



## Utilising Ocean Accounts to Mobilise Private Sector Investment in the Sustainable Ocean Economy

### Key messages

- Private sector investment in the sustainable ocean economy is minimal, with significant funding gaps remaining.
- Key challenges include a lack of bankable projects, political willingness, scalability, and risk tolerance.
- High transaction costs and data gaps make it difficult to assess and mitigate risks associated with marine investments.
- Ocean accounts provide integrated data on environmental conditions, economic activities, and social aspects, supporting informed and sustainable decision-making in finance.
- The accounts enhance market confidence and reduce transaction costs by offering transparency and standardised data.
- Ocean accounts support long-term financial planning and risk management by providing reliable information for accurate forecasts and risk assessments.

### The Sustainable Ocean Economy and its Potential

The sustainable ocean economy (SOE) has an economic potential of USD 3 trillion and could employ over 40 million people by 2030 (World Bank, 2020). Our ocean provides critical habitats for marine life and plays a significant role in climate stabilisation.

However, failing to address the degradation of ocean ecosystems results in serious problems. The ocean is vulnerable and faces the repercussions of human impacts such as pollution, overfishing and unsustainable resource extraction.

### Private Sector Involvement to Fund the Blue

Attracting private investment to fund the Blue is critical, with the High-level Panel for a Sustainable Ocean Economy estimating that investment from the private sector is “very little”. Currently, investments in the SOE amount to \$13 billion from the \$1.5 trillion needed, mostly coming from national and subnational governments and official development assistance, and philanthropy (Sumaila et al., 2020). With private sector involvement at a minimum, its engagement is necessary to accelerate sustainable ocean development.

Key Issues in financing for a sustainable ocean economy:

- Significant Funding Gaps:** Minimal private sector investment compared to the \$1.5 trillion needed.
- Implementation Barriers:** High transaction costs and data gaps make risk assessment and mitigation difficult.
- Lack of Bankable Projects:** Limited political willingness, scalability, and risk tolerance.

Innovative financial instruments can be the key to accelerating private sector involvement. These tools are designed to make investments more attractive by reducing financial risks and enhancing potential returns. Such financial instruments include blue bonds, impact investments, or blended finance strategies.

Examples of financial benefits associated with investment or the re-direction of capital flows include:

- Economic Savings:** Proactively mitigating threats to ocean ecosystems can avert economic losses of up to USD 8.4 trillion over the next 15 years (WWF & Metabolic, 2022).
- Job Creation:** Sustainable ocean management could create 12 million new jobs by 2030, stimulating economic growth and providing livelihoods worldwide (World Resource Institute, 2024).



## Key Challenges for Private Sector Engagement

Developing financial instruments and an enabling environment for investment is essential. Ocean finance faces key challenges in attracting private capital, such as a lack of bankable projects, political willingness, scalability, and risk tolerance due to complex marine environments. Addressing these challenges is crucial to unlocking the full potential of ocean finance and increasing private sector involvement in sustainable ocean development.

### The Bankability Challenge

Bankability is one of many challenges in ocean finance and refers to developing economically viable projects that support sustainable outcomes. While private capital is globally available and investors are willing to invest, mechanisms to align resources with the ocean are lacking. The term bankability refers to the ability of a project to be attractive and sufficiently secure to obtain financing from banks, investors or financial institutions. The socially responsible investment field has gained traction over the past decade; however, achieving both financial outcomes and sustainability-related objectives simultaneously proves difficult. Even for investors prioritising sustainability objectives over a financial rate of return, measuring socio-economic metrics, such as community resilience and alignment with national priorities and environmental metrics, is crucial and lacking. Addressing investor objectives is key in attracting capital, as they build the proof, foundation and case of an investment. Lastly, communicating the outcomes builds the basis for new investments. Risk-sharing and thorough project preparation through integrating lessons learned can enable new financial instruments.

### Creating an Environment for Involvement

Implementing financial instruments to address funding needs faces several key inefficiencies and barriers, including information asymmetries, high transaction costs, the extended periods needed for investments to generate a profit, and high-risk profiles of investments that carry significant

uncertainty and potential for financial loss, making investments less predictable. To address the challenges, a comprehensive information infrastructure can provide data, enhancing predictability and investment viability in marine ecosystems. The high-risk profiles of many marine projects are closely connected to aspects such as the complexity and unpredictability of marine ecosystems, coming from a lack of data.

Using nature-based solutions as an example, under the right conditions, public and private institutions can allocate capital to nature-based solutions, leveraging their long investment timeframes and benefits. However, where the benefits do not exceed the costs, increasing funding allocation toward sustainable development requires changes in market structures and co-financing mechanisms. Creating private markets for public goods, like carbon or biodiversity markets, involves developing systems where businesses and individuals can invest in or purchase services that benefit the public, such as carbon sequestration by coastal ecosystems.

Political willingness and sophisticated ocean governance create an enabling environment for the private sector. Solutions are needed to enable nature-based projects to generate value-creation and, therefore, revenue and unlock commercial sources of repayable finance, such as selling credits (blue carbon) related to the management of nature-based projects (for example, mangrove restoration), reducing insurance premiums, and cost reduction through improved data measurement, monitoring and management. However, all these sources have in common being dependent on a favourable legislative environment and require robust data frameworks.

### How Financial Structuring Unlocks Private Investment

To address these challenges and to leverage new financial instruments and structures, capacity building, training and speaking a uniform language across all actors are critical. A common information infrastructure is essential for building a partnership with the private sector, facilitating a deeper



understanding and alignment on objectives rather than establishing a transactional relationship.

Financial structure enables the attraction of private investment into ocean conservation. Valuing nature and estimating ecosystem service benefits are challenging but necessary for quantifying risks and justifying investments. Successful projects often combine various financial instruments to create a comprehensive financial mechanism, such as grants, market-rate loans, concessional loans, and equity. Some of the most effective ocean finance mechanisms are tailored financial structures that blend funding sources and address diverse needs. Blue bonds, for example, are a way to address the financial distress of a country during times of economic instability. While being a short-term debt relief mechanism, blue bonds also build a case for environmental protection. Being backed by the government and supported by financial institutions creates confidence and a track record and attracts private capital. The government builds an enabling environment for the private sector and showcases strong political willingness. Therefore, policy recommendations include creating regulatory incentives, mainstreaming nature-based solutions in legislation, and developing financial instruments to facilitate cooperation and co-financing through partnership.

## How can Ocean Accounts Mobilise Private Finance?

Ocean accounts provide a common information infrastructure and framework that addresses key challenges in unlocking private-sector investment for sustainable ocean development. The accounts offer detailed and regularly updated data on environmental conditions, economic activities, and social aspects, creating a comprehensive view of the ocean economy. As such, the accounts can inform policy and decision-making and enhance financial structuring.

## What are Ocean Accounts?

Ocean accounts are not just data records but comprehensive insights into the ocean economy. They integrate regularly compiled and comparable data on environmental conditions, economic

activity, and social conditions, offering a holistic view of the ocean economy. Structured similarly to national accounts, ocean accounts are compatible with various frameworks. However, they go beyond traditional sector-specific data, providing a nuanced perspective on the ocean economy, which is vital for creating an enabling environment for private sector involvement.

The data within ocean accounts is structured around macro-economic accounts, environmental-economic accounts, and ecosystem accounts. They include data on ocean beneficiaries, technology, governance, and management. Each group records quantitative or qualitative data, such as monetary values, physical status, or relevant laws and regulations. The characteristics of the accounts can be strategically utilised for addressing key challenges in ocean finance ranging from, but not limited to:

- Building a baseline for monitoring and valuation, enhance market confidence and reduce transaction costs.
- Enhance risk assessment and integrate detailed environmental and economic data.
- Informing policy and regulatory frameworks
- Measurement of socio-economic and environmental metrics for benchmarking and quantification of sustainability-related objectives.

## Enhancing Market Confidence and Reducing Transaction Costs

The attributes of the accounts can enhance market confidence, for example, through securitising natural capital, meaning using natural assets as collateral for loans, thereby unlocking additional funding sources. The concept of securitisation involves the transformation of assets into financial instruments that can be traded on the market or used as collateral. A common example are credits, both carbon and biodiversity credits. The accounts can give us a comprehensive view of blue carbon ecosystems. They contain information about the condition of the ecosystems, such as mangroves and track changes over time, the carbon stocks and rates at which carbon can be sequestered, and the other ecosystem services of mangroves (nutrient



cycling, fishery nursery, etc.). Carbon credits, for example, have a market value because they are generated by activities like reforestation or conservation projects that sequester carbon. Not only can we understand the value of managing mangroves, but we can also use carbon credits as collateral for loans. In traditional financing, the intrinsic value of natural assets is often overlooked, but the securitisation process highlights this value.

## Supporting Long-Term Financial Planning and Risk Management

Transparency and standardised data from ocean accounts can reduce high transaction costs by providing investors with clear, reliable information on the economic value of marine resources – either at the project or national level. The accounts' characteristics can reduce uncertainty and break down complexity and unpredictability issues within marine environments. Furthermore, the accounts enhance the valuation of marine resources, reducing risk and enabling more precise calculations of monetary and non-monetary benefits. A risk reduction may lead to a better understanding of a project's value and reduce high capital costs. Ocean accounts are, therefore, a critical extension to risk management and long-term financial planning.

For instance, understanding the intrinsic value of ocean ecosystems, such as ecosystem service valuations, can be integrated into financial models and enable more accurate forecasts and risk assessments. This information can be used to develop concessional loans, pay-for-results grants, or blended finance approaches requiring ocean ecosystem data to justify investment and ensure sustainable outcomes.

## Facilitating Early-Stage Capacity Building and Investment Support

Ocean accounts can be used in early-stage capacity building by providing the data necessary

for designing and implementing effective financial mechanisms. The accounts compile comprehensive data about the benefits of natural assets, like mangroves, seagrass and saltmarshes. By understanding ecosystem extent, condition, and flows, stakeholders can identify trade-offs and synergies, improving financial mechanisms to address specific needs. For example, insights into carbon sequestration rates and biodiversity can inform the creation of the legislative environment of marketable carbon credits. Additionally, data on ecosystem degradation and its economic impact support policymaking, fostering an enabling environment for private investment. By integrating these lessons, we can enhance the design and implementation of financial instruments, ultimately facilitating sustainable ocean economy projects and ensuring long-term ecological and financial benefits.

In conclusion, ocean accounts provide the data for effective financial structuring in ocean finance and risk management. They enhance the overall attractiveness of marine investments by offering clarity and reducing uncertainty. This comprehensive approach is essential for mobilising private finance to drive sustainable ocean development.

## Additional Resources & References

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