

SPARK WEBINAR SERIES

Understanding Environmental Finance

Webinar 4: Introduction to Ocean Finance

23rd April 2024, 12-1pm EAT.

Webinar Report

Introduction

The ongoing impacts of climate change are placing increasing pressure on biodiversity and pushing many species to the brink of extinction. To address these challenges, global environmental frameworks such as the Rio Conventions offer guidance to both the public and private sector on a roadmap to mitigate climate change, biodiversity loss, and pollution. The fifteenth Conference of Parties (COP 15) to the Convention on Biological Diversity, held in December 2022, adopted the Kunming Montreal Global Biodiversity Framework (KM GBF), which sets out an ambitious roadmap for achieving a world living in harmony with nature by 2050. However, to reach the goals and targets outlined in this framework, there is a significant financing gap of \$700 billion for biodiversity conservation. Additionally, the United Nations Environment Programme (UNEP) adaptation gap report identifies a \$387 billion per year financing gap for implementing domestic adaptation priorities, and UNEP's State of Finance for Nature identifies an imbalance in investment, with nature-negative flows from the private and public sector reaching almost \$7 trillion per year, with only \$200 billion per year invested in nature-positive projects and activities. Addressing these financing gaps requires significant increases in funding and realigning financial flows from both the public and private sectors to support environmental objectives and priorities.

Against this backdrop, the Environmental Policy Unit within the Law Division of UNEP organized a Spark Webinar Series on Understanding Environmental Financing. The aim of this series is to enhance understanding to non-experts on the various components of environmental financing, including principles, approaches and terminologies, to better integrate them into program/project design and implementation to achieve global environmental goals.

Introduction to Ocean Finance

Covering 70% of the earth's surface, oceans represent the largest reservoir of natural capital on our planet. They provide essential services to humanity and ensure the stability of the earth's ecosystem, regulating vital processes. However, this valuable resource faces significant threats from unsustainable human activities and climate change. The OECD estimates the ocean economy, encompassing sectors like fishing, shipping, offshore wind, maritime and coastal tourism, and marine biotechnology, to be valued at approximately 1.5 trillion USD. Projections indicate that by 2030, this value will double to reach 3 trillion USD. Realizing this growth while ensuring sustainability requires a shift towards investments that support a sustainable ocean economy.

Ocean finance plays a pivotal role in driving investments towards initiatives promoting the sustainable utilization of ocean resources including both renewable and non-renewable resources. However, current levels of investment from both public and private sectors fall

short, leading to a significant financing gap. For instance, Marine Protected Areas (MAPs) globally face an annual financing gap of around USD 2.3 billion for their effective management and utilization.

Mobilizing sufficient ocean finance to positively impact ocean ecosystems necessitates the exploration and implementation of innovative financing instruments. These may include blue bonds, sustainability-linked loans, grants, subsidies, blended finance, carbon markets, debt swaps, and insurance mechanisms. The choice of financing instruments depends on a country's needs, objectives, and the risk-return equation for investors. Establishing an enabling environment, including supportive policies and governance measures, is crucial to attract investments from both the public and private sectors.

Barriers in Ocean Financing

Despite the potential benefits of ocean finance, catalysing it encounters numerous challenges that deter investments in the ocean ecosystem. These include:

Suboptimal enabling environment:

Inadequate regulatory and policy mechanisms within the ocean finance landscape discourages funding and investments. Investors' understanding of existence of sustainable ocean's initiatives is limited, compounded by insufficient measurement, and reporting mechanisms at the international and national level. The absence of common frameworks like the sustainable blue economy principles and taxonomies further deters investment decisions in the sustainable ocean economy.

Deficiency in finance and investment:

Limitations in investment ticket sizes, a scarcity of high-quality investable projects, and the high-risk profile of ocean economic sectors discourage investors.

Existing insurance and risk mitigation challenges:

The high risks associated with ocean investments, coupled with inadequate regulatory and governance support, hinder ocean related investments. Addressing constraints in human capacity, data reliability, structural challenges, and operational risks is crucial. Moreover, there is a lack of effective mitigation mechanisms like insurance to incentivize and derisk investments in the ocean ecosystem.

Opportunities in Ocean Finance

Realizing the full potential of ocean finance requires:

Creating and enabling environment:

Effective governance and regulatory mechanisms, alongside fiscal reforms, can incentivize and catalyse sustainable investments in the ocean ecosystem from both the public and private sectors. Strengthening data infrastructure and transparency, particularly in developing countries, is essential for informed decision-making. Additionally, repurposing harmful subsidies and adopting a universal taxonomy can guide investments towards sustainability.

Developing finance and investments in the blue economy:

Exploring innovative financing instruments tradable in capital markets can incentivize sustainable, inclusive, and climate-resilient ocean investments. Private-public partnerships and the inclusion of stakeholders like financial institutions, local communities and youth among others, are crucial for supporting sustainable development within the ocean ecosystem.

Investment in insurance and risk mitigation

The insurance sector can play multiple roles in managing risks associated with ocean investments. From providing recommendations to investors to restricting insurance access to unsustainable initiatives, insurers can significantly impact the sector's sustainability.

The insurance sector can play multiple roles associated with ocean investments including:

- Risk managers- communicating recommendations on handling associated risks to investors.
- Risk carriers- may opt to restrict insurance access to unsustainable ocean investments.
- Investors- insurers can invest in initiatives, projects, organizations and companies that support sustainable ocean investments.

Stakeholder engagement is pivotal ensuring effective risk modelling at all levels and uptake of effective policy and regulatory frameworks remodelled to support responsible and sustainable investments.

Highlights and Recommendations from Plenary

- Policy alignment and coherence are crucial for establishing and domesticating innovative financing mechanisms to achieve environmental objectives in the ocean ecosystem.
- Scaling up sustainable financing mechanisms at the country level to direct revenue generated from sustainable initiatives towards the conservation and protection objectives.
- Exploring pathways that enhance understanding of sustainable ocean investments among investment communities. Additionally, curriculums can consider the inclusion of ocean finance landscapes.

Conclusion

Achieving a sustainable ocean economy requires coordinated efforts in governance, financial management, and science. Stakeholder engagement, including governments, financing communities, the business community, youth, and local communities, is essential for supporting sustainable ocean initiatives. Leveraging existing opportunities while addressing barriers is imperative to scale up ocean finance and redirect subsidies towards sustainable initiatives. Effective stakeholder engagement ensures support for sustainable ocean projects at both local and global levels, contributing to the achievement of environmental goals and sustainable development.

Participants

A total of 74 participants joined the webinar within and outside of UN.

Annexes

Annex 1: Agenda

Topic	Presenter	Time
Welcome remarks	Pamella Njeru Project Support Officer UNEP-EPU	5 mins
Introduction to the 4 th webinar series	Dr. Balakrishna Pisupati Head, Environmental Policy Unit	5 mins
Understanding ocean finance, examples and experiences from ocean finance	Ms. Ambra Cozzi, Project Manager and Evaluation Specialist, One Ocean Foundation	25 mins
Emerging issues and opportunities	Mwambanga Mwangemi Julius Associate Program Officer UNEP-ROA	5 mins
Question and Answer session	Facilitators: 1. Ms. Ambra Cozzi, Project Manager and Evaluation Specialist, One Ocean Foundation 2. Dr. Balakrishna Pisupati, Head, Environmental Policy Unit, Law Division, UNEP	5 mins

Annex 2: Spark Webinar Series Organizers

Name	Role	Organization
Ambra Cozzi	Project Manager and Evaluation Specialist	One Ocean Foundation
Balakrishna Pisupati	Head, Environmental Policy Unit	UNEP
Fredrika Sweno	Project Support Officer	UNEP
Jessica Smith	Nature Lead and Programme Officer	UNEPFI

Joyce Mwea	Programme Management Assistant	UNEP
Julius Mwambanga Mwangemi	Associate Programme Officer	UNEP ROA
Pamella Njeru	Project Support Officer	UNEP
Ruci Mafi Botei	Programme Management Officer	UNEP
Susan Mugo	Programme Support Officer	UNEP

Annex 3: Contact Information.

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