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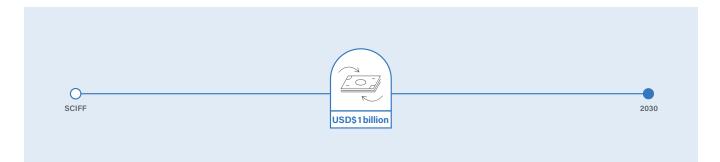




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The Sea Change Impact Financing Facility (SCIFF) is a collaborative effort to develop an open ocean financing architecture designed to drive at least USD\$1 billion of private investment into coastal and ocean ecosystems, with a focus on the Global South, by 2030. This will provide a springboard from which to mobilise at least USD\$2.5 billion of broader finance capital.



The SCIFF complements ORRAA's development of an investible project and product pipeline from the groundup by building out the large-scale investments needed to build the capital markets for the Ocean – an ocean financing ecosystem. It will also integrate sustainable blue finance into broader climate and biodiversity finance so that it becomes second nature to invest into planetary health on land and at sea.

ORRAA launched the SCIFF concept at the One Ocean Summit hosted by President Macron in Brest, France, in early 2022. The Alliance has worked since then to further develop the vision to accelerate and unlock investment, to innovate and scale.

ORRAA will be working together with its members on a blue finance delivery roadmap between now and 2025. This will include developing financing instruments, bridging policy frameworks, building financial literacy, and developing pathways and scalable tools to unlock financing for coastal and ocean resilience and regeneration.

The SCIFF:

- Supports an open architecture for global coastal and ocean finance, complementing the efforts of impact funds, NGOs, corporates, asset managers, institutional investors, development banks and facilitating the entry of additional sources of capital into the space.
- General Section 2015 Focuses on delivering positive adaptation and resilience outcomes, that are nature and climate positive, and bring integrity and equity to investments through the full engagement of local communities and locally-led initiatives.
- Integrates insurance tools, guarantees and concessional capital to de-risk investments, helping to attract additional capital to accelerate investment into coastal and ocean resilience.
- Deploys an integrated set of standards and guardrails with mission-led governance based on strong Small Island Developing States (SIDS) and Least Developed Country (LDC) representation.



ORRAA's overall strategy is three pronged.

Firstly, it is focused on building a Project Portfolio Pipeline from the ground up - nurturing and scaling the development of community-led finance and insurance products and projects that build coastal and ocean resilience which lock in sustainable financing, are locally led, and climate, nature, and gender positive.

Secondly it is about tackling the 'Missing Middle' - a place which many project developers call the "valley of death", when they have emerged from grant or philanthropic funding, but aren't yet big enough to be of interest to impact or private sector investors. Enabling greater private sector investment into impact-driven coastal and ocean resilience, particularly in emerging markets and SIDS, and which deliver a market-based return.

And the third element is delivering a Sea-Change from the top-down - deploying private sector investment, sovereign, and regional level financial products to derisk and accelerate financial intermediation towards sustainable blue economy investments that are nature positive, increase resilience, reduce unsustainable debt burdens, and mitigate losses and damages.

This is where the SCIFF (Sea Change Impact Financing Facility), named after the small wooden boat that is known in many cultures around the world, comes in as a way of driving both change and investment. It enables us to develop a core flotilla, navigating a sea change to drive coordinated action.

Over the past two years, we have worked with our members to understand, test and assess the foundational elements needed for a sustainable and equitable global ocean financing architecture – designing and integrating change from the top-down. In 2021, ORRAA worked with our member Palladium on identifying the opportunities and key obstacles for scaling sustainable blue finance. Together, we spoke with 43 thematic experts representing a range of stakeholder categories and regional perspectives. One of the key insights was that financial commitments into the sustainable blue economy announced by public, non-profit, and philanthropic institutions over the past ten years amounted to just over USD\$13 billion, which is a fraction of the annual estimated investment of between USD\$150 – 300 billion that is required.

Additional insights include:

- There are blue economy industries that have already matured and are now magnets for new funding, leaving some industries underinvested.
- There are traditional conservation projects that are treated as concessional only, receiving donor capital, but not viewed as bankable by the private sector.
- Geographies having the potential for outsized impact and contributions to global climate goals have some of the necessary pieces in place, to catalyse investment, but not all. They might have investor interest, but technical assistance for capacity building is lacking, and the policy enabling environment is underdeveloped.
- More capital is needed to nudge and jumpstart early projects that show promise but simply are not receiving the required investor attention.
- For some areas like Blue Carbon there is huge interest, but the marketplace is at risk of improper development without careful consideration.
- There are lots of initiatives, but it is highly fragmented. More brainpower is needed. More coordination is needed. More action is needed.

As a result of these findings, we began to explore the key elements needed to build a new global ocean financing architecture to deliver ocean investment at scale.



SCIFF as a multi-component finance facility will provide a foundational structure for the global ocean finance space, while being complementary and responsive to efforts already being made.

Each element of the architecture:

- G Highlights investible business opportunities;
- © Attracts additional sources of capital; and
- Provides concessional capital to de-risk and accelerate investments.

The SCIFF takes a dynamic approach to building this new financing architecture and the finance vehicles that are most fit-for-purpose: creating an investment ecosystem for sustainable initiatives; developing at speed and at scale; assembling it from individual projects to aligned platforms; and engaging investors and insurers through dedicated finance intermediaries.

ORRAA is collaborating with leading financial institutions, external experts and our members to design the elements for this commercially managed framework. More than 12 ORRAA members have signed Letters of Intent to partner on the SCIFF initiative. These include the IUCN, Asian Development Bank, Commonwealth Blue Charter, AXA, and Deutsche Bank.

ORRAA members are also playing a key role in constructively evaluating the viability of these initiatives. They stress-test ideas, assess viability, strengthen or shift their focus, and ensure that – by the time they emerge – they are ready to deploy. Further development of the financial vehicles will then be spun out.

The creation of this new ecosystem, together with ORRAA'sinvestments into scalable projects with the prospect of bankable returns, will enable the deployment of billions of dollars into nature-positive coastal and ocean resilience over the next decade.





The flow of finance into nature positive and net zero coastal and ocean resilience needs to be vastly and rapidly increased. While there is a universal gap in sustainable investment into these areas, this is even more significant for SIDS and developing country coastal states. It is a challenge to find and then build investment pathways between project and community needs and the significant financial resources of the private sector. It is also an immense opportunity.

The SCIFF's theory of change is based on the simple yet compelling concept that a global coastal and ocean financing architecture, which brings together and complements the efforts of existing actors, can help accelerate investment and bridge the financing gap. Restoration of natural capital is fundamental to providing the coastal and ocean ecosystem services that sustain the types of sustainable blue economy investments and businesses that the SCIFF will support.

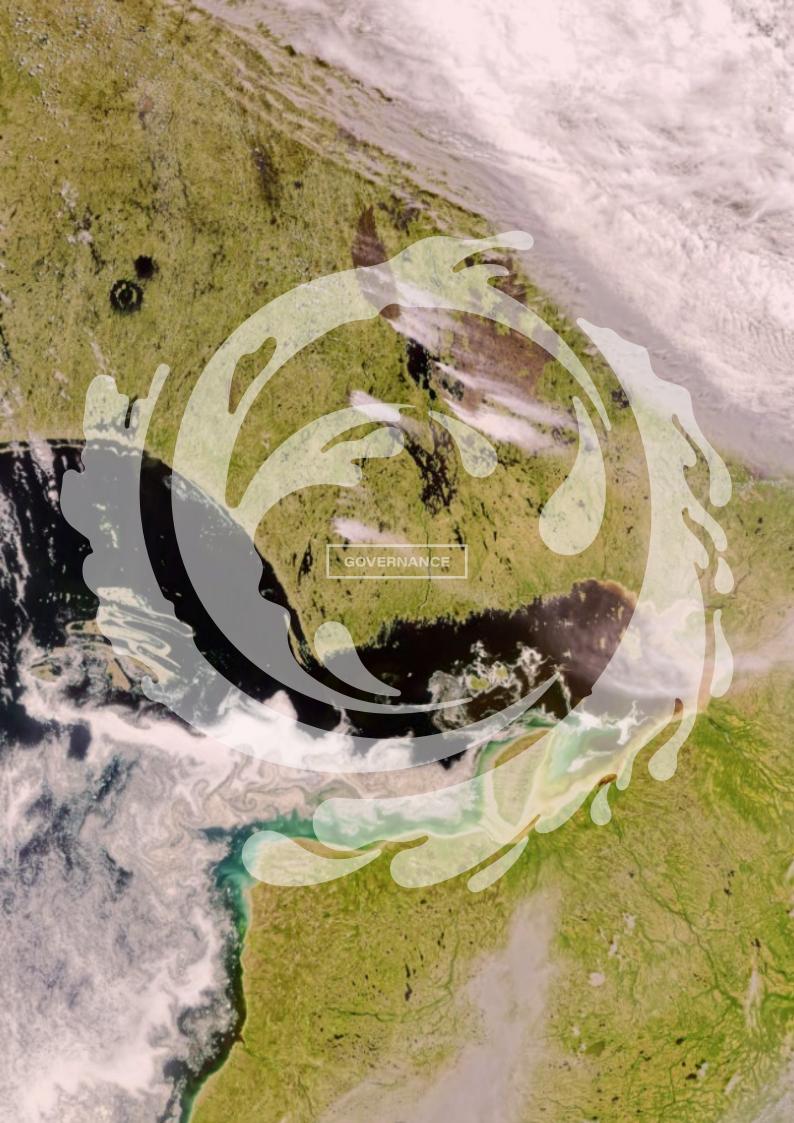
The SCIFF aims to deliver a new dynamic of change by working both from the bottom up, with projects and early-stage companies, and linking them to existing and emerging aligned platforms. At the same time, it will offer new opportunities for impact and institutional investors and asset owners to engage via financial intermediaries, and de-risked through guarantees and insurance products. It will encourage market participants to engage and allow funds to flow to the coastal and ocean resilience space, including to all aspects of the sustainable blue economy.

The SCIFF's goal is for such financing flows to strengthen the resilience of 250 million climate vulnerable coastal people to the impacts of climate change and ocean risk, particularly those in SIDS and the Global South which are directly dependent on a sustainable blue economy.









The SCIFF will ensure that the perspectives and priorities of stakeholders from the Global South are fully integrated into its functions, and that gender diversity and equity are central. It will offer all key partners a seat at the table and encourage cooperation and learning.

It will be underpinned by the following guiding principles:

- Integrate coastal and ocean risk and resilience as a core element of climate adaptation finance.
- Second Second
- Develop ecological resilience, adaptive capacity, and abundance.
- Build the social, economic and community (including cultural) resilience of the billions of people that depend on coastal and ocean ecosystems for their livelihoods and their way of life.
- Ensure that financing is mission-led through governance that aligns with public and private sector requirements, while avoiding processes that place an undue burden on actors with already limited resources.
- Incorporate strong SIDS and coastal LDC representation.



The SCIFF is focused on investing into ocean, coastal nature and resilience that builds the adaptative capacity of communities, drives biodiversity positive outcomes and is integral to securing comprehensive climate-smart solutions. Its various components focus on six sectors:

OCEAN CONSERVATION

Investment into projects to improve biodiversity and resilience in coastal communities, creating business opportunities through marine protected areas, ecotourism, payments for ecosystem services and blue carbon

SUSTAINABLE BLUE INFRASTRUCTURE

Technologies and efficiencies, including green/blue solutions to freight and passenger shipping and green ports

SUSTAINABLE SEAFOOD

Capital and technical resources for best practice aquaculture and wild-caught seafood businesses and supply chains, particularly in emerging markets and SIDS that can be certified sustainable and access high-value markets globally

CIRCULAR ECONOMY & BLUE TECHNOLOGY

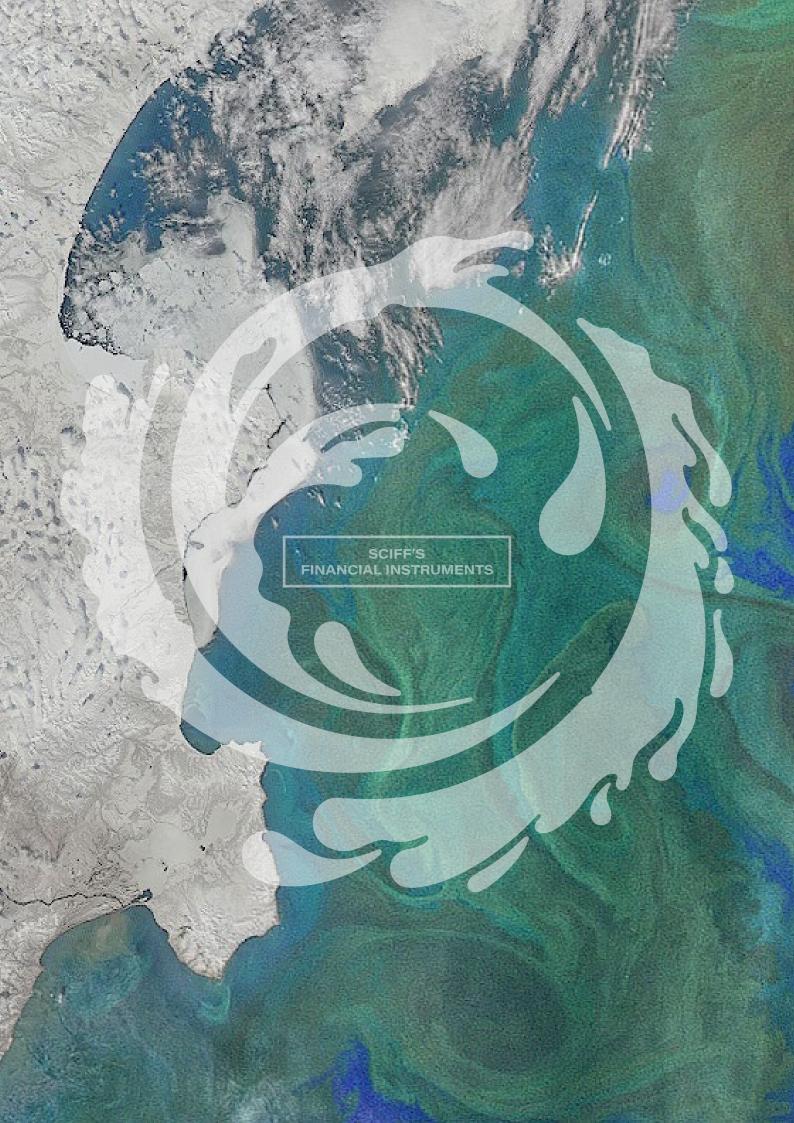
Businesses that leverage ocean assets or directly prevent ocean degradation by using innovative new techniques or technologies such as plastic upcycling and waste management

OCEAN-BASED RENEWABLE ENERGY

Small-scale wave, solar and tidal power where the investment provides innovation or uniquely leverages the Ocean without detriment to biodiversity

RIDGE TO REEF

Investment into integrated solutions between agriculture, sustainable forestry and land use, recognising the importance of watersheds and coastal management



Looking forward to 2025, ORRAA's main objective is to develop the core components of a coherent sustainable ocean financing ecosystem.

This multi-layered facility will provide an architecture that complements and responds to efforts already underway.

ORRAA is now navigating forward by focusing on the deployment of four new blue finance instruments over the next three years.



Neptune Fund

A single donation to The Neptune Fund will work towards ocean conservation action for the next 8-10 years. It is an expendable endowment that allows both capital and income to be spent on ocean conservation, thereby providing reliable, long-term support to locally-led ocean conservation for some of the most threatened and overlooked marine species and ecosystems.

For organisations supported by the fund, longer term core operational support means better planning for annual funding cycles, ultimately making them more effective by supporting the knowledge, culture, and experience of local communities and Indigenous Peoples. Initially, the fund will focus mainly on investments into Southeast Asia, Melanesia and the East Indian Ocean, regions with exceptionally high levels of marine biodiversity, but which face key gaps in resourcing. Neptune has grown from an initial investment of USD \$50,000 to a USD \$500,000 facility in under a year.

DISCOVER MORE HERE





Outrigger Ocean Impact Fund

A dedicated ocean impact fund focused on investing into sustainable and regenerative blue economy Small and Medium-sized Enterprises in Small Island Developing States to tackle the 'missing middle' (USD \$1-10 million ticket size) financing gap in Small Island Developing States/Large Ocean States. Feasibility Complete. Establishment Phase underway. Working towards a first close of the Fund in the middle of 2024 and currently engaging with cornerstone investors.



Nautilus - Ocean Guarantee Company

A means of de-risking investments into sustainable blue economy sectors through the provision of guarantees. Feasibility Complete. Establishment Phase underway.

Undertaken in partnership with the Development Guarantee Group.

DEVELOPMENT GUARANTEE GROUP



Octopus Desk

A blue marketplace platform connecting eligible blue resilience project developers with investment partners seeking environmental, social and financial returns. Enabling sustainable blue economy transaction match-making and technical assistance for investors and project developers.

Development Phase: Ongoing in partnership with Investable Oceans.

INVESTABLE OCEANS



In addition, the SCIFF team is scoping and assessing the feasibility of three additional cornerstone components.



Blue Bond Incubator

Assisting in the development and deployment of blue bonds in SIDS and developing coastal countries through technical and financial services to those countries and companies looking to issue blue bonds.

(Feasibility Phase)



30x30 Ocean Regeneration and Resilience Facility

Assessing the feasibility of an insurance premium levy on the core business classes using the Ocean to cover the costs of 30x30 designation, monitoring and enforcement, as well as post-disaster resilience rebuilding for SIDS and LDCs. Feasibility work starts in January 2024.

(Feasibility Phase)



Catalytic Blue Resilience (C-Bed) Facility

Assessing the viability of a USD \$250-500 million catalytic scaled facility for concessional finance instruments such as subordinated debt, concessional loans, and circular grants.

(Feasibility Phase)



The ideas behind these entities as the core components of the SCIFF, as well as all the initial thinking and scoping, is being led by the ORRAA Secretariat and its members and partners. Should the scoping studies show feasibility, each would be established independently of ORRAA, but contain at their core, the governance and principles behind driving investment into a sustainable blue economy, a healthy and regenerating ocean, and resilient coastal communities.



April 2024



Summary of Financial Instruments & Investment Products in Development

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Investing in coastal communities and the Ocean



oceanriskalliance.org



1 Neptune Endowment ("Neptune")

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA), <u>Synchronicity Earth</u> and <u>Aurum</u> are collaborating to develop the <u>Neptune Endowment</u> - supercharge your philanthropic ocean conservation impact through an expendable endowment fund where each dollar invested delivers, 10 years of nature-positive action.

Financial Innovation

• Neptune is designed to up-cycle the traditional 'dollar-in-dollar-out' model of philanthropy, putting each dollar to work for 8-10 years, through an enduring endowment.

Snapshot

- Neptune is an expendable endowment that allows both capital and income to be spent on ocean conservation, thereby providing reliable, long-term support to locally led ocean conservation for some of the most threatened and overlooked marine species and ecosystems.
- A single donation to Neptune will work towards ocean conservation action for the next 8-10 years.

Purpose

- Neptune provides exactly the type of funding which is most needed: core and multi-year support to empower conservationists working in developing country coastal states and Small Island Developing States (SIDS) to act strategically, working alongside the local communities that rely on healthy ocean ecosystems.
- Longer term core operational support means better planning for annual funding cycles, ultimately making them more effective by supporting the knowledge, culture, and experience of local communities and Indigenous Peoples.

Size: Neptune has grown from an initial investment of USD\$50,000 to an over USD\$520,000 facility.





Impact

- Initially, the fund will focus mainly on small, multi-year investments into Southeast Asia, Melanesia and the East Indian Ocean, regions with exceptionally high levels of marine biodiversity, but which face key gaps in philanthropic resourcing.
- Neptune is currently supporting the:
 - Save Andaman Network, a locally led Thai organisation 'Community Seagrass Restoration Project', which is working with three coastal communities in Southern Thailand.
 - Piku Biodiversity Network (PBN) is a coalition of individuals and organisations working collectively to conserve and manage the biodiversity of Papua New Guinea.
 - Bengal Elasmo Lab, a collaboration based at the University of Dhaka which is working to conserve the sharks and rays in Bangladesh's Bay of Bengal.

Stage of Development: [ESTABLISHED]

- Neptune is an enduring endowment, set up as a registered charity, managed by Synchronicity Earth and established in collaboration with ORRAA.
- Aurum Fund Management Ltd. ("Aurum"), an ORRAA member, has provided seed funding to the Fund.
- ORRAA together with the Neptune Fund will continue to fundraise together, showcasing early success stories.

Discover more about Neptune, and donate here.





2 Outrigger Ocean Impact Fund ("Outrigger Fund")

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA) is supporting the development of <u>The</u> <u>Outrigger Ocean Impact Fund</u> - enabling regenerative and sustainable blue economy impact investments in Small Island Developing States (SIDS) to tackle the 'missing middle', unlock potential, grow investment through private and blended finance and deliver returns.

Financial Innovation

• A blended finance fund, designed to tackle the 'missing middle' by investing into Small and Medium Sized Enterprises (SME) in SIDS/Large Ocean States (USD\$2-15m ticket sizes), in the six ORRAA-identified regenerative and sustainable blue economy sectors¹.

Snapshot

• The Outrigger Fund will provide dedicated blended finance to SIDS across six regenerative and sustainable blue economy sectors through an impact-led Article 9-compliant fund, pursuing a 100% sustainable investment approach, with dedicated Impact KPIs.

Purpose

• To accelerate financing and investment, both public and private, in SIDS towards a regenerative and sustainable blue economy and thus help build resilience, mitigate the impacts of climate change, protect coastal communities, and deliver nature positive outcomes.

Investment Approach

- The Outrigger Fund will be a blended finance fund with three main tranches: senior debt, senior equity, and junior equity.
- A USD\$10m Technical Assistance Facility (TAF) will be attached to the fund to aid in capacity building for sponsors, governments, and local stakeholders, thereby de-risking the investment opportunities.



¹ The six <u>ORRAA-identified regenerative and sustainable blue economy sectors</u> are: Ocean Conservation, Ridge to Reef, Sustainable Seafood, Sustainable Blue Infrastructure, Circular Economy and Blue Technology, and Ocean Based Renewables.



Structure

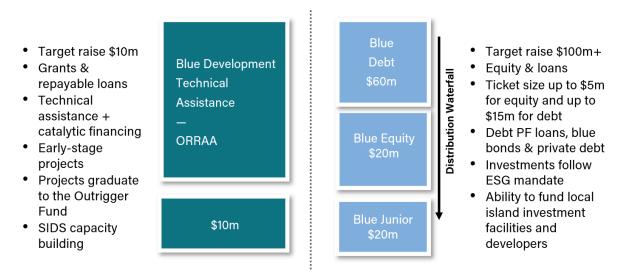


Figure displaying fund structure, developed by the Outrigger Fund.

Size: Target fund size is USD\$100m (cap USD\$125m), with a target first close of USD\$40-50m by Q4 2024.

Impact

- 1. Improve the sustainability and resilience of SIDS' economies; to strengthen the resilience of coastal communities to climate change; and to conserve and enhance the biodiversity and ecosystems within SIDS' coastal regions and Exclusive Economic Zones (EEZs).
- 2. Deliver catalytic capital to enable private sector investment into projects and technology solutions that springboard from ORRAA's Product Pipeline.
- 3. Create investor value and positive climate impact by directly investing in companies, projects, and infrastructure in SIDS, leveraging the Ocean to solve the climate, biodiversity, and pollution crises.
- 4. Originate and lead transactions in the target geographies to accelerate and leverage impact capital in SIDS and to bring co-investment (both private and blended) to target projects.





Stage of Development: [ESTABLISHMENT PHASE]

- Jan Mar 2024 Fund formation: Validate fund scope/mandate, expand team, develop pipeline, governance and legal formation, detail operating policies including Impact Frameworks.
- **Mar Sept 2024 Fund raise:** Finalise term sheet and Private Placement Memorandum (PPM), legal formation, initiate formal first close fund raise, active pipeline origination.
- **Oct Dec 2024 Fund launch:** Complete first close, initiate second close fund raise, complete governance policies/structure, initiate pipeline investment process.
- **2025 Investment Close:** Close Fund One, ensure all policies/frameworks are operational.

Support Needed

- USD\$300k grant/loan for set-up costs
- USD\$100m [USD\$40m first close; USD\$5M junior/first loss + USD\$10M TA; cap at USD\$125m]





3 Nautilus Ocean Guarantee Company

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA) and the <u>Development Guarantee Group</u> (DGG), are collaborating to develop the **Nautilus Ocean Guarantee Company** - a **Guarantee** "promise to pay" facility to transfer perceived risks faced by investors looking to invest in regenerative and sustainable blue economy projects in Small Island Developing States (SIDS) and climate vulnerable coastal nations, and thereby crowd-in private capital.

Financial Innovation

- Guarantees are a highly flexible financing instrument that enhance the credit quality of financial transactions and mobilise private financing at scale from local and global investors.
- Guarantees show the highest mobilisation ratios, outperforming the average mobilisation ratio of loans and equities by 6x.²

Snapshot

• A means of de-risking private investments into the six ORRAA-identified regenerative and sustainable blue economy sectors³ through the provision of guarantees in local and hard currency.

Purpose

- Guarantees are a highly flexible financing instrument that can be used to cover a number of risks in financial transactions, therefore unlocking private capital investment at scale from local and global investors and helping close the funding gap for investments into SDG 14 'Life Below Water.'
- Nautilus will mitigate payment risks faced by private investors, providing the confidence needed to crowd-in private sector finance and attract financial institutions to invest in regenerative and sustainable blue economy projects in SIDS and other vulnerable coastal nations.



² Blended Finance Taskforce 2023. "Better Guarantees, Better Finance"

³ The six <u>ORRAA-identified regenerative and sustainable blue economy sectors</u> are: Ocean Conservation, Ridge to Reef, Sustainable Seafood, Sustainable Blue Infrastructure, Circular Economy and Blue Technology, and Ocean Based Renewables.



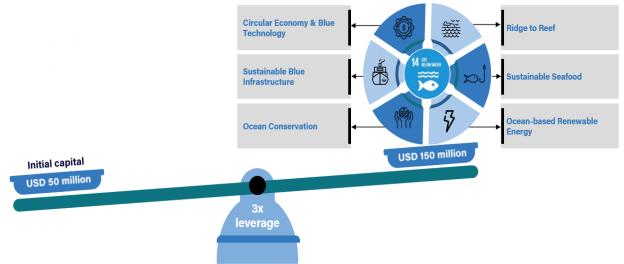
• The transformational effect of guarantees will, over time, positively impact the risk perception of private investors and increase access to more affordable private capital, enhancing the risk-return ratio of the underlying financial instrument, usually loans, bonds and sometimes equity.

Purpose (continued)

Given guarantees are an unfunded product (i.e. a "promise to pay"), the capital base of a guarantor is not meant to be used unless and until a guarantee is actually called. Assuming an indicative investment grade credit rating, we estimate that Nautilus will be able to leverage 3x its capital so that an initial capitalisation of USD\$50 million, for example, will give Nautilus a guarantee capacity of USD\$150 million⁴.

Size

- A target of USD\$100 million with a first close at USD\$25-50 million by Q2 2025.
- Capital will be split 75/25 between (i) an infrastructure window which will target infrastructure



projects with relatively higher ticket sizes and longer tenor, and (ii) a Small and Medium Sized Enterprise (SME) window which will focus on relatively higher risk profile debt financing.

Figure displaying the mobilisation ratio of Nautilus guarantees (Development Guarantee Group).



⁴ Because guarantees are a promise to pay and do not make pay-outs for most investments, the funds can be mobilised by 3x – outperforming the average mobilisation ratios of loans and equities by 6x.



Impact

- Increase in private sector financing for the regenerative and sustainable blue economy: Nautilus expects to mobilise USD\$300 million of private sector finance into SMEs and community scale infrastructure in SIDS and other vulnerable coastal nations over a ten-year period.
- 2. **Increased climate resilience:** Nautilus expects to positively impact the resilience of at least 25 million climate vulnerable coastal people around the world, while contributing to the conservation and restoration of marine ecosystems and biodiversity within its target geographies.
- 3. Contribution towards <u>United Nations Sustainable Development Goals (SDGs)</u>: Nautilus will be able to address multiple SDGs and has a targeted approach to SDG 14 as well as SDGs 5, 6, 7 8, 10, 12, and 13.

Stage of Development: [ESTABLISHMENT PHASE]

- A feasibility assessment is complete. The establishment phase is underway in partnership with the Development Guarantee Group (DGG)⁵.
- A Preliminary Information Memorandum will be available by end of Q1 2024.
- Launch is envisaged at the <u>UN Oceans Conference</u> in 2025 with a first close at USD\$25-50 million.



⁵ DGG provide fund management for Green Guarantee Company by DGG. Supported by FCDO, GCF, NSIA, USAID, Norfund. Targets \$5 billion guarantee capacity by 2035.



Support Needed

1. Investment engagement

- a. Committed (2023-2025): USD\$200k feasibility + start-up
- b. *Requested:*
 - i. Development funding of USD\$2 million for set up by Q1 2025
 - ii. 1st close [USD\$25 50million] by June 2025
 - iii. USD\$100 million total over time [leveraged to mobilise USD\$300 million of private sector finance]
- 2. **Pipeline development**: Collaboration of the Multilateral Development Banks as origination partners in Nautilus target regions.





4 The Octopus Desk - A financial marketplace for a regenerative and sustainable blue economy

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA) and <u>Investable Oceans</u> are collaborating to develop **The Octopus Desk** - a global blue finance marketplace to connect commercial, impact, public, and philanthropic investors with project developers and small and medium-sized enterprises (SMEs) seeking investment through curated pipelines and introductions.

Financial Innovation

- A high-tech, high-touch platform blending technology with experienced staff to matchmake, connect and drive blended finance deals into the six ORRAA-identified regenerative and sustainable blue economy sectors⁶ with a focus on projects developed in the Global South.
- The Octopus Desk will operate globally and will construct and manage a series of detailed databases including donors, project developers, a deal library, advisors, and investors.

Snapshot

- The first global blue finance marketplace and hub, connecting commercial, impact, public, and philanthropic investors with "implementers" the project developers and companies requiring investment through curated pipelines and introductions.
- The digital platform will be complemented by a team of financial advisers and blue finance experts who provide transaction structuring services for larger deals and actively make connections between market participants and investment opportunities.

Purpose

• Facilitate and accelerate blended finance investments. Blended finance plays a critical role in ORRAA's mission to drive investment through finance and insurance products, into coastal and ocean regeneration and resilience in the Global South.



⁶ The six <u>ORRAA-identified regenerative and sustainable blue economy sectors</u> are: Ocean Conservation, Ridge to Reef, Sustainable Seafood, Sustainable Blue Infrastructure, Circular Economy and Blue Technology, and Ocean Based Renewables.



- While sustainable ocean investment is rapidly expanding globally, it remains a fragmented and dispersed marketplace.
- •

Purpose (continued)

• The Octopus Desk provides a centralised platform to unite all relevant constituents, working closely with other ORRAA finance initiatives which are market building and market making.

Impact

The Octopus Desk will bring greater transparency and coherence to the developing regenerative and sustainable blue economy marketplace while also seeking to drive investment into coastal and ocean resilience by:

- Connecting investors with investible opportunities based on their profiles.
- Offering market insights on financial performance, impact, and resilience.
- Becoming a leading platform for cooperation, working to harmonise impact measurement, KPIs, monitoring, and reporting.

Current Stage of Development: [ESTABLISHMENT PHASE]

ORRAA and Investable Oceans are collaborating to:

- Develop a deep understanding of the current marketplace through 30 targeted interviews and surveys.
- Search for complementary/alternate platforms to ensure additionality.
- Identify a pipeline of projects to use as test cases for developing workflows.
- Initial Platform focus areas:
 - Blue carbon investments for climate mitigation, resilience, adaptation and biodiversity regeneration;
 - Sustainable seaweed aquaculture boosting coastal resilience and food security.
- This targeted approach will accelerate progress and showcase platform effectiveness for future expansion.
- Objective: launch a beta version by World Ocean Day (June 8th) in 2024, with a more marketready version by the <u>UN Ocean Conference</u> (June 9th-13th) in 2025.





Support Needed

1. Investment Engagement

- a. Committed (2023-2025): USD\$100k to scope and develop
- b. *Requested:* USD\$2m to develop the Octopus Desk (tech platform & physical desk) + launch
 - i. USD\$2m/annum (from 2025)
 - ii. (USD\$10m TA facility)

2. Pipeline Building

- a. Direct outreach: ORRAA projects (ORIC, Product Pipeline), and ORRAA members.
- b. Pipeline candidates should be close to market-ready with respect to documentation, regulatory and operational aspects.





5 Blue Bond Incubator (BBI)

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA), <u>Minderoo Foundation</u> and <u>Callund</u> <u>Consulting</u>, are collaborating to develop **The Blue Bond Incubator** - a specialist 'one-stop shop' for the structuring of primary blue bond issues; contributing to a sustainable blue economy; delivering coastal resilience and climate stabilisation; and protecting the most vulnerable ocean ecosystems.

Financial Innovation

The Blue Bond Incubator (BBI) will be a new private, not-for-profit entity enabling governments, private issuers and investors in ocean-facing economies to stimulate additional financing into the sustainable blue economy. It aims to increase long-term capital flows from bond markets with a potential target of USD\$70bn of blue bond issuance in the period to 2030⁷.

Snapshot

• The BBI will work as: (1) a Market Builder (a market advocate for blue bonds), and (2) a Technical and Financial Advisor, supporting issuers in preparing transactions in SIDS and developing coastal countries.

Purpose

- Addressing the lack of bond finance relative to the significant financing needs in the regenerative and sustainable blue economy in all six ORRAA-identified sectors⁸.
- Defragmenting and streamlining investible opportunities, promoting high quality bond finance that delivers beneficial impacts for the sustainable blue economy.
- Reducing both transaction and financing costs associated with blue bond transactions, including introducing providers of concessional finance to high-quality projects and sovereign policy programmes.
- Increasing investor awareness of the benefits of investing in the sustainable blue economy, which will increase their willingness to make investments.



⁷ ORRAA, Callund Consulting, Minderoo. (2023). BBI Scoping Report [Unpublished manuscript].

⁸ Research undertaken during the feasibility study for the BBI indicates that a median investment of USD\$550billion per annum is needed in the six <u>ORRAA-identified regenerative and sustainable blue economy sectors</u>: Ocean Conservation, Ridge to Reef, Sustainable Seafood, Sustainable Blue Infrastructure, Circular Economy and Blue Technology, and Ocean Based Renewables.



Purpose (continued)

- Improving access to bonds for those issuers whose activities will bring benefits to developing countries, especially Small Island Developing States (SIDs), low-income countries (LICs) and lower middle-income countries (LMICs).
- Ensuring that financed activities and policies are impactful, while meeting social standards with stakeholder support.
- Exponential expansion of private sector and sovereign investment into the space.

Structure: The BBI will function as a hub-and-spoke model, combining a Centre of Excellence hub with multiple geographically dispersed 'spokes' (affiliated local organisations), initially concentrated in the Asia Pacific and Caribbean regions.

Impact: Increased long-term, additional capital flows, using bonds, into impactful sustainable blue economy activities, with a cumulative target of global blue bond issuance of USD\$70bn by 2030.

Stage of Development: [ESTABLISHMENT PHASE]

Feasibility study completed in Q1 2024. Current focus is on laying the foundations for the design, securing funding and agreeing partnerships, before an expected formal launch at the <u>UN Ocean</u> <u>Conference</u> in mid-2025.

• ORRAA and Minderoo will continue to work with Callund Consulting to establish a team and key partners, hosted by ORRAA in the short term, before establishing a separate entity operating globally with regional hubs and partnerships.

Support Needed

- USD\$1.5-2.3million in set-up costs in year 1.
- Annual running costs to 2030 of USD\$12.5m (~\$2.5m/year) = USD\$15million.

Financing partners could provide fees for transactions in future years and commercial income could be generated from intelligence and data.





6 30x30 Ocean Regeneration & Resilience Financing Facility ("30x30 R&R Facility")

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA) is working with insurance broker <u>Howden</u> on a pre-competitive feasibility analysis for the development of a potential self-replenishing Ocean Regeneration and Resilience Fund.

Financial Innovation

• ORRAA is assessing the feasibility of establishing a financing mechanism based on an 'ocean regeneration and resilience' fee on the existing insurance premiums of key industries that use the Ocean, to finance the Global Biodiversity Framework's 30x30 target, as well as resilience in those countries most exposed and vulnerable to Ocean risk.

Snapshot

- The 30x30 R&R Facility will help to deliver the financing required to meet funding targets through two windows:
 - By supporting regeneration and adaptation in SIDs/coastal LDCs through the provision of capacity building for the designation and management of Marine Protected Areas (MPAs), and/or through the establishment of suitable financing mechanisms such as blue bonds and debt for nature conversions.
 - 2. By promoting climate resilience in SIDS and coastal LDCs through the provision of premiums for parametric insurance/umbrella stop-loss insurance policies against climate induced losses and damages through timely, post-disaster pay-outs.

Purpose

- The business classes that use the Ocean, including offshore oil and gas, marine equipment, underwater cables, seafood, shipping, shipbuilding, tourism, port activities and offshore wind had collective revenues of nearly USD\$2trillion in 2018.
- These industries, though providing economic benefits and employment, operate with significant external costs to the marine ecosystem. They derive economic benefits free of charge, or actively contribute to the degradation of the marine environment with many being supported by large government subsidies.





Purpose (continued)

- It is estimated that USD\$175billion/annum is required to achieve SDG14: Life Below Water, by 2030. Yet over the past decade, less than two per cent of Official Development Assistance has been invested into the ocean economy.⁹ Between USD\$5-20billion is needed each year to meet the targets of the Convention on Biological Diversity (CBD) to protect 30% of the Ocean by 2030.
- Charging industrial users for their use of the ocean and directing these funds towards coastal and ocean regeneration and resilience would help internalise some of the costs of their use and would promote the more equitable use of marine ecosystems by correcting current market failures.

Stage of Development: [FEASIBILITY PHASE]

• The preliminary phase involves a comprehensive feasibility study and stakeholder engagement beginning in April 2024 and targeting completion by Q3 2024 for the first phase of work.

The <u>Ocean Risk and Resilience Action Alliance</u> (ORRAA) is the only multi-sector collaboration connecting the international finance and insurance sectors, governments, non-profits, and stakeholders from the Global South to pioneer finance products that incentivise investment into coastal and ocean nature-based solutions. Our goal, by 2030 is to activate at least USD\$500 million of investment into this space, and in so doing, help build the resilience of at least 250 million climate vulnerable coastal people.

ORRAA is spearheading the development of the Sea Change Impact Financing Facility (SCIFF), an open ocean financing architecture designed to drive at least US\$1 billion of private investment into coastal and ocean ecosystems by 2030, with a focus on the Global South. The SCIFF is building an ocean financing ecosystem to complement ORRAA's development of an investible project and product pipeline and will integrate sustainable blue finance into broader climate and biodiversity finance ecosystems.

ORRAA is working together with its members on a blue finance delivery roadmap between now and 2025, developing financing instruments, bridging policy frameworks, building financial literacy, and developing pathways and scalable tools to unlock financing for coastal and ocean resilience and regeneration.

⁹ UN Trade & Development (UNCTAD, 2023) Global 'Blue Deal' urgently needed to protect and invest in our ocean







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