

# PIF: big on Aramco, big on green bonds

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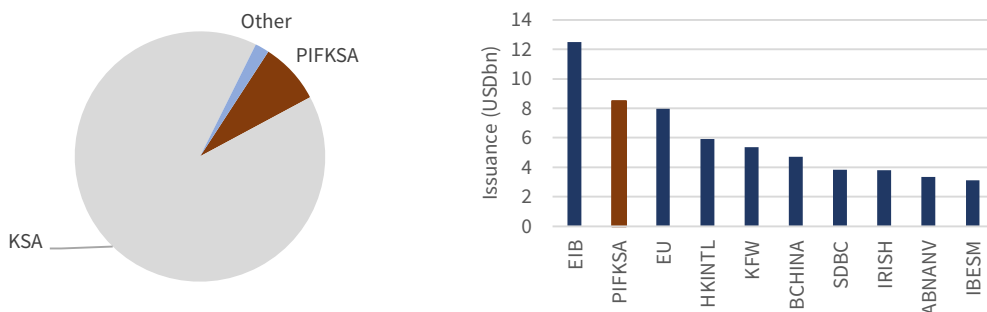
Press reports indicate that 4% of Saudi Aramco (Ticker: ARAMCO) will be transferred to the Saudi sovereign wealth fund, Public Investment Fund (PIF) (Ticker: PIFKSA), with a market value estimated at \$80bn.<sup>1</sup> Already the **second biggest owner of Aramco equity**, this doubles PIF's ownership to around 8%. With AUM estimated at \$687bn after the transfer,<sup>2</sup> **nearly a quarter (23.3%) of PIF's assets will be shares in Saudi Aramco.**

Simultaneously, **PIF has been the second most active global issuer of 'green' bonds in the past six months**, behind only the European Investment Bank (EIB) (see Figure 1). PIF has issued twice, in Oct-22 and again in Feb-23, each time across three tranches and at large benchmark sizes.<sup>3</sup> Both issuances were oversubscribed.<sup>4</sup> Notably, PIF has only issued 'green' and not traditional bonds; the full bond capital structure is use-of-proceeds constrained green bonds, totalling \$8.5bn.

**PIFKSA 'green' bonds now constitute a significant holding in several sustainable debt funds.** For example, it is the second largest holding in the iShares USD Green Bond ETF,<sup>5</sup> driven by PIF being such a significant proportion of recent issuance.

PIF's key financial risk is Aramco, one of the world's largest greenhouse gas emitters.<sup>6</sup> As its debt liabilities are exclusively 'green' bonds, there can be no segregation of assets funded by sustainable capital as opposed to traditional debt. We encourage the market to discuss the suitability of PIFKSA 'green' bonds in green funds, due to the high projected emissions of Aramco.

Figure 1. (Left) Estimated share ownership of Saudi Aramco post transfer. (Right) Green bond issuance Oct 2022-Mar 2023. Source: AFII, Bloomberg, accessed 17 Apr 2023.



<sup>1</sup> “[Saudi Arabia boosts sovereign wealth fund with transfer of \\$80bn Aramco stake](#)”, FT, 16 Apr 2023.

<sup>2</sup> Total size was estimated as \$607bn before the transfer, see “[Public Investment Fund of Saudi Arabia](#)”, Sovereign Wealth Fund Institute, accessed 17 Apr 2023.

<sup>3</sup> Issuer name is “GACI First Investment”, ticker PIFKSA; bonds issued have been \$3bn 5y/10y/100y in Oct 2022 and \$5.5bn 7y/12y/30y in Feb 2023. Prospectus [here](#). Green bond second opinion [here](#). For coverage of the inaugural issuance, see “[No green ePIFany](#)”, AFII, 29 Sep 2022.

<sup>4</sup> “[Saudi Wealth Fund Raises \\$5.5 Billion from Green Bond Sale](#)”, Bloomberg, 7 Feb 2023.

<sup>5</sup> Holdings as of 14 Apr 2023 from [iShares website](#), accessed 17 Apr 2023.

<sup>6</sup> “[Just 100 companies responsible for 71% of global emissions, study says](#)”, The Guardian, 10 Jul 2017.

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