

# Case Studies on Islamic Finance for Asset Recycling

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*On this page: Find sample case studies on Islamic Finance for Asset Recycling, including Green Sukuk below, or visit the Guidelines for Implementing Asset Recycling Transactions [Section Overview](#) and [Content Outline](#), or [Download Full Report](#) for more.*

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## Box 12: Case Studies on Islamic Finance for Asset Recycling

### [Malaysia](#)

In Malaysia, the birthplace of sukuk in the 1990s, the Securities Commission Malaysia introduced the Sustainable and Responsible Investment Sukuk Framework in 2014. This was followed by the issuance of the first social impact sukuk by its sovereign wealth fund, Khazanah Nasional Berhad.

In 2017, Bank Negara Malaysia issued the Value Based Intermediation (VBI) strategy paper, and two years later, Malaysia's Islamic fund manager, BIMB, signed the UN-supported Principles for Responsible Investment (UNPRI) to incorporate ESG into investments. In 2017, renewable energy group Tadau Energy issued the first "green" sukuk, raising US\$ 59 million to finance a solar power plant in Malaysia.

### *Solar Sukuk Programme – Quantum Solar Park (Semenanjung) Sdn Bhd*

Quantum Solar Park (Semenanjung) Sdn Bhd ("QSPS"), a special purpose vehicle, issued the largest solar project linked to green sukuk. The proceeds from the sukuk issuance will be used to build three large-scale solar photovoltaic plants in the states of Kedah, Melaka and Terengganu in Malaysia at a total cost of RM 1.25 billion. The projects are collectively expected to generate and supply about 282,000 MW of electricity annually to Malaysia's electric utility company, Tenaga Nasional, under the respective power purchase agreements over a period of 21 years. The projects will cover a combined land area of almost 600 acres. In terms of social impact as well as the sustainability aspects of the projects, it is expected to reduce 193,000 tons of carbon per year. This is enough to power up about 90,000 over homes as well as create 3,000 jobs.

The assets used for this project were Shari'ah-compliant commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through Bursa Suq alSila'.

The parent company, Itramas Corporation Sdn Bhd, has been in green projects for the last 18 years. Hence, going green is something that the issuer aspires to do as part of the company's philosophy. The issuer had a very short timeframe to construct these plants because the government authority had identified this project as a fast track project category. The main concern was how long it would take to get the certification, the social impact study and the environmental impact study done in order to be labelled as green.

One of the questions that arose was how to tranche the sukuk because the project consists of three separate plants as the power purchase agreements were signed separately. QSPS decided to combine the three projects and put it on the holding company and issuer of the company. The long tenor sukuk (with 36 tranches from one year notes up to 18 year notes) suits especially the independent power producer projects where the return

of investment or payback period takes more than 10 years.

## Indonesia

Indonesia is the world's fourth most populous country with a population of 262 million. The country has extensive tropical landscape and seascape, high biodiversity and high carbon stock values and resources; susceptible to climate-induced disasters. For this, Indonesia is strongly committed to combat climate change and ratified the Paris Agreement in 2016 and submitted its Nationally Determined Contributions. The Indonesian government has shown support through developing the Nawacita programme with nine priority actions on shifting to a low-carbon and climate-resilient development path that needs to be integrated in development policies, strategies and programmes.

The transaction managed to attract specific green investors given Indonesia's commitment to environmentally friendly projects, on top of positive investor feedback on Indonesia's credit story. It is worth noting that green sukuk proceeds have financed and re-financed projects across five sectors: renewable energy, energy efficiency, sustainable transportation, waste to energy and waste management, as well as climate resilience for vulnerable areas in Indonesia. The proceeds have been invested in projects that contributed towards reducing greenhouse gas emissions - projected to be up to 10.3 million tons of CO<sub>2</sub>e (carbon dioxide equivalent), the construction of over 690 kilometers of railway tracks; an increase of 7.3 million kWh of electricity capacity and improving solid waste management for more than 7 million households.

### *Sovereign Green Sukuk*

The issuance of Indonesia's US\$ 1.25 billion five-year sukuk (in March 2018) is the world's first sovereign green sukuk. That issuance is part of US\$ 3 billion issuance that Indonesia managed to implement when it developed the sukuk within two months with the assistance of the World Bank. It was issued under the Indonesia's Green Bond and Green Sukuk Framework. The underlying sukuk assets in Indonesia's Sovereign Green Sukuk under this issuance consists of state owned assets including land and buildings (accounting for 51% of the asset pool) and project assets which are under construction or to be constructed (accounting for the remaining 49% of the asset pool).

The response for the Indonesia's green sukuk deal was overwhelming. It was oversubscribed by 2.4 times for the deal and was well distributed among investors. Green sukuk was also able to tap beyond Shari'ah investors. About 32% allocated for Islamic investors were from the Middle East and Malaysia, and about 25% allocated for Asian investors, excluding Indonesia and Malaysia. A sum of 18% allocated to US investors, 15% to European investors and 10% allocated for Indonesian investors. The Indonesia's green sukuk has tapped new green investors of about 29%.

## United Arab Emirates

UAE's *Majid Al Futtaim* listed the world's first benchmark corporate green sukuk and first green sukuk issued by a corporate in the Middle-Eastern region with the following unique features:

- a. Region's first corporate green sukuk and valued at US\$ 600 million;
- b. Investment to be used for financing existing and future green projects; and
- c. Issuance is a key milestone towards the retail conglomerate's 2040 net positive goals.

Majid Al Futtaim launched its first green sukuk in May 2019, raising US\$ 600 million at a coupon rate of 4.637% with due date in May 2029. The second green sukuk was launched in October 2019 raising US\$ 600 million at a coupon rate of 3.9325% and with due date in February 2030. Both sukuk were issued under a sukuk programme called the Majid Al Futtaim Sukuk Ltd US\$ 3,000,000,000 Trust Certificate Issuance Programme.

The underlying sukuk assets in Majid Al Futtaim's sukuk included hotels (such as the Aloft Hotel and the Hilton Garden Inn), offices (such as the Majid Al Futtaim Towers in the UAE) and a number of their shopping malls (including Almaza City Center in Egypt and the Mirdif City Center in the UAE).

The issuance of the sukuk showcases Majid Al Futtaim's commitment to sustainable green projects that support moving to a low-carbon more sustainable economy. The inaugural transaction marked the first ever green corporate capital markets offering from the Middle-East and North Africa (MENA) as well as the first ever benchmark corporate green sukuk. The sukuk falls in line with Majid Al Futtaim Net Positive strategy, launched in 2017. The strategy aimed to significantly reduce the company's water consumption and carbon emissions to the extent that it puts more back into the environment than it takes out, resulting in a positive corporate footprint by 2040.

The investment is used to finance and refinance Majid Al Futtaim's existing and future green projects, including green buildings, renewable energy, sustainable water management, and energy efficiency.

With the green sukuk listing, the value of all debt instruments listed on Nasdaq Dubai (which is a Dubai-based stock exchange that lists regional and international shares in the Middle East) by Majid Al Futtaim has reached US\$ 2.4 billion.

#### Related Content

- [Guidelines for Implementing Asset Recycling Transactions \(Download PDF version\)](#)

#### Additional Resources

- [Further Readings on Financing and Risk Mitigation](#)
- [Financial Intermediaries](#)

*This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.*

*This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please [contact the PPP Resource Center](#) using the feedback form.*

