

Issue Overlooked in Request For Information on Proposed Acquisition of HSBC by RBC

May 25, 2023

We are writing in regards to the Request For Information (RFI) the Competition Bureau opened on May 1, 2023 about the proposed acquisition of HSBC Bank Canada (HSBC) by the Royal Bank of Canada (RBC). This transaction is an issue the undersigned groups are paying close attention to, and we urge the Bureau to reject the acquisition after considering the consequences for efforts to mitigate climate change and the availability of sustainable financial options for consumers.

We applaud recent moves by the Competition Bureau to address the issues of misleading climate and environmental claims in advertising (greenwashing). Commissioner Boswell recently stated the “Bureau’s job is to protect the integrity of the marketplace, and that includes consumer confidence in the green economy.”¹ The three current investigations the Bureau has opened relating to deceptive green marketing practices - including on RBC - demonstrate this priority.

Therefore, while your RFI consultation rightly centers on issues of personal and business financial services in Canada’s concentrated banking sector, we believe you miss a fundamental concern in the proposed transaction that can not be overlooked.

RBC’s ongoing financing of high emitting companies has a significant negative impact on climate change. RBC has financed over C\$340 B in fossil fuels since the Paris Climate Agreement was signed, and in 2022 became the world’s #1 financial backer of fossil fuels². RBC has set only “emissions intensity” targets for 2030, which allow total financed emissions to rise. When challenged on its climate record it points to capital set aside for “sustainable finance,” but included a \$1 B Enbridge oil sands pipeline loan within this sustainable category³. A 2023 report shows RBC puts \$99 of its energy finance into fossil fuels for every \$1 in renewable energy⁴.

RBC’s track record is relevant in comparison to that of HSBC, which has taken further action to deliver on its stated sustainability commitments. HSBC helped issue Canada’s first green bond, had many corporate clients who valued sustainability, and consistently rank higher than RBC in Corporate Knights Corporate Citizenship rankings⁵. In 2022, HSBC announced a policy to stop

¹Commissioner Boswell speech on “Competing for Green Growth”
<https://www.canada.ca/en/competition-bureau/news/2022/09/competing-for-green-growth.html>

²Banking on Climate Chaos Report, 2023 <https://www.bankingonclimatechaos.org/>

³<https://www.thestar.com/news/canada/2021/09/27/canadian-banks-are-loaning-enbridge-over-1b-with-questionable-sustainability-requirements.html>

⁴<https://www.reuters.com/business/sustainable-business/bank-funding-renewables-stagnates-vs-oil-gas-report-2023-01-24/>

⁵HSBC was 38th best corporate citizen, score included “Sustainable revenue ratio”
<https://www.corporateknights.com/rankings/best-50-rankings/2022-best-50-rankings/canadas-best-50-corporate-citizens-of-2022-continue-to-conquer-the-markets/#best-50-ranking>

financing new oil and gas projects, which, while imperfect, set a new precedent and was welcomed by UK NGOs. Importantly for your consideration, RBC had that climate policy exempted from HSBC Canada as a condition for this proposed takeover⁶. In 2022 HSBC's global fossil fuel financing declined, and will continue to do so based on commitments made⁷, while RBC's went up⁸, making RBC the top global banker of fossil fuels.

Despite claims to be Net Zero by 2050 and to support clients in the energy transition, RBC's business practices and public statements show it does not intend to reduce its financing of fossil fuels. The UN and International Energy Agency agree that climate emissions must be cut in half by 2030, and that there is no room in a Net Zero 2050 scenario for any new fossil fuel development⁹. The UN Secretary General states "we must have zero tolerance for net-zero greenwashing."

If RBC takes over the greener HSBC Canada it would remove sustainable choices from the marketplace. In a world where consumers and citizens increasingly make decisions based upon the climate impact of the products and services they consume, the loss of competitive pressure to improve climate and environmental performance in financial services is a problem worthy of the Competition Bureau's attention.

Further, the loss of a competitor moving to phase down its support for fossil fuels would further consolidate Canadian investment into an area at risk of becoming stranded, worsening the level of climate risk in our economy¹⁰.

There are numerous other reasons to reject this proposed transaction due to its negative impacts on mortgage rates, affordable housing and cost of living. RBC also lacks meaningful policies to address the Free, Prior, and Informed Consent of Indigenous Peoples and has demonstrated significant cases of mistreatment of Indigenous Peoples.

Commissioner Boswell publicly stated that "climate change may be the greatest market failure we have faced." We urge you to include the impacts of this proposed acquisition of diminished competitive pressure on green financial choices and increased climate risk in your consideration and to reject the proposed acquisition of HSBC Canada by RBC.

⁶<https://www.theglobeandmail.com/business/article-hsbc-oil-gas-developments-funding-canada/>

⁷<https://shareaction.org/news/hsbc-scales-up-climate-commitments-following-investor-engagement>

⁸<https://www.bankingonclimatechaos.org/#sector-panel>

⁹<https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>

¹⁰<https://www.nationalobserver.com/2022/01/20/opinion/acting-now-climate-change-canadas-best-financial-bet>

Sincerely,

Environmental Defence Canada

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LeadNow

Climate Action Network Canada

Banking on a Better Future

Friends of the Earth Canada

For Our Kids

Re_Generation

350.org Canada

Coalition Sortons la Caisse du Carbone

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