

SHARED RISK & REWARD

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My Reading List

- Saudi plans \$109 billion investment in solar ([html](#))
- Masdar City UAE ([pdf](#))
- Qatar aims for 10% of electricity from renewable sources ([html](#))
- Climate Bonds Initiative launches green sukuk working group ([html](#))
- Study on renewable energy resources in Oman, 2008 ([pdf](#))

Blog Posts This Week

- [The vulnerability of sukuk markets](#)
- [Sustainable Islamic finance](#)
- [Whither Islamic finance dispute resolution?](#)

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Western Investors & Green Sukuk

In several newsletters recently, I have suggested that Islamic finance could benefit from issuing a green sukuk, and Nasser Saidi, the Chief Economist of the DIFC, [adds a few additional reasons](#) why a green sukuk makes sense. Citing Bloomberg New Energy Finance, he notes that “global investment in clean energy reached USD 211 billion in 2012 and USD 260 billion in 2011” and most of this is done by conventional financial institutions.

Saudi Arabia, he adds, is planning \$100 billion in clean energy investment in the next decade with other GCC countries, notably the UAE and Qatar, but also Oman, also working to add renewable energy resources. So far, there has been little investment within the GCC in renewable energy, and there is no reason why a green sukuk would have to target local investors.

The Pew Charitable Trust, according to Saidi, has estimated that there will be \$2.3 trillion in clean power investments during the 2010-2020 decade, and a large portion of them will be financed by institutional investors in the West. The GCC has both solar and wind resources, and a green sukuk for renewable energy

projects could offer an investment that provides these investors with geographical diversification of their renewable energy investments.

And they are interested: The working group on green sukuk uses the well established International Climate Bond Standards, which is backed by prominent institutional investors, so the primary hurdle would be to explain the sukuk structure, not show that the bonds fit with their mandate for sustainable investment. A green sukuk targeted at both traditional Islamic investors and Western institutional investors would provide an opportunity to lower the belief that Islamic finance is just for Muslims.

It would do all this while benefiting the GCC by increasing renewable energy capacity, [lowering carbon emissions](#) and having the added benefit of freeing up oil and gas capacity for export, rather than domestic consumption, which will provide more resources for governments to finance social programs and education, to help lower poverty and the unemployment rate, particularly among young people.

Until next week,
Blake Goud