

Saudi Aramco: The \$2 Trillion Company Turning Oil into a Financial Superpower



In 2019 Saudi Aramco floated just 1.5% of its shares. It raised \$29.4 billion.

The world watched a country turn the nature around them into capital in real time. Dissimilar to other major IPOs that needed global roadshows, Aramco essentially only relied on domestic demand and managed to reach a valuation of over \$2 trillion. This listing showed the world that oil is not just a commodity but an asset class, redefining how oil experts dealt with the good. How could a company with such a tight free float overtake Apple temporarily? The answer lies in how the company behaves: unlike an oil major and alike to a state financial instrument built on resource dominance. This IPO revealed Saudi's intentions to convert geological advantage into long term geopolitical and technological leverage, something more central to the future of Aramco than the past.

The underground economics is truly what separates Aramco from the crowd. Extraction costs sit at around \$3 per barrel, the lowest point of the global cost curve. At oil prices able to bankrupt regions, the company reaps in unorthodox profits. This structural advantage means the company isn't valued the same way Western oil giants are with investors regarding it as a sovereign bond with attached cash flows. In 2024 alone there were \$124 billion of dividend payments, putting it on par with the GDP of some small countries. Even during economic downturns, Aramco's profit seems invincible. It behaves like an eternal cash generator whose margins are secured by geology, not business

cycle. This key advantage underlies the companies ability to shape any system which comes in place of the modern hydrocarbon economy.

This lets the company sit at the centre of Saudi's economic restructuring. The profits pour into the Public Investment Fund financing projects such as Vision 2030. The cash forms new cities like NEOM, expands the tourism industry, funds green hydrogen projects and allows the country to have a presence in global investment. It is certainly unique for a company to fund the economy which created it whilst funding the one being designed to replace it. This creates a feedback loop between corporate authority and domestic strategy which no western firm is even able to replicate.

The pressing question which makes Aramco interesting in today's climate is what happens as the world shifts away from carbon. Critics believe renewable energy will undermine the company's future but the reality is more complicated. If the global oil market has a fall in demand, Saudi would not be close to being forced out first; instead it would be the high cost regions such as Canadian oil sands, US shale and offshore Brazil. The last barrels used will certainly come from producers which are low cost and low emission allowing Aramco to thrive. Its market share grows and it gets a bigger slice in a shrinking pie.

Beyond fuels, hydrocarbons will remain powering the world in a different way. Petrochemicals such as plastics, fertilisers and solvents are forecast to be one of the few areas of rising demand even in net zero pathways. Through the acquisition of SABIC and the expansion of chemical capacity and refining, Aramco has solidified itself in this shift. Even though oil as a transport fuel may begin to decline, oil as a material feedstock is just beginning to rise. If the demand for energy breaks as the demand for material rises, Aramco will shift from the backbone of transport to the backbone of industrial production.

Strangely even climate policy creates unusual advantages for Aramco with its oil being some of the least carbon intensive in the world. A likely new climate regulation will be governments starting to price imports based on emissions content which would allow Aramco to sell clean barrels to buyers willing to pay a premium. Decarbonisation is not as simple as stopping hydrocarbon demand, it instead reorganises it around the producers who emit the least. In a global market where carbon intensity becomes a tradable attribute, the oil under Saudi will be a competitive moat, not a liability.

The company becomes truly intriguing when we look into its attempt to redesign what 'oil' means. Aramco is funneling capital into synthetic fuels, carbon capture, advanced materials, blue hydrogen and other tech which may allow oil to be produced without releasing any carbon. It is not attempting to outrun the transition of energy; it is instead trying to engineer a climate compatible form of hydrocarbons. It is feasible that in 20 years, Aramco is not just the leading global oil firm but also the leading global carbon management firm - something only a firm with its engineering capacity, capital and geological advantage could attempt.

This long term strategy coexists with the companies positioning geopolitically. Global firms usually fear geopolitical tensions; Aramco often benefits from it. When the price of oil spikes, the company's cash flows are amplified meaning global instability can enhance its financial position. This makes buying Aramco shares, counterintuitively, a hedge on the volatility which destabilises other companies. This mix of resource certainty, financial strength, geopolitical leverage and technological ambition makes Aramco a classification nightmare.

Aramco's future is uncertain. It depends on which of the several paths becomes a reality. In one scenario, it becomes the final dominant global producer of oil that continues to consume hydrocarbons but instead from cheaper, fewer sources. In another, the bet on carbon-engineered fuels pays off, giving it a core role in a decarbonised energy system. And in a third outcome, Saudi Arabia's diversification is such a success that Aramco becomes less central not due to failure but due to the economy around it strengthening. The most plausible outcome of these is a hybrid option. This sees Aramco dominating the end of the 'oil era' whilst leading and deciding the era which comes after it by using its cutting edge engineering.

Regardless which path emerges, Aramco will forever be one of the most unusual companies on the planet. A firm which turns the surrounding nature into capital, the capital into national strategy and the strategy into global relevance and potentially dominance. Its past is built on oil but its future will be determined by how it reinvents that oil in an atmosphere fixed on moving beyond it. The next chapter will be shaped not by the volume of oil sold but how it reshapes the term 'hydrocarbons'.