Volume 25 Issue 12
Originally issued as E2



Global Journal of HUMAN-SOCIAL SCIENCE: E Economics
Volume 25 Issue 2 Version 1.0 Year 2025
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals
Online ISSN: 2249-460X & Print ISSN: 0975-587X

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GJHSS-E Classification: *LCC: HD9581.A62*



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Saudi Aramco: Circular Economy and Sustainability in the Oil and Gas Industry

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I. Introduction

The oil and gas industry are under increasing pressure to adopt sustainable practices and transition toward a circular economy. This shift is essential for enhancing resource efficiency, minimizing waste, and addressing climate change. Saudi Aramco, one of the world's largest integrated energy and chemicals companies, has taken significant steps to align its operations with global sustainability goals.

Drawing on data from Aramco's 2023 Sustainability Report and other public sources, this paper explores how the company integrates sustainability into its core business strategy. The discussion is structured as follows: Section 2 outlines the principles of the circular economy; Section 3 details Aramco's sustainability initiatives, including tree planting efforts; Section 4 presents a comparative analysis with other oil majors; Section 5 discusses the impact of these initiatives; and Section 6 concludes with recommendations for future actions.

II. Principles of the Circular Economy

The circular economy (CE) is an economic model that emphasizes the reuse, recycling, and recovery of materials to minimize environmental impact. In the oil and gas sector, the principles of CE include:

- *Resource Efficiency:* Maximizing the use of resources throughout the production lifecycle.
- *Waste Minimization:* Reducing waste generation through innovative design and operational practices.
- *Recycling and Reuse:* Implementing systems to recycle materials and reuse by-products.
- *Sustainable Innovation:* Developing new technologies and processes that support sustainability goals.

III. Saudi Aramco's Sustainability Initiatives

Saudi Aramco has integrated sustainability into its operations, aligning with Saudi Arabia's Vision 2030 and the United Nations Sustainable Development Goals (SDGs). Key initiatives include:

a) *Climate Change and Energy Transition*

Aramco aims to lead in reducing greenhouse gas (GHG) emissions, setting targets to achieve net-zero Scope 1 and Scope 2 emissions by 2050. As of 2022, Aramco reported Scope 1 emissions of 55.7 million metric tons of CO2 equivalent (MMtCO2e) and Scope 2 emissions of 10.3 MMtCO2e, with a carbon intensity of 9.3 kg CO2e per barrel of oil equivalent (boe).

b) *Minimizing Environmental Impact*

Aramco is committed to reducing its environmental footprint. In 2022, the company reported:

- Freshwater consumption of 93.6 million cubic meters.
- A total of 15 hydrocarbon spills.
- A net positive impact on biodiversity of 53%.

c) *Tree Planting Initiatives*

Saudi Aramco has made significant strides in enhancing environmental sustainability through extensive tree planting initiatives across the Kingdom of Saudi Arabia. These initiatives are part of the company's broader commitment to combat climate change and promote biodiversity. Key examples include:

- *Mangrove Planting Projects:* Aramco has successfully planted over 48 million mangrove trees along the coastlines of the Arabian Gulf and the Red Sea. Mangroves are crucial for coastal protection, biodiversity, and carbon sequestration.
- *National Tree Planting Campaign:* In 2023, Aramco launched a campaign to plant one million trees across the Kingdom, aiming to absorb carbon dioxide and enhance local biodiversity while prioritizing water conservation.
- *Collaboration with Local Communities:* Aramco engages local communities in tree planting efforts, fostering a culture of environmental stewardship.

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- *Restoration of Natural Habitats:* These initiatives also focus on restoring natural habitats that support local wildlife, contributing to ecological balance.
- *Integration with Circular Economy Goals:* The tree planting efforts align with Aramco's circular economy framework, emphasizing sustainable resource use and waste reduction.

d) Community Engagement and Local Content

Aramco's initiatives focus on creating economic opportunities and enhancing local communities. With a 63% in-Kingdom procurement spend in 2022 and a Saudization rate of 90.9%, the company invested $453 million in social programs.

e) The Role of Supply Chain Organization

The supply chain is a crucial component in driving sustainability and circular economy objectives. By organizing and optimizing supply chain processes, companies can significantly reduce their environmental impact.

Strategies for Supply Chain Sustainability

- *Collaboration with Suppliers:* Engaging suppliers in sustainability initiatives encourages them to adopt eco-friendly practices, enhancing the overall sustainability of the supply chain.
- *Lifecycle Assessment:* Implementing lifecycle assessments helps identify areas where resources can be conserved and waste minimized throughout the supply chain.
- *Digital Twin Technology:* Utilizing digital twins allows companies to simulate supply chain processes and identify inefficiencies, leading to better decision-making and resource allocation.
- *Circular Procurement:* Adopting circular procurement practices ensures that materials are sourced responsibly, focusing on suppliers who prioritize sustainability.

Examples of Sustainability Practices in Supply Chain Organization

1. *Transition from Wooden to Plastic Pallets for OCTG:* This initiative reduces deforestation and waste associated with wooden pallets. Plastic pallets are more durable and can be reused multiple times, minimizing the need for new materials.
2. *Detergent Control Additive Initiatives:* By implementing detergent control additives, Aramco aims to reduce emissions during production processes. These additives enhance efficiency and decrease the environmental impact of operations.
3. *Drag Reducing Agents (DRAs):* The use of DRAs in transportation systems helps to lower the viscosity of crude oil, which in turn reduces energy consumption and emissions. Effective management of DRAs includes methods like FIFO (First In, First Out) to ensure optimal usage and minimize waste.
4. *Refurbishment of Catalysts:* Instead of discarding used catalysts, Aramco invests in refurbishment processes that extend their lifespan. This practice not only conserves resources but also reduces the environmental impact associated with manufacturing new catalysts.

IV. The Role of Artificial Intelligence in Enhancing Sustainability

Artificial Intelligence (AI) is poised to play a transformative role in enhancing sustainability and supporting the circular economy within the oil and gas industry. By leveraging AI, companies can optimize resource management, improve operational efficiency, and drive innovation in sustainable practices.

AI Applications in Sustainability

- *Predictive Analytics:* AI algorithms can analyze historical data to predict equipment failures, allowing for proactive maintenance and reducing downtime.
- *Energy Management:* AI can optimize energy consumption patterns across operations, adjusting energy use dynamically to reduce carbon footprints.
- *Supply Chain Optimization:* AI enhances supply chain transparency and efficiency by predicting demand and minimizing waste.
- *Waste Reduction:* AI technologies identify opportunities for recycling and reusing materials within production processes.

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V. Comparative Analysis of Oil and Gas Majors

To contextualize Aramco's sustainability efforts, the following table summarizes key metrics of major oil and gas companies:

Table 1

Company	GHG Emissions (MMtCO2e)	Carbon Intensity (kg CO2e/boe)	Key Sustainability Initiatives
Saudi Aramco	55.7	9.3	Invested $453 million in social programs
			Achieved a 90.9% Saudization rate
			Planted over 48 million mangrove trees
ExxonMobil	122	23	Committed to 20% reduction in GHG emissions by 2025
Royal Dutch Shell	1,600	18	Aiming for net-zero emissions by 2050
BP	415	19	Committed to 40% reduction in oil and gas output by 2030
Total Energies	400	20	Recycling plastic waste initiatives

VI. Impact of Sustainability Initiatives

Saudi Aramco's sustainability initiatives have led to significant improvements in local content and economic resilience:

- *Job Creation:* Increased local employment and skills development.
- *GDP Contribution:* Enhanced local procurement, contributing to national GDP.
- *Supply Chain Resilience:* Strengthened ability to cope with external disruptions, such as the COVID-19 pandemic.

VII. Conclusion

Saudi Aramco's commitment to sustainability and circular economy principles is evident in its strategic initiatives and performance metrics. By focusing on reducing emissions, minimizing environmental impact, and enhancing societal value, Aramco is positioning itself as a leader in the oil and gas industry's transition toward a more sustainable future. The integration of AI and the optimization of supply chain processes will be essential for overcoming challenges and achieving long-term sustainability goals. The comparative analysis with other major oil and gas companies highlights both achievements and areas for improvement, underscoring the importance of continued innovation and collaboration in the pursuit of sustainability.

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