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Introduction to Blue Finance

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Introduction to Blue Finance

Blue Finance and the Blue Economy

Blue finance encompasses the [finances directed towards ocean-related activities](#) that have a positive impact on the “blue” (or ocean) economy. The aim of the blue economy is to achieve economic and social progress while protecting the health of oceans and coasts. Examples of blue finance include funding the restoration of marine habitats, investing in sustainable aquaculture and developing innovative technologies that reduce the impact of maritime industries. Finance is a powerful tool in influencing the activities that take place in the marine environment. It is important that finance flows towards those activities that deliver a socioeconomic gain to society that also considers the impact on marine and coastal ecosystems.

Unlocking potential to address the finance gap

To fulfil Sustainable Development Goal 14 by 2030 – *Life Below Water* – the [World Economic Forum](#) has estimated that USD \$175 billion of blue finance is needed each year up to 2030. Between 2015 and 2019, only \$10 billion was invested in total, emphasising that SDG 14 is the least funded Sustainable Development Goal.

An absence of financing frameworks and global standards have been cited as key reasons for the financing gap. Other challenges include a [lack of investible projects](#) and the persistence of large subsidies towards harmful marine activities.

Blue finance consists mostly of philanthropic and public funding. Private investment is largely limited to corporate social responsibility initiatives or impact investments that are not profit seeking. Nevertheless, this is an area of growing interest to the private sector. In late 2023, a [survey](#) of 700 senior executives and investors by Simmons & Simmons reported that 57% of executives consider investing in blue economy projects to be a top priority.

According to analysis by [Credit Suisse](#), 72% of surveyed asset managers view the sustainable blue economy as investible, but face barriers including small project scales and lack of internal expertise. The lack of data, standardised methodologies and technology for measuring the impact and performance of projects poses another key barrier to unlocking greater investment into ocean projects. To unlock

this potential, work is underway to develop the markets, frameworks and scientific understanding that may allow investible ocean initiatives to deliver attractive returns on investment.

Benefits beyond financial returns

The socioeconomic benefits of ocean-based projects extend far beyond monetary returns. For example, initiatives that address pollution and water quality can deliver improvements in human health. This benefits our own wellbeing and saves on healthcare costs. Restoration of coastal ecosystems such as seagrass and saltmarsh can also help to protect local communities from the growing threats of coastal erosion and extreme weather events, while saving on significant costs of coastal defence infrastructure. The presence of coastal habitats can save up to [£33.2 billion](#) of spending on manmade protection against coastal erosion and flooding that threatens up to [£150 billion](#) of coastal infrastructure.

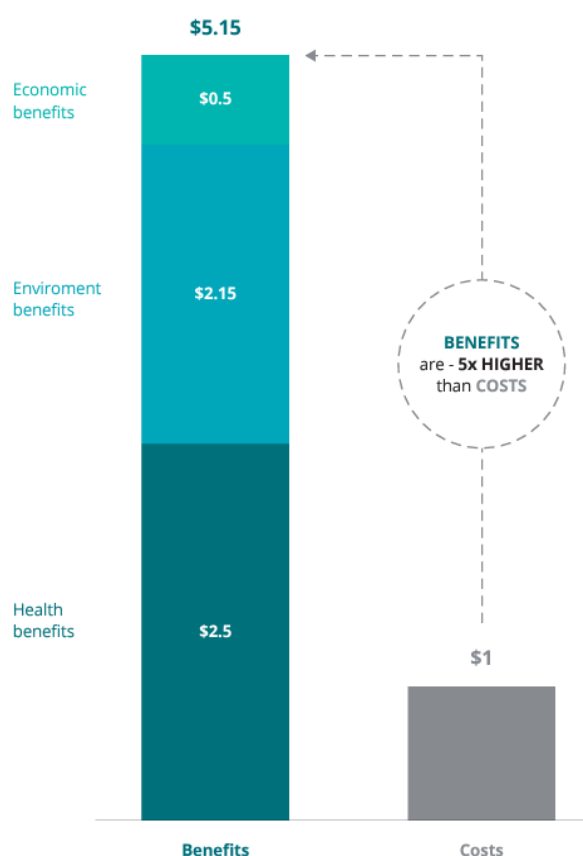


Figure 1: Ocean investments are estimated to generate benefits worth five times more than the initial investment. Most of this value is in human health and environmental benefits. Source: [Deloitte](#).

Understanding our dependence on marine ecosystems is beneficial for businesses and financial institutions, too. For example, insurance companies may benefit from investing in wetland creation in order to reduce their own risk of payouts for flooding damages. Meanwhile, businesses may invest to service their [Corporate Social Responsibility](#) objectives, enhance their reputation or meet stakeholder demands.

The [High Level Panel for a Sustainable Ocean Economy](#) has previously predicted a rate of return on ocean investments across the thirty year period leading up to 2050. Depending on the investment area, the average benefit to cost ratio ranged from 3-to-1 to 12-to-1. Overall, it was predicted that every £1 invested in the blue economy would yield £5 in returns. However, this

analysis was focused on four components of the blue economy and did not include [other lucrative sectors](#) such as tourism and recreation, coastal protection and science sectors, so this is likely to understate the total value to be gained by blue economy investments.

Although benefits of ocean investments can far exceed costs, a lot of this value does not link directly into financial markets. As shown in the adjacent figure taken from our [A Drop in the Ocean](#)¹ report, the estimated fivefold returns on investment arrive mostly in the form of environmental and health benefits.

Linking these benefits to the financial markets would be key step towards unlocking greater levels of investment into restoring and preserving marine ecosystems.

The sustainability principle

The size of the socioeconomic benefits we get from the ocean is correlated to the health of marine habitats and species. To achieve long-term sustainability in the blue economy, it is paramount that financial capital flows towards regenerative and not degrading activities. Today, there are still [substantial subsidies](#) that counteract this principle, including fossil fuel subsidies and fishing subsidies that lead to overexploitation of stocks. The rewards and benefits of ocean investments must demonstrably fall within the ocean itself, ensuring that activities do generate profits for investors on land at the expense of ocean ecosystems. Sticking to this principle can ensure that our seas continue to deliver socioeconomic benefits and financial value in perpetuity.

Blue finance in the UK

In the [2021 Spending Review](#), the UK Government set out a target of mobilising private investment into nature recovery – £500m a year by 2027 rising to over £1 billion a year by 2030. This was reiterated in the [2023 Green Finance Strategy](#). It is unclear how much, if any, has been specifically targeted for the marine environment.

The UK is the [sixth largest economy](#) in the world and the British economy made up 3.3% of global GDP in 2021. A 2020 [study](#) estimated that \$174.52 billion per year would

¹ A collaboration between the Marine Conservation Society, Whale and Dolphin Conservation and Deloitte.

be needed up to 2030 to meet SDG 14 targets and safeguard the health of our oceans. If this total was divided up according to respective nation's share of the global economy, the United Kingdom would contribute \$5.76 billion a year in investment into ocean recovery. As it stands, there is relatively very little direct spending or investment into ocean recovery in the UK relative to the scale of finance needed.

To rely on private funding alone would require marine projects that can deliver attractive returns on investment. According to the [UK Blue Carbon Evidence Partnership](#), the requirements for growing markets and enabling investment in blue carbon projects are:

- Clear principles and standards for structuring investments.
- Clear governance to ensure new markets are transparent and deliver benefits to nature, the economy and local communities.
- Frameworks and principles at government level to guide the development of emerging nature markets.

Important work is underway to establish investible [marine natural capital markets](#) in the UK. However, the scale of private investment that this could generate remains to be seen. In order to mobilise private investment, it is suggested here that public funding will be necessary to scale up projects and reduce their financial risk. A collaborative approach between public and private stakeholders will therefore be more effective than a siloed approach towards establishing a sustainable blue economy that can benefit both society and the ocean.