Bahrain's oil and gas regulator to tap Sukuk market

BAHRAIN

By Dr Hatim El Tahir

The Kingdom of Bahrain's National Oil and Gas Authority (NOGA) is the oil and gas sector regulator which assumes the role of regulating the country's natural resources, and developing prudential regulations and policies that will achieve sustainable growth in the country.

Since its inception in 2008, NOGA has strived to develop strategic partnerships with international oil and gas developers to improve the sector and provide regulatory and technical assistance to investing companies in the country.

This month, NOGA announced that it is tapping into the Shariah compliant capital markets by issuing a US$600 million Sukuk facility with an eight-year tenor. This is an interesting time for a key regional oil and gas regulator to consider Sukuk. The NOGA Sukuk issuance announcement was favorably welcomed by the market and was reported to be led by Gulf International Bank, HSBC, JPMorgan and BNP Paribas to arrange the deal.

The company did not disclose enough information about its intentions for the use of the funds; however, the funds are expected to be channeled toward developing the oil and gas sector and creating an enabling investment environment in the country to boost investment into the sector in line with the Kingdom 2030 economic vision.

Sustainable oil and gas Sukuk

The oil and gas sector in the GCC and other parts of world can most obviously be funded by Islamic capital market instruments such as Sukuk which have built a credible market over the last two decades, with their issuances ranging from real estate, aircraft leasing and infrastructure projects to renewable energy projects and almost everything in between.

But harnessing its market scale, through the oil and gas Sukuk market, arguably helps to create a natural strategic partnership between the oil and gas players and developers in the region and leading GCC Islamic financial institutions to sustain a vibrant sector in the Gulf region, with the latter notably accounting for a significant global contribution in both sectors: oil and gas, and Islamic finance.

This new oil and gas Sukuk market will achieve sustainable growth for both sectors, and create jobs and a real economy with social impact in these countries. Only time will tell how this emerging niche market will shape and tap the real economy and natural resources and make impacting investments into this vital economic sector.

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Discussion on Islamic finance regulations brewing in Brazil

BRAZIL

By Fabio Amaral Figueira

Halal products' contribution to trade was around US$4 trillion in 2019 and this figure is expected to reach US$6 trillion in 2024. Even though Brazil is the largest Halal protein exporter in the world, and an important commercial partner to Arab countries, it does not have a comprehensive legal framework to help develop and strengthen Islamic finance deals and transactions. However, this may now be about to change.

On the 15th April 2021, during a Halal roadshow virtual event, the president of the Brazil–Arab Countries Parliamentary Group, Senator Jean Paul, mentioned that he had presented a public hearing request to the Economic Affairs Senate Commission, with the purpose to begin a discussion on the regulations of Islamic finance in Brazil.

To this end, the senator invited, among others, officials from the central bank, the Securities and Exchange Commission and the Federal Revenue to the public hearing. Federal Representatives Arnaldo Jardim and Angela Amin, from the Brazil–Arab Countries Parliamentary Group, also made themselves available to advance discussions in the Chamber of Deputies.

These joint efforts in the Senate, and possibly in the Chamber of Deputies, are important. To adopt Islamic finance, one can anticipate that several changes would probably be necessary in the Brazilian legal system. A good example is the fact that Brazilian financial institutions are not allowed to import goods and resell them, an important element if one thinks of Murabahah.

Another positive advantage of adopting Islamic finance principles is that Sukuk could become a reality in Brazil including, depending on the regulation to come, the possibility of Sukuk issued in Brazil being negotiated abroad.

Possible legal and regulatory adaptations will play an essential role in Brazil adopting Islamic finance and putting Brazil on the same level as other countries, which already have a legal framework on Islamic finance.

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