

Investing in the Blue Economy

Workshop on WestMED Initiative
Business 2 Sea Conference
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Ocean Assets Institute

Credits



10th Edition
16th – 20th November 2020
Conferences | Workshops | B2B meetings | Pitches

Organised by:



Under the High Patronage of:



With the Institutional Support of:



- **Non-profit** financial research & advisory for healthy oceans
- **Engagement** with financiers to speed transition to sustainability

Mandates include:



**Blue Economy
Investment Platform:**

Evaluated 500 Blue
SMEs for financing,
Started BlueInvest
E80mn FoF & pitch
series

**Pacific Ocean
Finance
Program:**

Advising 11
Pacific Island
nations on Blue
Finance

**Blue Economy
Knowledge Hub:**

Advising on \$5bn
pledge to Blue
Finance for 30
Asia-Pacific
nations

**Writing
Guidance for
Sustainable
Finance of
Shipping & Ports**

**Green Bond
Standards for
issuers from
Marine Energy &
Shipping. Next:
Fishing**

Understanding Financiers

Global capital markets bring together many different financiers with different goals and requirements.

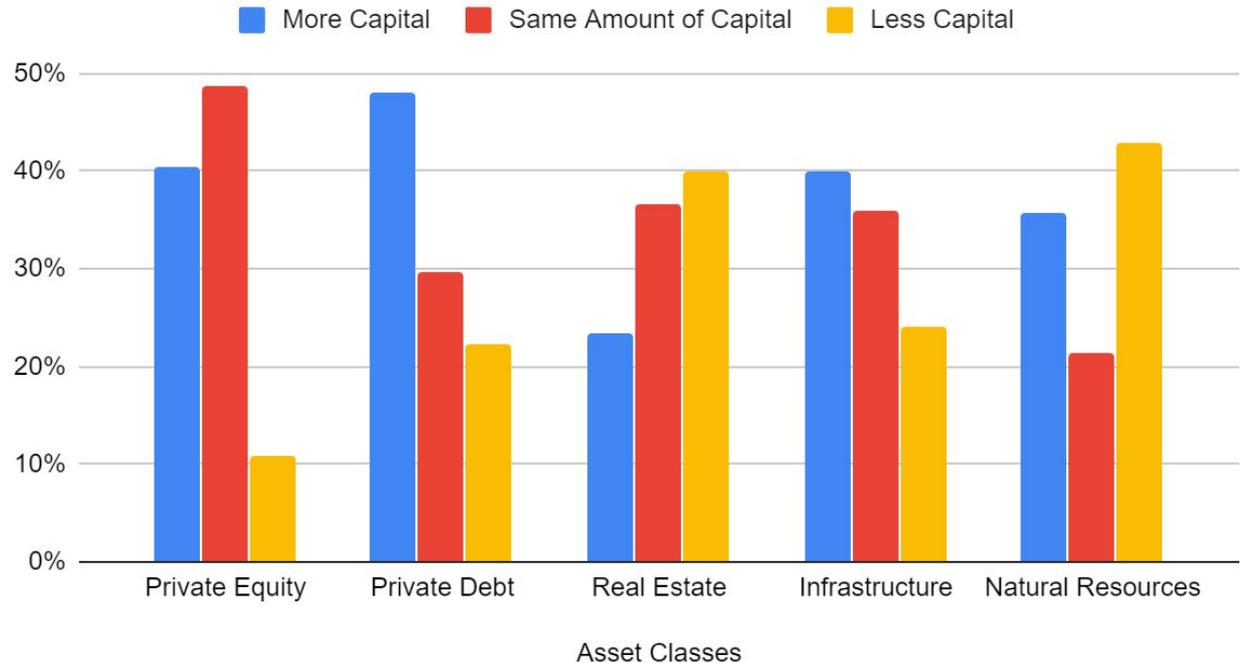
Type	Summary	Preferred Vehicles	Time Horizon
Pension Funds	Invest on behalf of policyholders to pay future benefits	Green bonds & infrastructure funds. Face risk & liquidity constraints.	10-30 years
Insurance Companies	Invest premium payments from policyholders to fund future claims	Green bonds, project & infra funds. Also sell risk management tools.	10-30 years (for life insurance-based)
Sovereign Wealth Funds	Invest national savings from economy	Green bonds, loans, project, infra funds	Any
Commercial Banks	Lend to businesses - small & large	Loans, some green bonds & projects	3-10 years
Investment Banks	Invest in or arrange large transactions	Any transaction required by institutions	Any
Private Equity Firms	Invest client capital in private companies	Their own funds or direct deals	Avg 3-5 years
Wealth Managers	Invest client capital in funds & markets	Listed securities & funds	Avg 1-5 years

Expected Investments next 12 months

Investors in private equity, debt and infrastructure - the most important asset classes for the Blue Economy - will **increase** their investments over the next year.

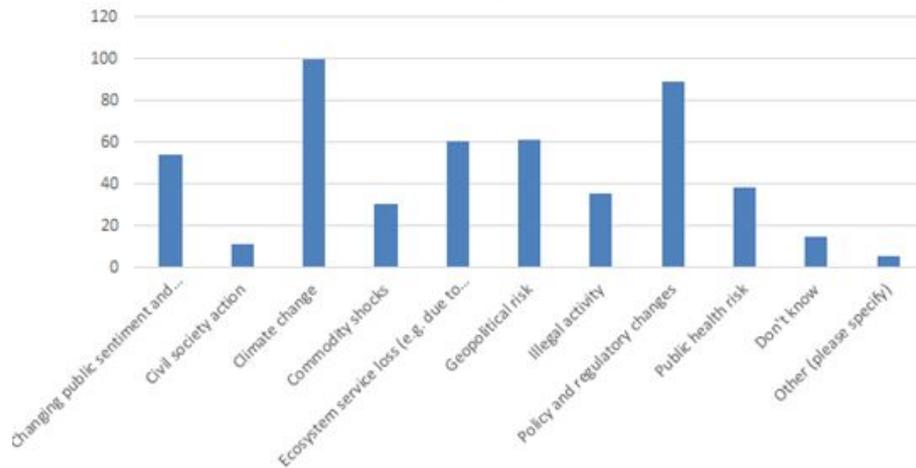
Natural resource investments (both unsustainable ones like fossil fuels/mining and sustainable ones like agriculture/timber) will get less capital as the commodity outlook remains negative. Yet with rising seafood demand, this should not impact Blue.

More Capital, Same Amount of Capital and Less Capital

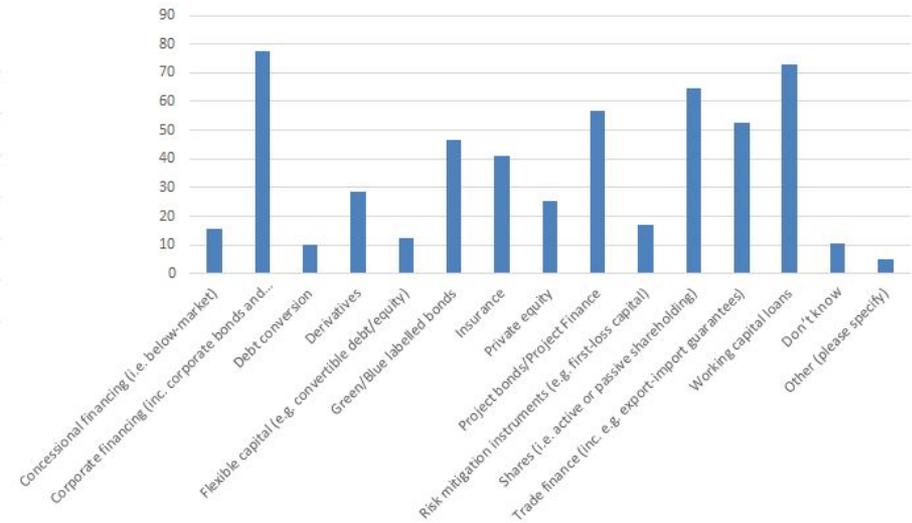


UNEP-FI 2020 Survey for *Sustainable Blue Economy Finance Principles*

Sum of greatest reported risks across sectors (FIs only)



Most common financial instruments across sectors



In Sep-Oct 2020, over 100 institutional investors responded to UNEP-FI's survey on Blue Economy investment themes. Full results will be in the Seascope Report, to be published in January 2021. Ocean Assets Institute is writing the Guidance Reports for Financiers of Shipping and Ports.

Opportunities & Barriers

2 Opportunities

- Solutions to ocean risks where investors are well placed to intervene and engage
- Investment returns from a growing sustainable Blue Economy

4 Themes

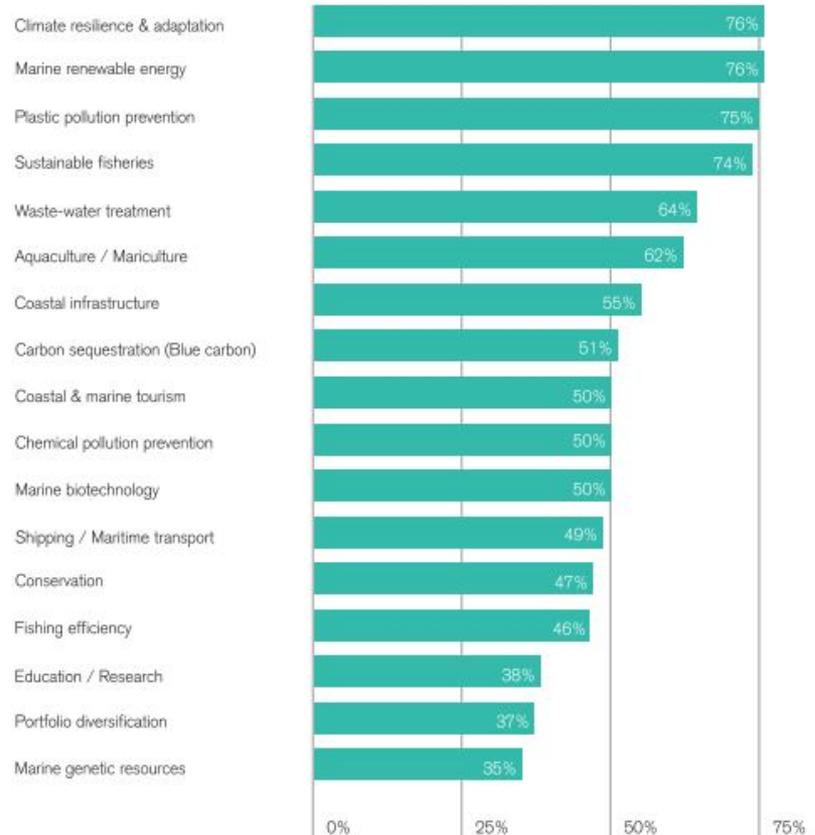
- Climate Resilience & Adaptation
- Marine Renewable Energy
- Plastic Pollution Prevention
- Sustainable Fisheries

Barriers

- Lack of investment grade projects
- Lack of internal expertise
- Lack of Blue products (funds, bonds, platforms)

Investor opportunities in the sustainable Blue Economy

% of respondents. 218 respondents



Tapping Corporate Investment

7 Corporate Investment Vectors

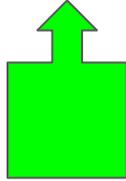
1. Strategic Ventures
2. Corporate Socially Responsible Investments (CSR)
3. Environmental Offsets
4. Corporate Expenditures for Efficiency
5. Corporate Expenditures for Expansion
6. Collective Initiatives
7. Concessionary Capital
8. Expanding vs Contracting Blue Industries



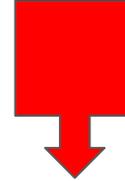
Vector1: Strategic Ventures

- **Definition:** Companies invest in VC funds or direct partnerships with innovators. Gain access to new technologies in their domain at a lower cost.
- **Examples:** [Katapult Ocean Fund](#) was seeded by a group of corporations and institutional investors to finance ocean startups globally. [Circulate Capital](#) has worked with many consumer staples majors to seed investments in recycling companies in South-East Asia. [Wartsila Digital Ventures](#) partners with new innovators in maritime digital technology, giving many resources except capital.
- **Opportunity:** Corporates sponsor innovative collaborations with SMEs for Blue Economy growth.
- **Hurdle:** Corporates may have unfair advantage, acquiring IP of vulnerable startups without investing capital or talent.

Expanding vs Contracting Blue Industries



Covid19 has forced contraction in many Blue sectors. But some were already in a contracting phase of industry life cycle, whereas others are emerging and will rebound strongly.
Investors try to anticipate favorable trends.



Expansion: Favorable Outlook

Seafood: Overall favorable growth trends, especially for Aquaculture, Algaculture & Processing.

Marine Energy: Offshore wind expansion in Asia leads the way, with floating solar, tidal, geothermal wave and salinity gradient technologies following.

Ecosystems & Blue Infrastructure is small but growing, with economic and resilience applications.

Pollution Control is growing from both economic opportunity and regulatory pressures.

Ports, especially those along the Maritime Silk Road, are forecast for steady growth and green investment.

Digital technologies will drive many Blue sectors.

Contracting: Unfavorable Outlook

Fishing/Fisheries are under twin pressures of overfishing and climate change

Tourism may never fully recover from Covid19. Structural deficiencies, as one investor described the sector to us, portend contraction and losses.

Shipping has been consolidating around the largest players for the past decade. The top 10 carriers now control 70% of cargo volume, up from 35% in 2010. However, bullish forecasts are on for investments in clean fuels and wind power - by those with capital.



Thank you!

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President

Ocean Assets Institute

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