

GREENSAIF: A not-so-green, double-edged sword

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AFII opines that investors reviewing the proposed Greensaif/Aramco SPV bonds should connect any climate and ESG scoring to that of the majority owner, Saudi Aramco. The carbon footprint of any printed bonds should also be based on the parent company, as should determinations on index inclusions or exclusions.

According to sources, the BlackRock Real Assets-led consortium that purchased the lease-lease-back¹ (effectively 20yr funding) of Aramco's gas pipeline network, announced around COP26, [is now in the market seeking bond funding](#) for a special-purpose vehicle (SPV).²

The SPV issuer, "GREENSAIF PIPELINES BIDCO SARL" (Ticker GRPIBI), is the junior (49%) owner of Aramco Gas Pipelines Company, with Saudi Aramco owning the remaining 51%. MSCI currently rates Aramco to be aligned to an "over 3.2C" implied temperature rise, with annual projected emissions of 2.8Gt by 2050, from 2.2Gt today (data as per 6 Feb 2023).

The transaction is to be tranching according to a 10yr (USD, 7.5yr WAL), a 15yr (USD, 12.5yr WAL) and a 19yr (USD Sukuk, WAL 18yr) amortising structure. A similar, somewhat unsuccessful, transaction on the oil pipeline network was executed in Jan 2022, with EIG Energy Partners as lead for that consortium (EIGPRL \$4.837 11/46, and EIGPRL \$3.545 08/36).³

The lease-lease-back has a maturity of 20yrs, such that it rolls off before ultimate net zero 2050-targets need to be met. Current communication focuses on hydrogen usage of the pipeline network, although it has previously been light on detail if the hydrogen will be "green" or not.⁴

The issuing entity name "GREENSAIF" raises some questions in terms of linguistics. To our knowledge, the issuer is not attempting to label the bond as a "green" bond. The SPV is set up under European Union jurisdiction, and the EU is increasingly querying the use of inappropriate ESG-related nomenclature in marketing financial instruments.

Quite apart from the inclusion of "green", the use of the the Arabic word "saif" is also unfortunate. The "[saif](#)" is a single-edged sword, and investors may feel that the negative carbon emission effects of this product represent more of a "double-edged" situation. Indeed, considering the usage of swords in Saudi Arabia, not referencing swords at all might have been the best approach if looking to sell the bonds more easily.

¹ For more detail on the lease-lease-back structure refer to "[Oil, gas and bond pipelines: the case of Aramco/EIG/BLK](#)", AFII, 5 Feb 2022.

² "[Aramco closes gas pipeline deal with global investor consortium](#)", Aramco web-page, 23 Feb 2022.

³ "[Aramco Oil Pipelines investors miss funding goal with \\$2.5bn bond sale](#)", Reuters, 13 Jan 2022. We also commented on this in "[Notable fixed income fossil funding deals 2022](#)", AFII, 22 Dec 2022, and "[Operation Private Markets: A Bridge CO2 Far](#)", AFII, 16 Dec 2021. The bridge loan has FIGI BBG015SLKN98.

⁴ "[COP27: Saudi Arabia targets Europe, Asia-Pacific in global hydrogen push](#)", S&P Global, 15 Nov, 2022.

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