

ENVIRONMENT



THE ISLAMIC APPROACH TO the environment is for the believer not to consider nature as a deity but at the same time not to tamper with or spoil it. The recommended relationship is one of harmonious benefit and use and a reverent, view and protective outlook towards other creatures and aspects of God's creation. Numerous verses in the *Quran* state that Allah has appointed man as His vice-regent on earth and, as such, one of the duties specifically enjoined on the believer is to preserve His habitat and protect the environment from abuse.

Islam calls on mankind to recognise the bounties of God and utilise them in a manner that satisfies human needs. Allah has given man the right to invest in and benefit from the environment but without unduly impoverishing it, over-using its resources and acting in a way that ultimately turns out to be against his own interests.

God says in *Sura 7:31* of the *Quran*: "O Children of Adam! Wear your beautiful apparel at every time and place of prayer. Eat and drink but waste not by excess, for Allah loveth not the wasters." While private property is defended, individual rights are subject to the rights of others in the community to benefit from environmental resources such as water, forests, air and sunlight. These are held in common by all members of society. If one wastes or degrades a resource, he is accountable for its use and liable for its repair

Islam also condemns in the sternest possible terms spreading mischief and corruption on earth. And mischief is generally understood to be inflicted by man's unwary interference with the natural laws and environmental balances, as *Sura 2:205* recites: "When he turns his back, his aim everywhere is to spread mischief through the earth and destroy crops and cattle. But Allah loves not mischief." In its own words, the *Quran*, along with all its commentaries, warns against any change in the animate or inanimate components that cannot be accommodated by the ecological systems without disturbing their own balances. It warns against the dire consequences of what today is known as pollution.

Until modern times, no pollution problems existed, as the natural cycles of ecological systems could easily accommodate and recycle the waste of the human activities. But in the contemporary world, things have changed fast. Man's over-use of natural resources and water and the habits of over-consumption of Westernised societies around the world have played havoc with the divine call to self-restraint.

The over-use of non-renewable resources, such as oil, coal and natural gas, has led to a continuous increase in carbon dioxide in the atmosphere, which, in turn, has raised the temperature and further exposed the ozone layer to destruction. The excessive removal of pasture land and deforestation has played a role in raising the earth's absorption of the sun and therefore has accelerated the climate change

This environmental pollution, either quantitative or qualitative, has been tantamount to the disruption of natural balances. Man's restless interference in the earth's ecosystems to the extent of impairing its perfect order and precise sequence has created a disruption to the natural balance of local bio- and eco-systems. These forms of mischief on earth are manifested in pollution of the air, water and soil, as well as in the irrational exploitation of the environment's resources and the inconsistent distribution of human settlements. Forests have been removed, deserts have been encroached upon, and many species of plants and animals have disappeared throughout the world

All this disorderly human interference in the natural and perfect balances created by God has resulted in an unbridled and chaotic disruption of the environmental phenomena that we experience today. In front of this unprecedented situation that calls upon the believers to assume their own responsibilities as His vice-regents on earth to try to restore the original natural balances, Islamic finance has remained largely passive and absent from the international debate on environmental issues in spite of its value proposition.

Islamic finance should move from being concerned with just the way in which activities are being financed to start focusing on what kind of activities are funded and on their impact on the



Smoke signals

An implicit message in the *Quran* is to keep the planet's ecological balances in check. **Alberto Brugnoli** argues that Islam's financial institutions need to be more proactive and distinguish their policies in accordance with fundamental principles

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environment.

The negative screening provided by the *halal/haram* divide that

excludes investments that fail to meet religious standards should be complemented by a positive

screening based on meeting standards and takes into account all environmental and social issues.

This screening should allow investors to integrate their beliefs, values, and concerns with their investment strategy and move from *halal* to *tayyeb* policies. As an example, the *One Planet Living* programme's 10 guiding principles of zero carbon, zero waste, sustainable transport, sustainable materials, sustainable food, sustainable water, habitats and wildlife, culture and heritage, equity and fair trade, health and happiness are very much Islamic yet their implementation is conspicuously absent from the investment agenda of Islamic banks. While fulfilling the letter of the law, Islamic finance should start keeping up with the spirit of the faith.

Islamic finance should do away with its timidity, step forward and join the international debate on environmental issues. Islam's traditional environmental and social concerns are echoed in the Equator Principles and the UN Principles for Responsible Investment, yet no Islamic financial institution has signed up to these instruments, leaving secular European institutions to lead the way.

Adapting the Equator Principles for Islamic purposes might represent a way forward that does not stretch the already overburdened Shariah board system and could be a major marketing success. On the same note, it is surprising that in all the Gulf region only one Kyoto Protocol-related project has been launched so far in spite of the highly polluting oil and gas industry.

Islamic environment funds and Shariah-compliant financing mechanisms need to seriously consider supporting projects that are involved in carbon trading, bio-fuel ventures, solar and hydrogen power plants, waste incineration and recycling projects. Such investments are the need of the hour and represent a serious alternative to the unchecked free market approach. Growth in Islamic banking should equal the swift increase in awareness on climate change and its impending consequences and develop onto a more environmentally friendly path.

Rays of hope

To be fair, some rays of hope are glimmering at the horizon with respect to this much-awaited change in Islamic finance. In the field of conservations, the creation of the Masdar Institute of Technology aims to develop a more sustainable renewable energy sector and an economy based on green energy expertise. This initiative is Abu Dhabi's response to the need for a global focus on resource conservation and to develop alternative energy capabilities including renewable energy, energy efficiency, carbon management, water conservation and desalinisation.

It is expected that Shariah-compliant funds will have a role to play in the related Masdar city development due to its lucra-

tive potential as well as attractiveness to ethical investors, both Muslim and non-Muslim. This project is expected, among other things, to build the world's largest hydrogen power plant to supply 500MW of clean power as well as develop the world's first 100MW concentrated solar power project.

Dubai-based Alf Yad Venture Capital Fund has announced the development of the utilisation of inedible oil to produce biodiesel instead of fresh food crops. As the oil stocks deplete and alternatives are sought, care must be taken not to ravage other areas such as food and grain production for fuel as the recent worldwide increase in food prices has shown.

Last year the Malaysian Amanah Raya Investment Bank teamed up with the Asian Finance Bank (AFB) to launch the Islamic green fund. This was set up to invest in environmentally friendly projects such as bio-fuel ventures that are Shariah compliant. AFB and Amanah Raya plan to launch a second Islamic green fund that will focus on developing environmentally friendly projects in Asia and the Middle East. Incinerators and waste recycle plant projects are likely to benefit.

Other green funds that focus exclusively on ethanol and solar power are said to be in the pipeline. Some initiatives are lagging

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behind, such as the Doha Bank US\$1bn sukuk that was meant to finance investment in renewable energy and to develop a carbon trading market in the Middle East.

But all these commendable ventures are, in the final analysis, just the tip of the iceberg. Islamic finance needs to start playing a proactive and supportive role to achieve traditional Islamic environmental goals.

Owing to the state of the global economy, the conventional market appears to have become more receptive to the ethical, social responsibility, conservative and sustainable alternatives provided by Islamic views. Environmental, social, and governance goals should become part of the Islamic finance agenda to ensure the fulfilment and establishment of the spirit of Islamic tenets and to contribute to the greening of the world.

If, on the other hand, Islamic finance remains a parallel financing vehicle that allows investors to mimic the same development path that bears the brunt of responsibility for the damage caused to the environment, with no consideration to the consequences on the deterioration in the quality of life of future generations, its creditability as a meaningful alternative is doomed to fade quickly. ■

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