Commissioned by

HIGH LEVEL PANEL *for*
A SUSTAINABLE
OCEAN ECONOMY

BLUE PAPER

Summary for Decision-Makers

Ocean Finance: Financing the Transition to a Sustainable Ocean Economy

The ocean economy is at risk from multiple stressors, ranging from overextraction, direct habitat damage, pollution and climate change. Continuing with a 'business-as-usual' trajectory poses great risks to the health and integrity of the ocean and therefore to the world's population, especially the future well-being of hundreds of millions of people in coastal and island communities.

Ocean finance can play a vital role in supporting the development of a sustainable ocean economy (SOE). Despite this potential role, the bulk of investments in the ocean economy have been directed towards unsustainable practices such as subsidies that support overfishing and the offshore oil and gas industry.

Current investments fall way below what is needed to transition to a SOE. Despite the ocean economy contributing US$1.5 trillion to the global economy, less than 1 percent of this total value was invested in the ocean economy through official development assistance and philanthropy during the last 10 years (Figure 1).

Figure 1. A Major Gap in Ocean Finance for Supporting a SOE

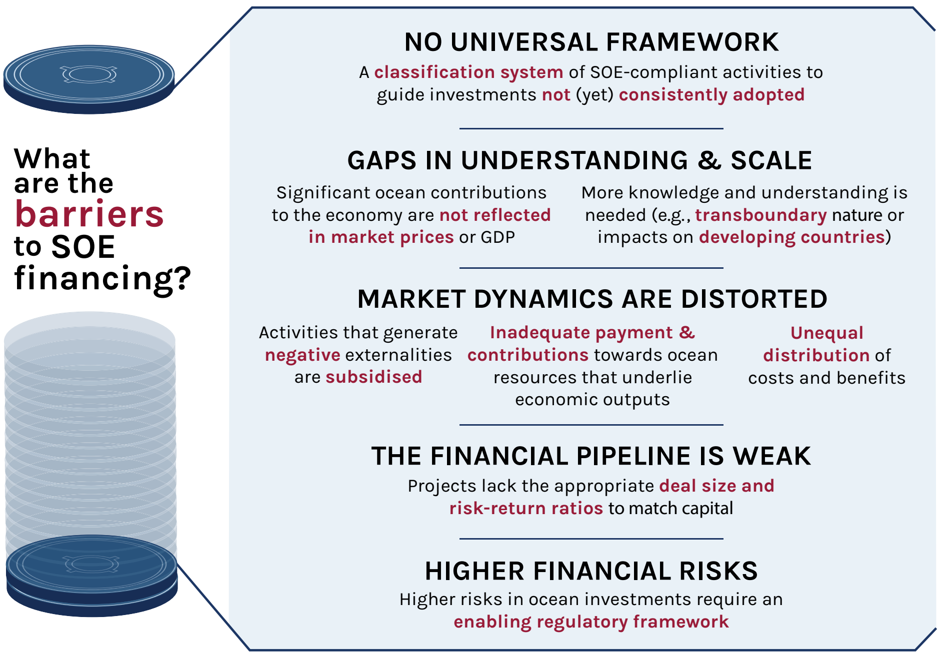
Note: All figures are in US$; ODA = official development assistance.
Source: Authors. Designed by Patricia Tiffany Angkiriwang.

A new paper,[1] commissioned by the High Level Panel for a Sustainable Ocean Economy, outlines key challenges and opportunities to direct finance to a SOE. The paper provides an overview of how economic instruments such as taxes and subsidies, as well as finance and insurance mechanisms, can be used to support a transition towards a SOE worldwide.

The paper concludes that a SOE can be achieved through the redirection of existing finance to more sustainable development pathways. This will require that the public and private sectors create and better mobilise a full suite of financial tools and approaches, insurance, and fiscal and market incentives and strengthen key aspects of the enabling environment.

Despite the emergence of new forms of finance, many challenges remain to ensure global finance flows are redirected to achieving a SOE. The paper identifies five main barriers (Figure 2).

Figure 2. Barriers to Marshalling Adequate Funding for a SOE



Note: GDP = gross domestic product; SOE = sustainable ocean economy.
Source: Authors. Designed by Patricia Tiffany Angkiriwang.

Opportunities for Action

To overcome these barriers, the paper suggests seven opportunities for action to be taken jointly by public and private sectors. These actions aim to strengthen key aspects of the enabling environment to support the transition to an ocean economy that is sustainable and inclusive by making the benefits it generates available to all—especially women, youth and marginalised communities.

Set up and implement new (shared) rules, guardrails and guidelines. To guide investment decisions and development policy towards a SOE, it is critical that effective guardrails and guidelines are in place and widely adopted. An essential element of this emerging finance ecosystem will also be the creation of ocean-based finance taxonomies—in effect, creating classification systems of those activities considered to comply with strong principles for a SOE. Ultimately, the goal should be to ensure that existing frameworks and guidelines bridge and speak to each other and identify commonalities and differences that exist between them.

Strengthen knowledge, data and capacity in ocean health and finance, particularly in developing countries. This will allow decision-making processes and activities to adapt to new knowledge of the potential risks, cumulative impacts and opportunities associated with business activities. Moreover, information on the status of the natural asset being invested in is required for meeting rigorous criteria in a project's due diligence phase and throughout its life cycle. Consequently, strengthening knowledge is especially pertinent in developing countries, where data and information gaps are key challenges to attracting finance for investments.

Correct market distortions, strengthen the enabling environment and increase inclusivity across actors to support investment in the SOE. To maintain and potentially increase the flow of economic benefits from the ocean economy, governments need to continuously provide a supportive enabling environment. Building the kind of information needed to attract investments into the ocean economy requires a significant increase in human capacity for acquiring, investing and aligning ocean finance in many developing maritime countries.

Stimulate the pipeline of investible sustainable projects. There are a variety of mechanisms that blend early-stage grant funding and concessional finance from philanthropic organisations and development finance institutions with later stage capital from the private sector. Investments into these kinds of SOE tools and approaches should be an essential part of any business or national risk-reduction and resilience-building plan.

Explore new financing mechanisms and tools. To act as a positive incentive for sustainable, inclusive and climate-resilient ocean activities, new financing tools and access to capital markets are needed. Innovative mechanisms that bring new forms of finance into the system and are more accessible to communities in developing countries—particularly women, youth and marginalised communities—will need to be created whilst reducing the overexploitation of ocean resources. These tools can also facilitate effective management and governance and promote the security of the ocean space in a context of increased access to new ocean resources.

Stop insuring non-compliance and develop best practices to incentivise sustainable behaviour. To achieve a SOE, it is fundamental to understand and design policies to deal with the negative effects of externalities. This is because externalities underlie many aspects of our unsustainable behaviour. Whilst the SOE finance ecosystem develops, immediate action should be taken to avoid financing practices that support illegal and significantly harmful activities, such as illegal fishing and pollution, and work towards incentivising positive behaviour at both macro and micro levels.

Boost new approaches to insurance. The insurance industry can potentially communicate recommendations derived through research, modelling and data analysis to interested parties and elect to support only those clients or projects that contribute to a SOE, divesting from those that do not.

Turning the challenges to SOE financing into opportunities will require joint efforts by both the public and private sectors to create and better mobilise a full suite of financial tools and approaches, insurance, and fiscal and market incentives. Strengthening key aspects of the enabling environment to support the transition to a sustainable and inclusive ocean economy will also require making the benefits it generates available to all—especially women, youth and marginalised communities.

The High Level Panel for a Sustainable Ocean Economy (Ocean Panel) is a unique initiative by 14 world leaders who are building momentum for a sustainable ocean economy in which effective protection, sustainable production and equitable prosperity go hand in hand.

Co-chaired by Norway and Palau, the Ocean Panel comprises members from Australia, Canada, Chile, Fiji, Ghana, Indonesia, Jamaica, Japan, Kenya, Mexico, Namibia, Norway, Palau and Portugal and is supported by the UN Secretary-General's Special Envoy for the Ocean.

The Ocean Panel gathers input from a wide array of stakeholders, including an Expert Group and an Advisory Network. The Secretariat, based at World Resources Institute, assists with analytical work, communications and stakeholder engagement.

The Blue Paper that this brief summarises is an independent input to the Ocean Panel process and does not necessarily represent the thinking of the Ocean Panel, Sherpas or Secretariat.

For more information, including the full report, visit **www.oceanpanel.org**

Endnote

1 Sumaila, U.R., M. Walsh, K. Hoareau, A. Cox, et al. 2020. *Ocean Finance: Financing the Transition to a Sustainable Ocean Economy.* Washington, DC: World Resources Institute. www.oceanpanel.org/blue-papers/ocean-finance-financing-transition-sustainable-ocean-economy.

Support for this Blue Paper provided by:

UN environment programme

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