, or committing to reduce coal power sector financing as a whole.

The horrendous human rights controversies in Colombia which the bank has helped to bankroll – and which are detailed overleaf – stand next to the heavy toll on global climate change which any continued HSBC investing in coal will only exacerbate. It's time now for HSBC to shake off its sooty and sorry coal legacy by sacking coal financing for once and for all.



Global Justice Now protests HSBC's appetite for coal at the bank's 2014 AGM.

HSBC COAL LOANS AND UNDERWRITING FOR SELECTED COMPANIES, 2010-2014 (IN MILLION DOLLARS)



FINANCING OF COAL SECTOR HUMAN RIGHTS ABUSES HAS TO END

HSBC has in recent years been one of the global banking sector's largest financiers of the controversial US mining company Drummond. There is now an array of serious allegations concerning Drummond's support for paramilitary groups and its links to associated human rights violations – which the company vigorously disputes – as part of its mining operations over many years in Colombia. Yet, HSBC has seen fit to assist the company although maintaining a general silence in the face of mounting allegations against its client, while at least one other large bank that previously financed Drummond has refused to finance the company for ethical reasons.

Drummond began its coal mining operations in Cesar, Colombia in 1995 and started operating a second mine, El Descanso, in 2009. The company states that it shipped approximately 25 million tons of coal in 2014, and that it controls reserves in Colombia of more than two billion tons. Drummond's coal extraction site in the US was reported in 2012 to produce 1.6 million tons of coal per year, and has decreased considerably since, indicating that over 95% of the company's coal output is generated from Colombia – and, therefore, **any bank finance for Drummond clearly supports the company's Colombian operations.**

ALLEGATIONS OF LINKS TO PARAMILITARY GROUPS

The Dutch peace movement PAX began researching the experiences of victims of violence in the Cesar mining region in 2011 following requests from these victims. In 2012 PAX examined numerous public testimonies of ex-paramilitary commanders who had operated in the region and of ex-contractors of the mining companies, and published its research findings in a June 2014 report called **'The Dark Side of Coal: Paramilitary Violence in the Mining Region of Cesar'**. The report aimed to contribute to the truth-finding process in Cesar and to further the reparation of the consequences of the violence for the victims.

The report describes how, from 1996 onwards, paramilitaries from the United Self-Defence Forces of Colombia (AUC) started operating in the vicinity of Drummond and Prodeco mining concessions and along the railway line in Cesar. The fear and terror which resulted among the local population was horrific: on the basis of national police figures, it is conservatively estimated that between 1996 and 2006 paramilitaries drove over **55,000 farmers from their land**, committed at least **2,600 selective killings, murdered an estimated 500 people in massacres**, and **'disappeared' more than 240 people.**



Edilso Bareto's son was killed by paramilitaries in 2002, in El Prado, Cesar, Colombia. Photo: Daniel Maissan.

Testimonies, made under oath in legal proceedings by ex-paramilitary leaders and Drummond's ex-contractors, indicate that the mining companies Drummond and Prodeco supported the paramilitaries in a variety of ways, including financially and materially. It is clear that the mining companies have, in various ways, benefited from the human rights abuses committed by the AUC, and that they continue to do so to this day. For example, forced displacement of communities has cleared the path for land to be sold to Drummond.

DEVELOPMENTS SINCE THE 'DARK SIDE OF COAL' REPORT

In 2014, after the publication of the PAX report, the Dutch Minister of International Trade and Development Cooperation visited Colombia with representatives from the energy sector, NGOs and trade unions. Drummond refused PAX entry into its mine. However, both the minister and energy companies acknowledged the case of the victims and publicly called upon Drummond and Prodeco to pursue a road towards reconciliation.

In June 2015 Drummond and Prodeco fired 26 leaders of the regional section of the largest independent labour union. This move hugely damaged the already weakened independent labour movement. The companies argue that they were involved in an illegal strike in 2012. In May 2015 a former executive of Drummond was interrogated over his alleged involvement in the murder of two trade unionists, after former paramilitaries claimed they were financed by Drummond and coordinated the murders with the company. This case is to be decided by Colombia's Courts of Justice and followed the conviction of a former contractor for Drummond in February 2013, sentenced by a Colombian court to 38 years in prison for organising the killing of two labour leaders in 2001.

HSBC'S ROLE IN DRUMMOND FINANCING

HSBC has been a major contributor to two chunks of Drummond financing – for the company's ongoing Colombian operations it has to be assumed – in the last six years, providing an estimated **USD 232.5m** in two revolving credit facilities alongside of other major banks such as BNP Paribas and Citigroup.

WHAT DRUMMOND MUST DO NOW

The victims' movements in Cesar believe that Drummond must now fulfil its responsibilities to respect human rights and provide access to remedy for victims of human rights abuses in the zone of impact of their mining operations. To do this, Drummond should cooperate in a judicial or non-judicial path towards a regional and collective reconciliation process. Unfortunately, it is apparent that the company is not planning to start a credible process for compensating victims, and has so far sought to evade its responsibilities.

WHAT HSBC (AND OTHER BANKS) MUST DO NOW

Given the serious allegations that Drummond has contributed to grave human rights impacts, supporting banks such as HSBC have a responsibility under the **UN Guiding Principles on Business and Human Rights** to seek to mitigate these human rights impacts. In practice, given Drummond's lack of response or engagement on the need to redress these impacts, we consider that **HSBC should immediately suspend finance for Drummond** and seek to ensure that the company contributes substantially to processes which effectively remediate human rights abuses suffered by the victims of violence from 1996 onwards. While a final line in HSBC's coal financing now needs to be drawn, the bank can not simply walk away from the victims of some of its investments.