

Aramco Struggles To Untangle From Saudi Royal Family Governance



Saudi Arabia wants to list a minority of Aramco's shares in what could be the world's largest-ever initial public offering, planned for the second half of 2018. However, the company needs to be separated from the governance of the Kingdom first.

The kingdom's oil company and its gargantuan cash flow drove the development of modern Saudi Arabia. In addition to being the engine of the national economy, Aramco is a core part of the government apparatus. Potential investors say that, in order to value Aramco on a footing with publicly traded peers such as Exxon Mobil Corp and Royal Dutch Shell PLC, it will need to present financial statements showing the company is independent, and that its profits aren't subsidizing pavilions for Saudi budget items. Saudi Aramco's chairman, Saudi Energy Minister Khalid al-Falih stated that Aramco is "ring-fenced financially" from the state with governance comparable to multinationals, but people familiar with the behemoth's finances say that it is often unclear even to some officials high up in the company whether Aramco has been reimbursed in full for projects, and how the reimbursement process works.

The company and the kingdom are so deeply enmeshed that, a year into IPO preparations, company and government officials are still wrestling with how to untangle them. The IPO is crucial to the ambitions of Deputy Crown Prince Mohammed bin Salman, who wants to invest the proceeds in other industries to make Saudi Arabia's economy less reliant on oil.