

Fixed income market observations

NZAOA Financing Transition Track

30 August 2023

Anthropocene Fixed Income Institute

Agenda

1. ConocoPhillips oil sands acquisition
2. Aramco / UN exchange
3. Japan sovereign GX bonds, and the case for alternative structures
4. Bond holding disclosures

ConocoPhillips: oil sands expansion may drive divestment

[“ConocoPhillips crossing oil sands exclusion thresholds”](#) AFII, 16 Aug 2023

- ConocoPhillips (COP) issued bonds in early August (USD2.7bn) in order to finance the acquisition of the remaining share (50%) of the Surmont oil sands field.
- This is likely to put them above the 5% production and/or revenue thresholds that is being applied by more than a few investors.
- MSCI oil sands indicator used in some passive ESG indices is set to a 5% threshold: MSCI has not commented on what they intend to do.
- **COP oil sands financing bonds will go into ESG passive ETFs that will eventually have to divest all COP bonds, as the company is above the exclusion threshold.**
- Also note significant Arctic exposure of COP.
- **A first for a (Western) supermajor to be individually excluded?**



Aramco and UN human rights letter

[Operation Private Markets: A Bridge CO2 Far](#), [PIF: big on Aramco, big on green bonds](#)

Climate change + Add to myFT

UN warns banks that fund Saudi Aramco about possible human rights breach

Financiers of world's biggest corporate emitter of greenhouse gases told they could be violating international law



Saudi Arabia's oil company is accused of the largest ever climate-related breach of international human rights law by a business © Dina Khrennikova/Bloomberg

In this connection, we would like to bring to the attention of Saudi Oil Company's (Saudi Aramco) information we have received concerning Saudi Aramco's business activities, with funding by Kingdom of Saudi Arabia's Public Investment Fund, JP Morgan, Citi, HSBC, SMBC, Crédit Agricole, Morgan Stanley, BNP Paribas, Goldman Sachs, Mizuho, Société Générale and EIG Global Energy Partners, which appear to be contrary to the goals, obligations and commitments under the Paris Agreement on climate change and which are

There is substantial amount of network funding around Aramco that could be implicated if a human rights breach was established... although that seems to be a longshot.

Having said that, the question is where this lands in the court of public opinion?



Streetwashing? Banks on PIF green bonds and loan facility

TIER-1 BANKS NOT ON THE PIF DEALS: UBS/CS, Wells Fargo, RBC

GB 2022	GB 2023	Nov-22 loan
		Barclays Bank PLC
BNP Paribas	BNP Paribas	BNP Paribas/London
BofA Securities	BofA Securities	Bank of America Europe D
Citi	Citi	Citibank NA/London
Credit Agricole CIB	Credit Agricole CIB	Credit Agricole Corporate & Inves
		Credit Suisse AG/London
Deutsche Bank		
Goldman Sachs International	Goldman Sachs	Goldman Sachs Bank USA/London
HSBC	HSBC Bank USA	HSBC Bank PLC
JP Morgan	JP Morgan	JP Morgan Securities PLC
Mizuho Financial	Mizuho Bank Ltd	Mizuho Bank Ltd/London
Morgan Stanley	Morgan Stanley & Co International F	Morgan Stanley Bank Internationa
MUFG Securities EMEA PLC		MUFG Bank Ltd/United Arab Emira
Natixis		
SMBC Nikko Securities Inc	SMBC Nikko Capital Markets Ltd	Sumitomo Mitsui Banking Corp/Du
Societe Generale	Societe Generale	Societe Generale
Standard Chartered Bank	Standard Chartered Bank	Standard Chartered Bank

Transition: Japan's GX bonds

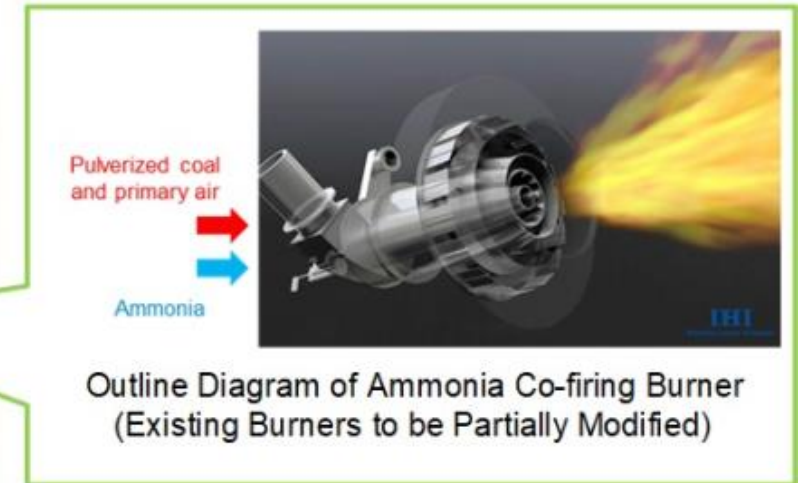
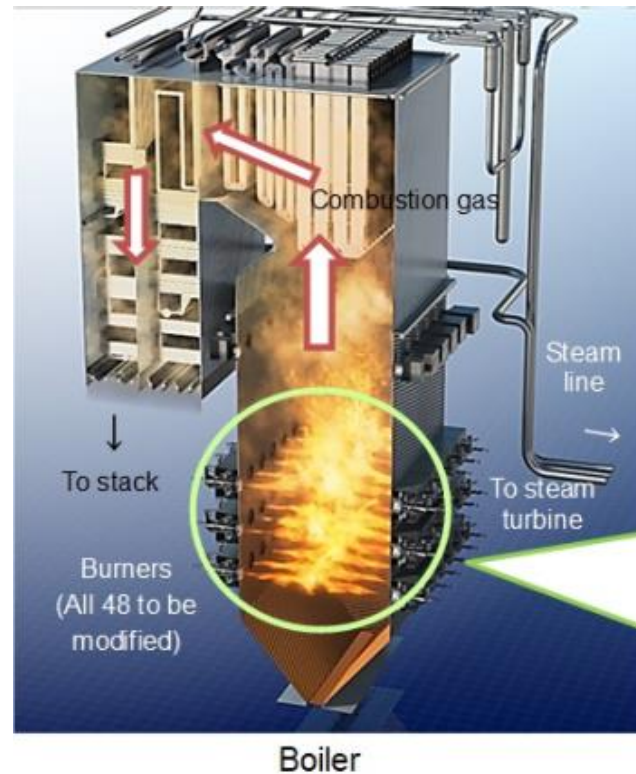
[“Sovereign SLB: an option for Japan’s transition”](#), AFII, 15 Jun 2023



“These proposed UoP GX bonds are likely to follow a similar focus on carbon-intensive sectors and encourage investments into technologies like carbon capture, ammonia and hydrogen co-firing in coal power plants and other carbon dioxide removal technologies. [...] At a recent G7 ministerial gathering, Japan’s climate plans have been criticised due to its bet on ammonia as a low-carbon energy source.”

UoP (Use-of-Proceeds) bonds risk locking in technologies as compared to GCP (General Corporate Purpose): this is especially risk in the case of Japan betting on ammonia/coal co-firing.

SLB format targeting emissions directly seems to be a better choice.



Bond holding disclosures

MORE NEEDED FOR BETTER ENGAGEMENT

A crucial difference in the capacity to engage bond- relative to equity holders is informational: whereas a company and the public often are able to track 95-100% of the equity holders, registries of bondholders are non-existent or very sparse.

As of today, a bondholder who wishes to seek to form coalition of bondholders to drive a particular issue, say a shift in strategy from stranded assets to energy transition, would resort to sparse data sets, where one might hope to find holdings of 10-20% of all outstanding.

GASBCM 6.51 02/23/42 \$↓ 101.779 +.728 Yld 6.339
At 18:58 Source BMRK

GASBCM 6.51 02/23/4 25) Export Settings

GASBCM 6.51 02/23/42 - GREENSAIF PIPELI CUSIP ZM973003

1) Current 2) Historical 3) Matrix 7) Issuer Debt

Search Name Default - No Search Selected 21) Save Search 22) Delete Search 23) Refine Search
Text Search Holder Group All Holders Investment Manager V
24) Color Legend 5 Out 12.80

Holder Name	Portf...	Source	Opt	Position↓	% Out	Late...	File Dt
		All	All				
1. JPMorgan Chase & Co		ULT-AGG		23,359	1.56	400	07/31/23
2. Cathay Securities Investment Trust Co Ltd/Taiwan	Multip...	MF-AGG		16,000	1.07	0	08/28/23
3. BlackRock Inc		ULT-AGG		15,724	1.05	-2,300	08/25/23
4. Banque Lombard Odier & Cie SA		ULT-AGG		14,600	0.97	0	06/30/23
5. GAM Holding AG		ULT-AGG		14,147	0.94	2,405	04/30/23
6. Royal Bank of Canada		ULT-AGG		13,570	0.90	0	04/28/23
7. UBS AG		ULT-AGG		11,411	0.76	-505	08/24/23
8. M&G PLC		ULT-AGG		8,924	0.59	200	04/30/23
9. Ninety One UK Ltd	Multip...	MF-AGG		8,086	0.54	3,141	04/30/23
10. Allianz SE		ULT-AGG		7,700	0.51	7,500	06/30/23
11. Wellington Management Group LLP	Multip...	MF-AGG		7,050	0.47	0	06/30/23
12. NN Group NV		ULT-AGG		5,330	0.36	0	04/30/23
13. Emirate of Dubai United Arab Emirates		ULT-AGG		4,000	0.27	0	07/31/23

A sample disclosure template

NORGES BANK INVESTMENT MANAGEMENT

	A	B	C	D	E	F	G	H
1	name	usd	sector	ownership	country	id	type	voting
2	A2A SpA	55 974 538	USD Government Related Bonds	0	Italy	9621	fixed-income	0
3	ABB Finance BV	44 357 212	USD Corporate Bonds	0	Switzerland	9828	fixed-income	0
4	ABN AMRO Bank NV	385 922 667	USD Corporate Bonds/Securitized	0	Netherlands	9702	fixed-income	0
5	ABSC NIMs Trust	1	USD Securitized Bonds	0	United States	9965	fixed-income	0
6	ACEA SpA	5 755 274	USD Government Related Bonds	0	Italy	9622	fixed-income	0
7	AGCO International Holdings BV	28 872 413	USD Corporate Bonds	0	United States	9971	fixed-income	0
8	AHS Hospital Corp	12 617 200	USD Corporate Bonds	0	United States	9974	fixed-income	0
9	AIA Group Ltd	99 700 737	USD Corporate Bonds	0	Hong Kong	9576	fixed-income	0
10	AIB Group PLC	87 417 786	USD Corporate Bonds	0	Ireland	9612	fixed-income	0
11	ALD SA	15 803 766	USD Corporate Bonds	0	France	9422	fixed-income	0
12	AMCO - Asset Management Co	102 278 278	USD Government Related Bonds	0	Italy	9624	fixed-income	0
13	ANZ New Zealand Int'l Ltd	115 929 893	USD Corporate Bonds/Securitized	0	New Zealand	9736	fixed-income	0
14	APA Infrastructure Ltd	55 783 648	USD Corporate Bonds	0	Australia	9228	fixed-income	0
15	ASB Bank Ltd	23 553 203	USD Corporate Bonds	0	New Zealand	9737	fixed-income	0
16	ASB Finance Ltd	102 475 558	USD Securitized Bonds	0	New Zealand	9738	fixed-income	0
17	ASML Holding NV	22 515 289	USD Corporate Bonds	0	Netherlands	9707	fixed-income	0
18	AT&T Inc	956 789 968	USD Corporate Bonds	0	United States	10017	fixed-income	0
19	AXA Bank Europe SCF	149 365 598	USD Securitized Bonds	0	France	9427	fixed-income	0
20	AXA Home Loan SFH SA	127 049 159	USD Securitized Bonds	0	France	9428	fixed-income	0
21	AXA SA	159 161 427	USD Corporate Bonds	0	France	9429	fixed-income	0
22	Aareal Bank AG	558 747 038	USD Securitized Bonds	0	Germany	9487	fixed-income	0
23	AbbVie Inc	198 278 787	USD Corporate Bonds	0	United States	9964	fixed-income	0
24	Abbott Ireland Financing DAC	54 481 469	USD Corporate Bonds	0	United States	9962	fixed-income	0
25	Abbott Laboratories	38 447 560	USD Corporate Bonds	0	United States	9963	fixed-income	0
26	Abertis Infraestructuras SA	27 249 090	USD Corporate Bonds	0	Spain	9778	fixed-income	0
27	Achmea Bank NV	127 092 587	USD Securitized Bonds	0	Netherlands	9703	fixed-income	0
28	Activision Blizzard Inc	12 542 822	USD Corporate Bonds	0	United States	9966	fixed-income	0
29	Adif Alta Velocidad	21 209 103	USD Government Related Bonds	0	Spain	9779	fixed-income	0
30	Advanced Micro Devices Inc	64 266 387	USD Corporate Bonds	0	United States	9967	fixed-income	0
31	Aegis Asset Backed Securities T	0	USD Securitized Bonds	0	United States	9968	fixed-income	0
32	Aegon Bank NV	58 472 122	USD Corporate Bonds/Securitized	0	Netherlands	9704	fixed-income	0

Provide bond holding data:

- On an issuer rather than individual security basis
- With a 6m average lag
- In a machine-retrievable format

Thank you!

[Anthropocene Fixed Income Institute website](#)

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