To the CEOs of Bank of America, Citigroup, Credit Suisse, Goldman Sachs, HSBC, JPMorgan Chase, and Morgan Stanley,

We are writing to express our alarm at your banks’ potentially playing leading roles in underwriting the intended Initial Public Offering (IPO) of part of Saudi Aramco, the world’s largest corporate emitter of carbon dioxide. This IPO is likely to be by far the biggest single infusion of capital into the fossil fuel industry since at least the Paris Agreement in late 2015.

This massive capital infusion comes at a time when the UN’s climate scientists have shown that to prevent the catastrophic consequences of global temperatures rising beyond 1.5°C Celsius from pre-industrial levels, global carbon emissions need to peak immediately and start dropping sharply. The IPCC’s Special Report on 1.5°C shows that carbon dioxide emissions must be reduced by more than half over the next decade, and to effectively hit zero by 2050. The percentage of oil in primary energy supply will need to fall by 37% by 2030 and by 87% by 2050 (both from 2010 levels).

Such drastic cuts will not be possible if banks like yours keep increasing the capital they are facilitating for the fossil fuel industry, and in particular for companies like Aramco that are planning to expand their production.

As of the start of 2017, the remaining carbon budget for a medium (50%) chance of keeping warming below 1.5°C was 350 gigatons of carbon dioxide. Burning all of Aramco’s reserves would amount to 112 gigatons of carbon dioxide, or nearly one third of total global emissions in a 1.5°C carbon budget. Enabling Aramco to extract these reserves over the coming decades, while at the same time providing and facilitating capital to the other major fossil fuel
corporations — which are also seeking to expand their production — is a recipe for financing the destruction of the planet.

It can be presumed that the tens of billions of dollars pumped into Aramco in this IPO will be used not only to keep expanding oil production in the Kingdom, but also to push the company’s strategy of doubling its oil refining capacity, and diversifying more into fossil gas and petrochemicals.7 It is important to note that the IPCC’s pathway for staying under 1.5°C without the Hail Mary pass of developing viable technologies to capture massive amounts of carbon from the atmosphere, calls for fossil gas to fall as a proportion of final energy demand by 25% by 2030 and 74% by 2050 (both from 2010 levels). Moreover, much of the output from new petrochemical plants is slated to go to producing plastics, which are already causing massive environmental problems worldwide.

We are also concerned about your banks’ eagerness to help raise billions of dollars for Saudi Arabia given the horrendous human rights record of the Saudi regime. Recent examples of this include the role of Saudi agents in the brutal murder of Jamal Khashoggi in October 2018, and the involvement of Saudi forces in indiscriminate airstrikes on civilians in Yemen.8 We also note with concern the report in the Wall Street Journal that a large group of Saudis who were arrested and held at a hotel between 2017 and 2019 at the behest of Crown Prince Mohammad bin Salman will allegedly be forced to buy “large stakes” in the IPO.9

Banks are increasingly being recognized by investors, politicians, regulators, the media and the general public as bad actors on climate for their seemingly unrestrained financing of fossil fuels. Your firms are all among the top fourteen fossil banks in the world since the Paris Agreement was adopted.10 The world is watching — and the more bank financing of fossil fuels increases, the more public outrage will grow. If you play a leading role in underwriting this IPO, this will factor into calculations of your banks’ fossil financing, and the trajectory it sets will not go unnoticed.

It will also be noted that while your banks may have enthusiastically signed up to help Aramco go to market, some important investors are refusing to play along. Bloomberg has reported that Singapore’s $31.3 billion Temasek Holdings “has decided against investing in Saudi Aramco’s initial public offering, in part over environmental concerns.”11 The Wall Street Journal has also reported on Temasek’s decision to stay away from the IPO for climate reasons and has noted that Aramco “could face challenges from at least some investors who are choosing to avoid fossil fuel investments in favor of investments deemed more environmentally friendly.”12

All of you have at various times expressed your concern about climate change and your support for the Paris Agreement. And all of your banks have policies that purportedly seek to respect human rights. If you go ahead as lead coordinators in raising tens of billions of dollars for the world’s biggest climate polluter — funds that will be at the disposal of a government that
continues to commit appalling human rights violations — it will be clear that your words of environmental and social concern are devoid of all sincerity, and that when push comes to shove your concerns for short term profit outweigh all else.

We look forward to your response to this letter.

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Erich Pica
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Friends of the Earth U.S.

Michael Brune
Executive Director
Sierra Club

Stuart McWilliam
Climate Change Lead
Global Witness

May Boeve
Executive Director
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References

1. These seven banks, along with Saudi Arabia’s National Commercial Bank and Samba Financial Group, have been reportedly recruited to be the joint global coordinators on the upcoming Saudi Aramco IPO. Hadeel Al Sayegh and Davide Barbucia, “Saudi Aramco Gives Nine Banks Top Roles on World’s Biggest IPO: Source,” Reuters, 11 September 2019.


3. Conclusion from Rainforest Action Network analysis of deals on Bloomberg Terminal.


10. JPMorgan Chase is the #1 fossil bank in the world since Paris (by a 29% margin), with $196 billion in lending and underwriting to fossil fuel companies in 2016–8; Citigroup #3, with $129 billion; Bank of America #4, with $107 billion; Morgan Stanley #11, with $67 billion; Goldman Sachs #12, with $59 billion; HSBC #13 (and #2 in Europe), with $58 billion; and Credit Suisse #14 (and #3 in Europe), with $57 billion. “Banking on Climate Change: Fossil Fuel Finance Report Card 2019,” Rainforest Action Network, Indigenous Environmental Network, BankTrack, Oil Change International, Sierra Club, and Honor the Earth, 20 March 2019, p. 7.
