

Ian Stuart at London Climate Action Week

Speakers:

Nik Gowing, Event Chair, Climate Innovation Forum
Ian Stuart, CEO, HSBC UK

Nik Gowing: So three days ago we started the forum with Mark Carney sitting in this very seat saying that things are moving very fast on finance. And sitting in that seat was Noel Quinn, the Group Chief Executive of HSBC, the lead partner for the whole innovation forum. We are going to end the forum, the three days of forum, not just with John Kerry but also with Ian Stuart who is the CEO of HSBC, the UK bank.

Welcome, Ian. You've got some closing remarks and we'll just pick up a couple of them afterwards. So the floor is yours with the message.

Ian Stuart: Thank you very much, Nik, and thank you to everyone who has been involved over the last few days. I have got some notes but am very happy to go to questions thereafter. I think it's been a fascinating few days. I've tuned in to some of the events, some great ideas coming to the fore about how to protect our environment, how policymakers can enact national climate commitments and how banks like HSBC can help major emitters transition to net zero.

These are all hugely important topics. But I'd like to close with a slightly different perspective and indeed Senator Kerry just mentioned a few of those on previous comments. The race to net zero won't just be run by governments or large multinational firms. For every one of these there are thousands of small and medium-sized businesses, forming a vast chunk of the global economy who will need to take part as well. It's great to see so many nations and big businesses are now at the start line in this race. But in fairness, many SMEs have not yet got their running shoes on. With COP just a few months away, we've got a great chance to change that, a great chance to put SMEs at the heart of the climate challenge and get them ready for net zero.

Many of the SMEs I speak to in the UK are keen to start this journey. A delay now, they know, will penalise them in the future. And given this is London Climate Action Week, let's be blunt here: How many SMEs want to deal in a city that's underwater? Most don't know where to start the transition. How do they get green in their supply chain? How do they get the distribution network working, recycle their waste more efficiently or move to renewable power? These are tough questions. What's worse is that most SMEs have over the last 18 months been working on survival. COVID-19 has had a massive impact on many small and medium-sized businesses. That's where banks like HSBC can step in. We want to support our customers on their way to net zero. Whatever size of firm they are, we are retooling our customer offering to focus on sustainability. We have launched a sustainable hub on our public website, and we now have business guides on how to get started on net zero.

We're not just providing advice, we're providing much needed green financing too. Just recently, we helped a Manchester textiles manufacturer install solar panels. And a Yorkshire printing firm develop disposable cups. The sheer variety within the UK SME sector means there's always a new solution to be found. Now we know we don't have all the answers yet. Nobody does. But we need to drastically pick up the pace of transition if we are to hit net zero by 2050.

Just take a look around you at the buildings in this country. Every home, that's 28 million dwellings in the UK, needs to be retro-fitted to reduce emissions. That means replacing gas boilers with green alternatives, installing solar panels and better insulation, fitting smart meters and replacing gas hobs. It's mind-boggling, the challenge in front of us. The cost of

doing so is also prohibitively high. So there's very little demand from homeowners or landlords at this point in time. To solve this, we need to create the right incentives for investment.

At the start of the week, Noel Quinn spoke about blended finance. Public and private finance working together to de-risk projects and attract investment at scale. That's the sort of solution that could achieve a great deal for UK SMEs. The new national infrastructure bank could be a fantastic test bed for this sort of policy. The public sector can provide other incentives for SMEs. Publishing detailed net zero pathways for specific sectors will give firms a clearer idea of the task ahead of them and the ways they can achieve it. Setting simple, clear standards around green disclosure and taxonomy that do not unduly burden SMEs will enable them to send the right signals to the market, boosting their chances of attracting net zero investment.

These micro steps will require cooperation from business, banks and government to fully succeed. The global financial alliance for net zero shows that 26 competitors within one sector can be brought together for the greater good. We really do need to embed that spirit of cooperation across all levels of the economy and government. Now the UK has a chance to be a global leader in the net zero transition. It already leads the way in some green sectors. We are far ahead of other countries in offshore wind capacity, for example. We can choose this opportunity to harness the power of the city of London, and make it a global hub for sustainable finance.

As the CEO of HSBC UK, clearly my main focus is our UK clients and the UK economy. But what we develop and learn here in the UK will have a huge impact across the rest of the bank.

By pushing the boundaries on SME net zero transition in the UK, we can share best practice around the many countries in which we operate and help thousands of our customers in the process.

The UK can be a force multiplier in the global race to net zero. All the conversations we've had today create fantastic momentum going into COP. Success in November relies on all of us having a clear idea of the issues and a clear, unified idea of what we want to achieve.

Hopefully, this week gets us some way there. Now as Secretary Kerry said earlier, this is a daunting challenge for all of us, for governments and businesses, big and small. Global emissions fell six per cent last year, thanks to the pandemic. We need to replicate that each and every year for decades to come to meet the 1.5-degree Paris goal. Fortunately, there is no shortage of great ideas to get to net zero. What we need to do now, simply, is put our backs into it, work harder, cooperate better, scale up faster. As I said before, it's not up to some vague "them", it is up to us. Thank you.

Nik Gowing: Thanks, Ian. Let me pick up if I may, on what you started on which is about SMEs. I'm just checking the figures here, there are 6 million in the United Kingdom, three-fifths of employment and half of turnover in the UK private sector. The focus tends to be on the big names in business, big corporates, they're moving, "mission possible" and so on. How are you going to convince those 6 million SMEs who have anything from 250 to 500 to 20, 30 people? How do you pick them up? Tell us what happens when your managers and your staff in banks – there are a fewer physical places to meet them these days – are actually talking to them. And what kind of take-up there is, because this is part of the customer and the public acceptance of the enormity of what has to be done.

Ian Stuart: You're absolutely right, Nik. The large corporations have got teams of people to look after this, and are very focused on it now, which is good news. But you are right, the 6 million SMEs, and many of those are one/two men/women businesses. We've got 500 of our relationship managers now trained as ambassador for climate. So that's a good starting point. We are trying to get our relationship managers speaking to the customers and helping them, and actually the important thing is that first step, "Do you have a plan?", "Do you know what you want to do?" And it's encouraging when you're with the customers because they do want to get there, but they've had a terrible 18 months, it has been such hard work across so many sectors. And now they've got to change that into a climate sustainability mindset. So we've got to lean in as a bank, we've got to help customers because it will need investment, so

we're very clear on that. But secondly, we've got to help them with the planning stage, to get on that first stage of what should be our plan.

Nik Gowing: One of the reasons I'm asking that is, I mentioned to Secretary Kerry, that I'd been watching President Biden's two-day virtual summit, which had very top people. I don't think Noel was there, but obviously he was at the G7, he was at the meeting with the Queen. But the reason I'm saying that is that there was one chief executive, Jane Fraser of Citigroup, who's only new to the job. Saying very publicly with John Kerry sitting across the table, with President Biden sitting there, "It's really, really hard," her words, "really, really hard" to convince people that this is a very serious threat to their business. Are you finding that?

Ian Stuart: I think 2021 was always going to be the year of change for climate. I think, and you're seeing on the west coast of the US and Canada just now, I mean, it's really bizarre weather patterns. I think people are getting that. And if we don't do something now, then we're going to miss the opportunity. So, I am actually seeing a slightly different tone from customers right now, which is: "We do want to help, we do want to play a part in this societal change, but could you give us some help please?" And I think we, along with governments, have got to play our part to give businesses the tools that they need to get off on this journey.

Nik Gowing: Do they come to you? Do they want to hear, because the people you surely should be worried about – I don't like to use this word – the laggards – those who think it doesn't really matter, it's not for me.

Ian Stuart: We always have slow adapters, and it would be very easy to criticise, now I'm not going to do that because businesses have had to work so hard over the last ...

Nik Gowing: Just to survive.

Ian Stuart: ...just to survive, and done incredibly well. Most have survived, which is terrific. But there is this tipping point now where hopefully, coming out of lockdown quite soon, this is going to be key for all businesses. And you made the point right at the outset: 6 million businesses, are small businesses in the UK, or small or medium businesses. If they do not all lean in, we aren't going to crack this. And I keep saying this, we've got a part to play, government's got a part to play, but hopefully getting the right message over and the right support to customers will really help.

Nik Gowing: How long does it take you to convince an SME, a chief executive or the leading partner or whatever, whoever you are talking to, to think in a different way? Do they get it very quickly?

Ian Stuart: I think there's a will. I think people do get it, there is a genuine will, they want to do it. But the problem with a lot of businesses, they've got a lot on their plate. They are trying to get, make sure their VAT's done, make sure they've got their orders, supply chains have really been hit hard over the last 12 months. So business owners have really got a huge agenda. Now as you said the large corporates, they've got good teams around them to lean into these things. Smaller businesses, it is on an agenda, it is on a list, a to-do list...

Nik Gowing: And it is number seven, eight, nine, ten and eleven.

Ian Stuart: I think it is starting to get up that agenda.

Nik Gowing: I mean one of the reasons to say that is because if you look at the communiqué from the G7 that they ... in Cornwall a couple of weeks ago, it's talking about the existential threat to people, prosperity, security, nature, that's at the heart of communities and the businesses that bank with you.

Ian Stuart: Well I said it right at the outset, it's meant absolutely seriously, if you look at the weather patterns, and you look at what the flood zones are in the UK, we keep on going the way we're going, London as we know it today will be underwater, something like 50 per cent of it. So, it's on our doorstep. We have to act or as I say to my four children, we're leaving the problem with you. And that's not right.

Nik Gowing: I just wonder if the penny's dropped.

Ian Stuart: I have been quite consistent, 2021 is the year the penny's dropped. And I would stick by that.

Nik Gowing: If you can find a penny these days. If you can find any physical money. Do you have any physical cash in your banks these days?

Ian Stuart: We do, we have got plenty of cash in our bank. You are OK with us.

Nik Gowing: Stay there for a moment, Ian because I am just going to bring the forum to a close. And thank you enormously, thank HSBC, thank Noel, your Group Chief Executive, and several of your colleagues who have been in this as well. And also to Mark Carney and Secretary Kerry, and a lot of other people who have been here for the last three days. It's extraordinary what we've achieved, but it is extraordinary what we've reflected, the speed of change, the accelerations happening in so many areas, including finance. The expectations on decarbonisation, the expectations on what the public will do.

I could read you a long list of things which have happened, but I think the most important thing is that there's been dialogue, there's been conversation, there's been communication, and above all, there's been that way of exchanging and learning, not least reflected in the kind of questions that I and my fellow moderators have been receiving. But there is frustration, there's frustration at the lack of urgency, there's frustration, pressure being put on not just the UK government but other governments as well.

And I think that's the message to take away as we heard from Secretary Kerry, talking about the need for some kind of wartime mentality. He talked about the B24s being produced in a Ford factory once an hour during the Second World War. And I would suggest to you, and this is a personal reflection, that is something which is still not quite there at the heart of government and those who need to realise that this is an existential threat which is not going to go away, and which is now getting even worse. It's not about 2030 or 2050 or 2040. It's probably about 2028, 2027, and that's the urgency, and that's only five years away.

So look, at this standpoint, let me thank all of you. Can I thank HSBC, can I thank our other partners and supporters, can I thank all my colleagues at Climate Action led by Nick who you saw half an hour ago. This is a process which we will continue. It's a dialogue and a conversation, which continues. We don't just bring it to an end when I stop talking. This is about continuing this, and creating a community and building that community, not just for COP26 in Glasgow, but also well beyond that. This is a process and it's an existential challenge, which is not going to go away. As I heard Bill Gates say, "You can get a vaccination for COVID, you can't get a vaccination for the climate emergency."

At that point, thank you Ian, thank you everybody. And we look forward to the next time when we come together. Goodbye.