

The Sea Change Impact Financing Facility

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sciff

Sea Change Impact
Financing Facility

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THE SEA CHANGE IMPACT FINANCING FACILITY (SCIFF)

The Sea Change Impact Financing Facility (SCIFF) aims to drive at least **US\$1^{BN}** of private investment into coastal and ocean ecosystems by 2030, a springboard from which to mobilise at least **US\$2.5^{BN}** of broader finance capital.

The SCIFF takes a systemic approach to building this new financing architecture – 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.

This multi-layered facility will provide an architecture for the global coastal and ocean project financing space, while complementing and responding to efforts already underway including impact funds, NGOs, corporates and Multilateral Development Banks (MDBs), as well as facilitating the entry of new partners. Each element will focus on impactful investable opportunities, thus helping to attract additional sources of capital; and providing concessional capital to de-risk and accelerate investments into coastal and ocean resilience. It also includes work on standards and guardrails.

The creation of this new ecosystem, together with ORRAA's investments 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 SCIFF is composed of three core integrated components.

First, it will establish a **Blue Resilience Clearing House ("BRCH")** – a framework "marketplace" drawing on existing and emerging platforms to identify and select sustainable projects and effective project developers. It will link them to risk management expertise and potential investment pathways. The aim is to allow cost-effective transactional processes and innovative ecosystem services assessments, such as blue carbon and others, to help deliver value and economic opportunity. The BRCH will put specific guardrails in place to ensure that the supply and demand for such projects meets specific selection criteria and standards. The partner platforms aligned with the BRCH will range from innovative private and public sector initiatives, to experienced technical assistance partners.

Second, the **Finance Umbrella** will sit at the core of the SCIFF. Working with ORRAA's finance sector partners, it will support a range of new investment formats including funds, facilities, and mechanisms to attract significant funding from experienced investors, and also address specific opportunities and pathways into coastal and ocean resilience. It will focus on investment opportunities, such as catalytic finance into blue infrastructure projects, co-investment alongside existing impact funds into sustainable blue economy opportunities, and capital market transactions including blue bonds and resilience finance. Drawing on the wider resources of ORRAA members, the Finance Umbrella will also be able to blend various types of finance with different risk appetites.

Finally, the SCIFF's **Risk Transfer Platform ("RTP")** will focus on providing risk assessment standards, as well as existing and innovative risk transfer solutions, for coastal and ocean projects identified and/or developed by the BRCH or under the Finance Umbrella. Its aim will be to better enable investment by facilitating the transfer of risks which the project or investor is not willing to cover, to those better positioned to bear them in the private insurance sector.

ISSUES THAT SCIFF ADDRESSES

1. Investable opportunities in the sustainable blue economy

Limited number of actors, lack of track record, regulatory challenges, limited scale and high transaction costs



2. Ecosystem services from nature with potential cash flows

Need to distill rights around future payment stream, based on science, verification, and regulation; design structure for transactions



3. Investor understanding and access to coastal resilience opportunities

Big shift to esg investing, including blue



4. Investable opportunities in the sustainable blue economy

Need to identify and deliver the whole spectrum of solutions



The first stage goal is to lay the foundations for this architecture between 2022 and 2025, aligning at least 10 platform partners with the BRCH, and creating at least five new finance structures under the Finance Umbrella, thereby delivering direct project benefits to millions of people, and setting us on course to drive at least a billion dollars into coastal and ocean ecosystems by 2030.

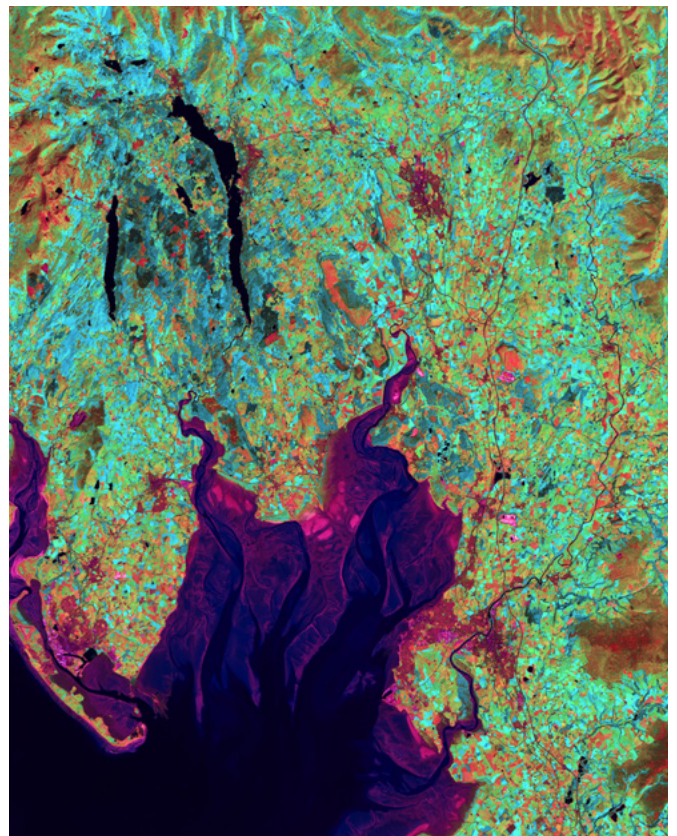
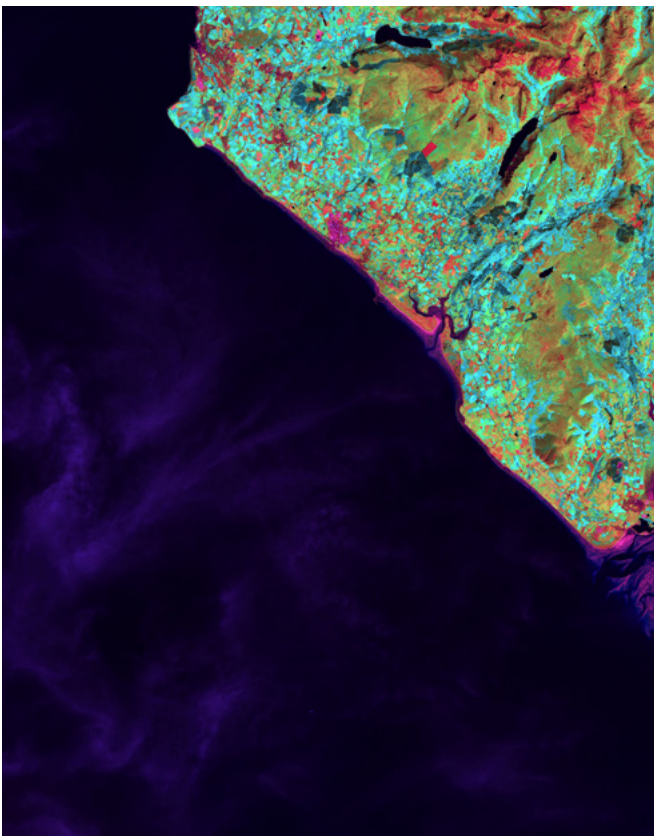
THEORY OF CHANGE

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 coastal and ocean resilience and protection, this is even more significant for Small Island Developing States (SIDS) and developing country coastal states. It is a challenge to find and then build pathways between project and community needs and the significant financial resources of the private sector. It is also an immense opportunity.

Restoration of natural capital is fundamental to providing the coastal and ocean ecosystem services that sustain the types of blue economy investments and businesses that the Finance Umbrella and Risk Transfer Platform will support. It is for this reason that our priority is to develop the BRCH as the primary component of the emerging SCIFF infrastructure.

The SCIFF's theory of change is based on the simple yet compelling concept that a global coastal and ocean financing architecture, that holistically brings together and complements the efforts of existing actors, can help accelerate investment and bridge the financing gap.

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 through the BRCH; and at the same time offering large investors and asset owners new opportunities to engage via financial intermediaries supported through the Finance Umbrella; and de-risked through the Risk Transfer Platform. 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^{MN} climate vulnerable coastal people to the impacts of climate change and ocean risk, particularly those in Small Island Developing States and the Global South who are directly dependent on a sustainable blue economy.



GOVERNANCE

SCIFF will offer all key partners a seat at the table and encourage cooperation and learning. It will ensure that the perspectives and priorities of stakeholders from the Global South are integrated into its functions and that gender-based decision-making is incorporated. It will be underpinned by the following guiding principles:

- **Integrate coastal and ocean risk and resilience as a core element of climate adaptation finance.**
- **Yield outcomes that are nature-positive and accelerate the achievement of the 1.5°C target.**
- **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 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 Least Developed Countries (LDC) representation.**

ARCHITECTURE

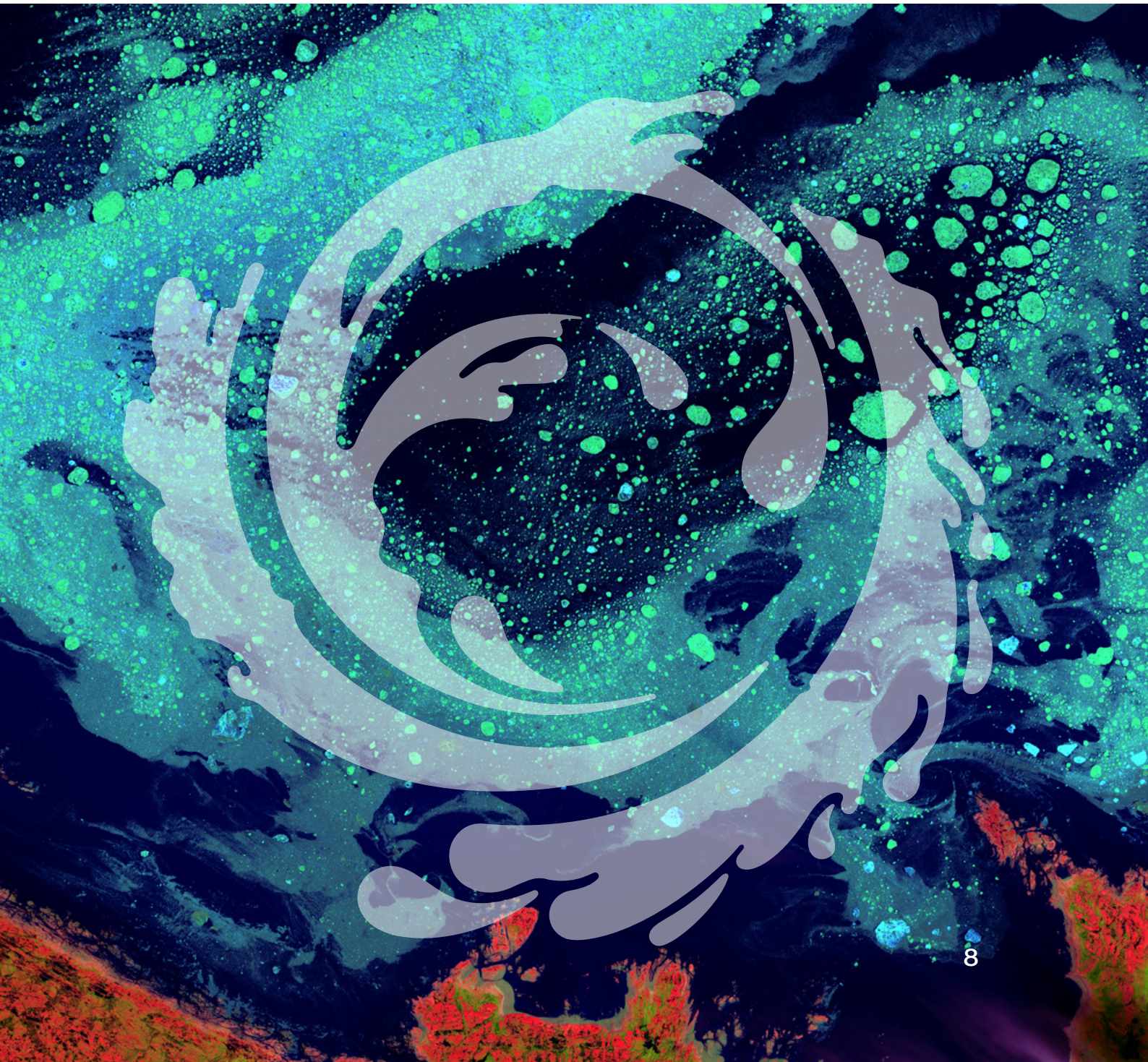
The SCIFF's three core components will be developed in phases. The BRCH (Appendix I) and the Finance Umbrella (Appendix II) have started to identify, develop, and scale coastal and ocean finance opportunities. Initial BRCH partnership agreements with selected platforms are being put in place and the first SCIFF finance intermediaries are being set up under the Finance Umbrella. These two components will inform the development of targeted risk transfer tools under the Risk Transfer Platform (Appendix III).

Each of the SCIFF components offers bespoke engagement opportunities for ORRAA partners. In addition to participation in the development of common standards and approaches, the three principal avenues are:

1. **for any entity actively engaged in supporting multiple projects and opportunities in the coastal and ocean resilience space, such as incubators, accelerators, co-developers, to qualify as a "BRCH Platform Partner". At launch, we aim to announce the first set of such partners, representing corporate platforms, NGO facilities and public entities.**
2. **ORRAA financial intermediary partners are invited to engage with the SCIFF team to develop bespoke facility structures to address unique opportunities for coastal and ocean investment.**
3. **ORRAA insurance partners are invited to join the SCIFF development team and work to design the RTP including all its components, tools and mechanisms.**

APPENDIX I
BLUE RESILIENCE CLEARING HOUSE

The BRCH will be a first-of-its-kind 'blue resilience' match-making mechanism. It will be coordinated through mission-aligned platform partners to connect eligible blue resilience project developers and companies with project preparation partners and investor partners seeking environmental, social, and financial returns. This will build investment into innovative products in blue carbon as well as resilience bonds, debt-for-nature swaps and other finance mechanisms.



CONTEXT

The BRCH recognizes that one of the most powerful pathways to build the resilience of coastal and ocean communities and ecosystems is the proper valuation and protection of their natural capital. By designing business and community operating models around this concept, innovators and entrepreneurs can make preservation and proliferation of natural capital a common goal for business and communities alike. Models that leverage Nature-based Solutions (NbS) for coastal and ocean resilience problems do just this – realising the full value of and monetising the ecosystem products and services of natural assets (mangroves, coral reefs, sea grass, etc.) through commercial or non-profit business models, and channelling this revenue back communities and businesses which are the custodians of these natural assets.

A number of community-operated projects and cutting-edge start-ups in the Global South are starting to prove that NbS can deliver returns, but are in early-stage development and their number remains relatively small. Nature-based models require visibility, patient financing, lots of experimentation, and technical support to grow and scale. However, despite the promise of impact in these ideas, the flow of investment and finance into this space has been limited. This is not due to lack of interest – corporate and investor interest in the blue space is more prominent than ever – but rather due to a complex web of information asymmetries and high transaction costs. Some key challenges in this sector that underscore the need for a transparent and nimble BRCH include:

- **Asset ownership and fragmentation:** NbS often involve multiple actions taking place over broad landscapes and seascapes and crossing jurisdictional boundaries. This makes their study and verification expensive, time-consuming and potentially risky. [Project aggregation under credible NbS platforms, therefore, is essential, as is connecting aggregators to the appropriate investment and technical assistance facilities.](#)
- **Standards and methodologies:** navigating the complex landscape of validation methodologies is very expensive for communities and individual projects. For investors, it is difficult to understand standards of impact and returns in the blue space, especially the relevance of projects for their net-zero or Environmental, Social and Governance (ESG) commitments. [Standardising, simplifying, and disseminating project development methodologies and reliable impact standards](#)

[can help lower the cost of transactions between investors and communities.](#)

- **Blue carbon focus and limitations:** currently a value has been assigned only to the carbon sequestration potential of a very small share of natural assets (for example, blue carbon from some mangroves). There are, however, both a number of additional natural assets that could be considered for valuation (seagrass beds and tidal marshes, but also potentially other assets like kelp and seaweed) and a broader set of ecosystem services being produced (such as biodiversity and resilience values) that need to be valued to truly make preservation sustainable. [By promoting activity in a wider set of ecosystem services like biodiversity and livelihoods, coastal resilience, and plastics prevention, a greater pool of impact potential and capital can be unlocked to drive back into communities.](#)
- **Cost and availability of data:** monitoring whether natural capital is really being preserved through an operating model requires significant and sometimes onerous collection of data across many parameters, which local communities can ill-afford. [Leveraging data science, open-access coastal and ocean datasets, and remote sensors can dramatically increase visibility and the integrity and accountability of projects in the space, even to remote investors.](#)

Given this context, the BRCH design is focused on bridging the current project investment gap to collectively overcome these challenges through an aligned vision, mission, and activities. Through this, the BRCH aims to support the development of high-quality and sustainable blue resilience projects, and to connect them to platforms that can help them sustain and scale-up their operations and impact.

PLATFORM PARTNERS

By engaging and supporting a range of existing active and emerging ocean finance incubators, accelerators, facilities and consolidators (described here as “BRCH Platform Partners”), the Clearing House will provide a forum that can help to match eligible projects which meet high quality standards and agreed due diligence “playbooks,” with project preparation tools and finance flows. Through an open architecture, BRCH Platform Partners will be able to coordinate the provision of technical assistance and data tools through plug-and-play service partners to support projects and companies in developing a pipeline of high-quality blue resilience projects, with the aim of accessing new outcomes markets and investment finance flows. As part of their respective partnership agreements, BRCH Platform Partners will need to adhere to all BRCH guiding principles and guardrails. These guiding principles will ensure the integrity of the SCIFF’s open architecture and its commitment to coastal and ocean resilience for communities in the Global South.

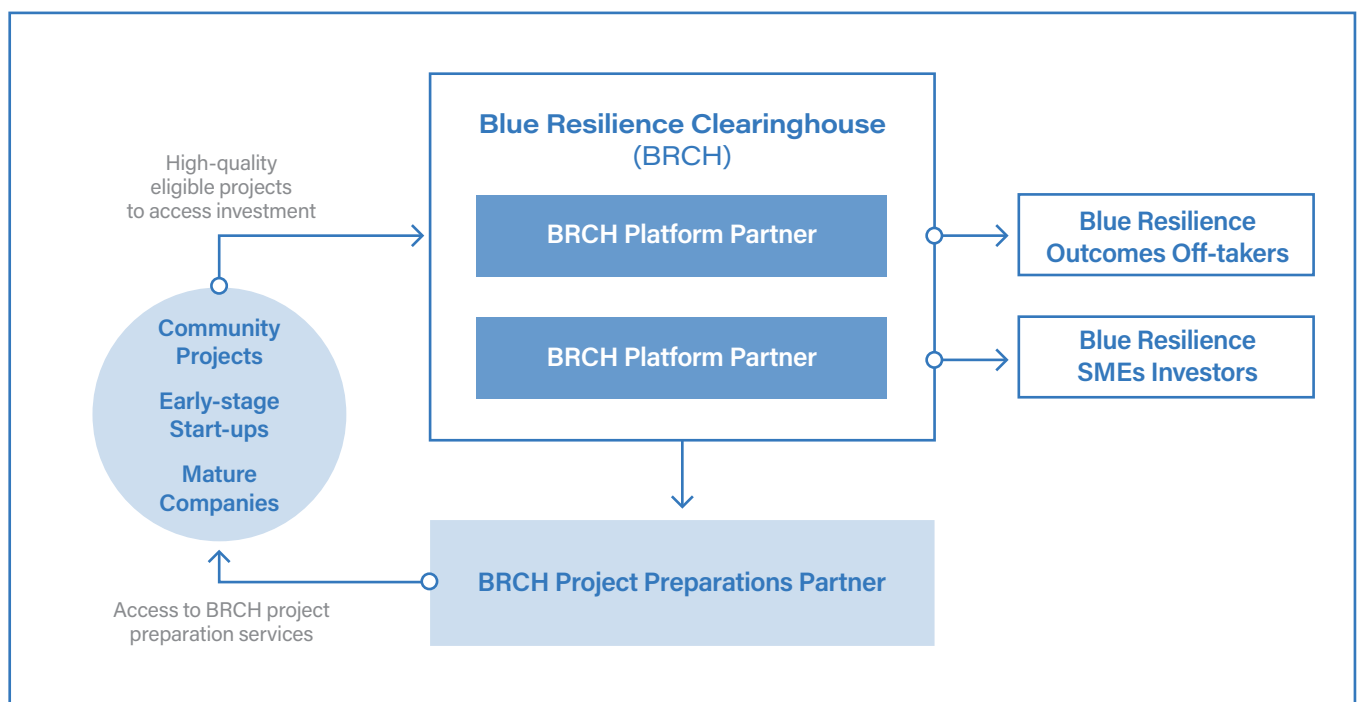
A BRCH Board, led by an experienced development finance professional, will be set up to implement this approach. The high-calibre Board will be responsible for all aspects of alignment, including confirmation of partner platforms, agreements on donor support and reporting on impacts, standards and guardrails, including environmental, social and regulatory aspects.

The Board will be advised by the SCIFF Advisory Committee, which will include representatives of the main actors under the Finance Umbrella and the Risk Transfer Platform.

One key group of the BRCH platform partners are technical assistance providers. They will play a key role in supporting project development and design and are critical to expanding the funding universe. The BRCH technical assistance providers will be supported through dedicated donor funding and grants from ORRAA partners and others.

Investor Partners

The BRCH’s investor partners, including the SCIFF financial intermediaries under the Finance Umbrella, can access this new project pipeline, with the assurance that each project will meet the BRCH’s commitment to high-quality and verifiable ocean and coastal community resilience standards. As the BRCH scales in the medium-term, it will also seek to link pooled pre-financing and channel this capital to unlock greater pipeline development, with first access for the BRCH’s pre-financing investor partners.



PROJECT PARTNERS AND PROJECT ELIGIBILITY

In order to be eligible to enter the BRCH, access its project preparation tools and connect to finance flows, project developer partners will need to ensure projects meet certain eligibility criteria. The BRCH will develop clearly defined environmental and social guiding principles, standards and methodologies, sector and community guardrails to which all projects must adhere.

— **Sector Guardrails:**

Projects must clearly focus on building a sustainable blue economy. This means that entities which engage in or are linked to activities which are detrimental to the marine environment will be excluded from being involved. This includes destructive activities with net zero negative and/or biodiversity negative outcomes such as offshore oil and gas drilling and seabed mining.

— **Community Guardrails:**

BRCH will integrate a set of globally relevant but locally adapted guiding principles and practical tools that will help mitigate negative impacts on local communities. These community guardrails will be incorporated into project eligibility criteria to ensure the scaling of blue resilience and its benefits are equitably shared with Global South communities.

— **Standards and Methodology:**

BRCH will be aligned with existing blue resilience commitments, standards and methodologies, and technical coordination to ensure unified and high-quality best practices for blue carbon, biodiversity, community, and coastal and ocean resilience. It is integral to the scaling of blue resilience that credible and standardised markets exist between project developers and investors. These accepted standards and methodologies will be incorporated into the BRCH.

Specifically, eligible projects will:

- **promote the development of coastal and ocean NbS or mitigate risk multipliers like overfishing and pollution, delivering enhanced economic, social, and cultural resilience for climate vulnerable coastal communities.**
- **be biodiversity positive, and lead to either net zero or climate positive outcomes, and 'do no harm' - i.e.: not result in negative impacts on communities or the ecosystems in which they are designed to build resilience.**
- **support cross-sector collaboration across the Global South and North, which is key to ensuring that projects are community-led and driven by local partners. Projects should also demonstrate how they will build stakeholder engagement to advance their objectives.**
- **be underpinned by gender, justice, and human rights, and aid coastal communities in reducing their exposure or vulnerability to ocean risks, increasing their ability to build resilience in the face of uncertainty.**
- **accelerate the delivery of the Sustainable Development Goals (SDGs), in particular SDG14: Life below Water, and be directly relevant to at least three additional SDGs.**
- **ensure that social and environmental sustainability safeguards are taken into consideration in all aspects of project planning, design, and implementation.**

BRCH will help identify a set of best practices and data and intelligence, as well as connect to technical assistance providers needed by project developers to develop their projects. These tools will help project developers deliver on environmental and social outcomes and meet the investment criteria of investors as well as catalyse investment into blue resilience.

- **Pre-financing:**
interested investor partners can provide pre-financing to projects through the BRCH and benefit from pre-project investment opportunities and access to the high-quality blue resilience project pipeline.
- **Technical Assistance:**
BRCH's technical assistance partners will support projects to integrate and comply with eligibility criteria, accepted standards, methodologies, and data intelligence.
- **Data and Intelligence:**
BRCH's data partners will facilitate the use of remote sensing and satellite technology, impact and risk modelling on coastal ecosystems, dashboards, and databases. Access to such data and intelligence can improve business decision-making, reduce transaction costs for sustainable blue resilience projects, particularly in monitoring, reporting, and verification of blue resilience outcomes, and support greater monetisation and investment flows into blue resilience.
- **Marketplace:**
BRCH will also engage partners that can act as digital marketplace intermediaries to monetise new revenue streams for NbS and ecosystem services. These may include a stack of high-quality and verified blue resilience credits such as blue carbon, biodiversity, coastal resilience, community livelihoods, among others.

SAMPLE CUSTOMER JOURNEYS THROUGH THE BRCH: A

Customer A:

Public-private partnership mangrove project: A project developer has created a compact consisting of a local community, a local public environment agency, and an NGO formalized in a public-private-partnership agreement.

Need:

The compact is looking to conserve and expand mangrove cover in an estuary where coastal populations live and fish for livelihoods. However, the costs of developing this project – of creating a project plan, measuring the value of ecological services, getting these validated, etc. – are too high for the developer to finance independently, and the transaction costs of going from one funder to another to look for different funding methods too high. In addition, the developer wants to generate some recurring revenue for the community over time to incentivise support for it, so that their time and effort can be rewarded, and so they can use this revenue to finance more sustainable harvests of mangrove forest products. The developer wants to bring its project to the BRCH.

BRCH solution:

A BRCH Platform Partner evaluates the application against the BRCH guiding principles and selection criteria, ensuring that the project meets its standards of net environmental and social good, and fits with its financing objectives. The BRCH Platform Partner connects it project to its toolkit partners who provide support to meet eligibility requirements with:

- **Standards and methodology:** support with understanding the potential for blue carbon credit generation, and access to resources and materials on implementation of the relevant blue carbon standards through standard partners of SCIFF.
- **Data services:** support to data-as-a-service partners of SCIFF that provide access to ocean data to support with project design, and technology solutions like image-based biomass and carbon capture technologies for ongoing data collection and reporting.
- **Technical assistance:** (TA) and project design: synthesis of project scope, methodologies, approach, impact, stakeholders, etc., into a project design and investment note.
- **Marketplace:** the project is connected to a digital marketplace for sale to blue carbon credit buyers.

SAMPLE CUSTOMER JOURNEYS THROUGH THE BRCH: B

Customer B:

Engineering company in port development: A port developer is looking to reduce the emissions and environmental impact of its new port development project to comply with net zero and biodiversity positive commitments.

Need:

The developer's end objective is clear – to go a step further from mitigating environmental damage to delivering a net positive environmental impact on the region and communities surrounding the port. However, the design path to achieve this goal (the how) remains unknown, and the developer is unclear on associated costs and financing sources for this new project.

BRCH Solution:

A BRCH Platform Partner connects the project to its toolkit partners who provide support with:

- **Technical assistance:** connects the developer to TA partners who help the developer understand NbS, and the potential for mangrove reforestation to improve the resilience of the coastal communities next to the port. The TA agency helps the design and construction teams integrate NbS into their port design.
- **Risk Management:** BRCH also connects the developer to the SCIFF's RTP so that it can ensure its risks are well understood and addressed with the appropriate risk transfer and other risk financing tools. Work will likely include access to a data-as-a-service partner, risk modelling enables understanding of different scenarios for the port development project and planning for long-term coastal surges and changes in tide patterns that help in planning and construction of more resilient grey and blue infrastructure.
- **Marketplace:** the project is connected to a digital marketplace for sale to blue carbon credit buyers.
- **Financing:** the BRCH Platform Partner connects the port developer to the SCIFF Intermediaries to help the project source capital from investors looking to invest in the ports sector projects that have a clear ESG mandate and aim to contribute towards net zero pledges.

APPENDIX II FINANCE UMBRELLA

The Finance Umbrella provides the opportunity to leverage a number of key finance initiatives by leading financial institutions (for example ORRAA partners). These could include:

- **Catalytic Finance for coastal infrastructure, including cooperation on debt structures with development bank partners.**
- **Co-investment into equity opportunities alongside existing sustainable blue economy-focused impact funds.**
- **Capital market mechanisms (including blue bonds).**

These and other approaches will help to drive investment into a wide range of sustainable blue economy companies, technologies and opportunities and contribute to a just transition to net zero and nature-positive coastal development.

Finance intermediaries under the Finance Umbrella will have the opportunity to engage with the aligned platform partners curated by the BRCH. Similarly, the opportunity to work closely with the Risk Transfer Platform, to deliver bespoke de-risking and blended finance tools to these new intermediaries, will make them attractive formats not only for investors targeting the impact space but also for larger and more constrained traditional asset managers.



The Finance Umbrella is the engagement tool for the SCIFF with significant investors and asset owners. By working with ORRAA financial intermediary partners to create bespoke and targeted investment vehicles and mechanisms, the SCIFF will be able to bring investment capital, including patient capital, into the coastal and ocean resilience space.

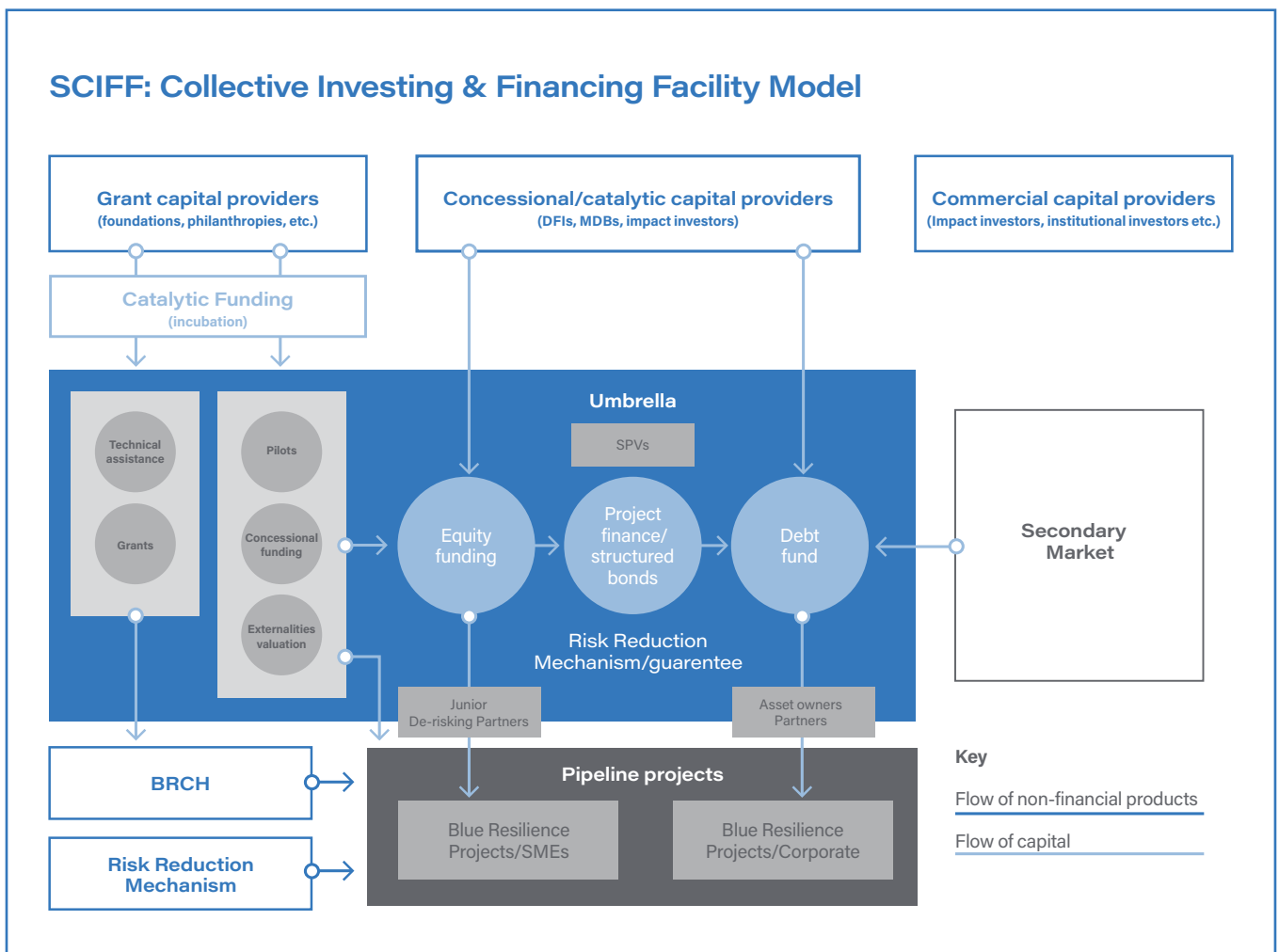
APPENDIX II FINANCE UMBRELLA

Individual initiatives will be carefully designed with ORRAA finance partners to consider both investment needs and investor concerns in relation to risk and return. By integrating the expertise of the SCIFF team with the investment propositions of the financial intermediary and, where appropriate, integrating tools developed by the risk transfer platform, structures will be put in place that can effectively address specific coastal and ocean resilience opportunities.

These intermediaries will, in turn, work with the existing landscape of investment actors including, for instance, impact funds, corporations and multilateral development banks (MDB). ORRAA's already established and growing relationships will facilitate these interactions. SCIFF is currently in discussions about setting up a significant co-investment facility with an ORRAA finance intermediary that will be available to drive investment alongside impact funds and others to effectively scale their work.

SCIFF is also engaged in the potential development of a catalytic finance facility to facilitate private investor engagement with large biodiversity positive and resilient coastal infrastructure opportunities, drawing on ORRAA partner expertise in grey-green infrastructure as well as public-private partnership approaches.

Finally, in the capital market space, the SCIFF aims to support blue bond issuance for coastal resilience, working with ORRAA MDB partners and others to develop structures, support deal flow and promote consistency of approach. We also see opportunities for corporates to engage through capital market transactions across regions and sectors, such as green shipping and logistics and renewable energy, including offshore wind and wave energy. Over time, this range of activities will not only drive scaled investment into coastal and ocean resilience, but also provide examples of market-leading practices that can be replicated around the globe.

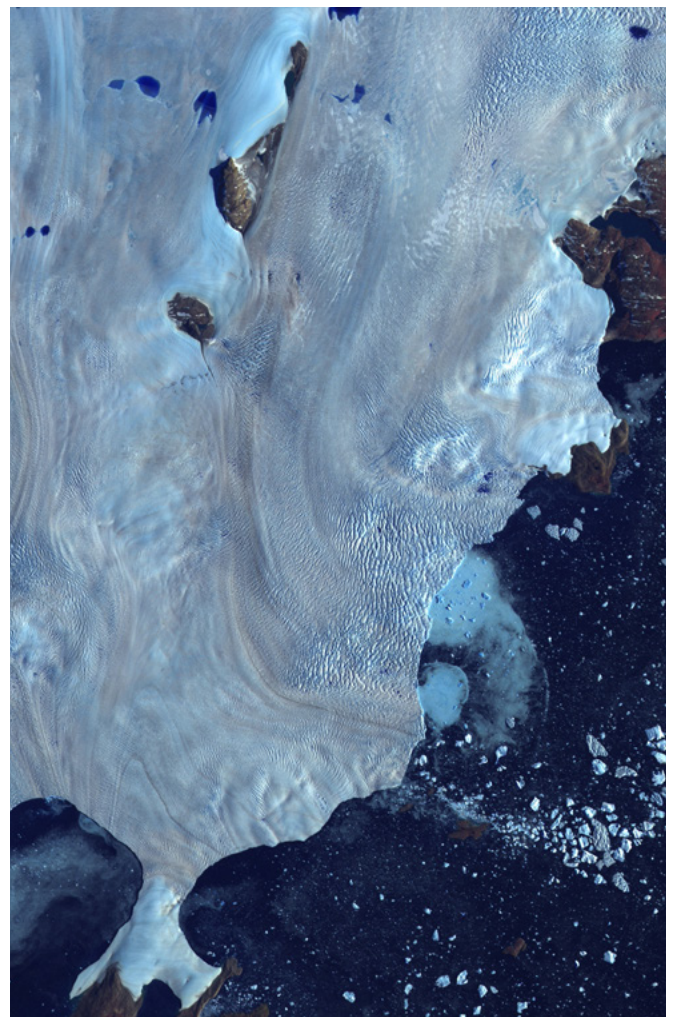
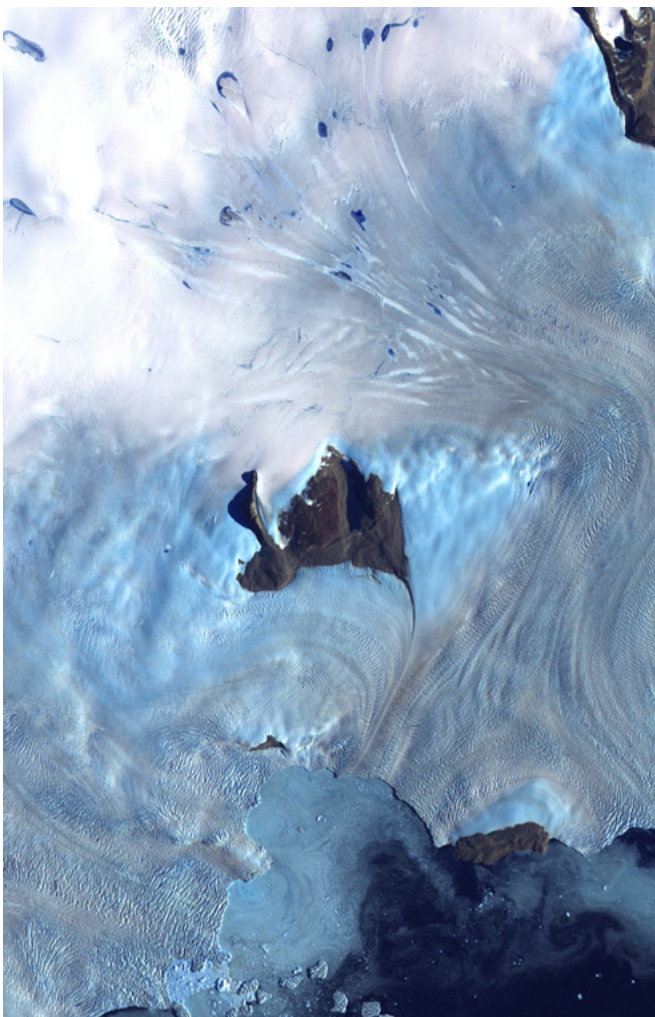


APPENDIX III RISK TRANSFER PLATFORM (RTP)

The third critical component of the SCIFF will be the **Risk Transfer Platform (RTP)**. Its role will be to establish risk assessment standards, in close collaboration with the Finance Umbrella team, and for use by the BRCH in the selection of coastal and ocean resilience projects. This will ensure access to the relevant risk transfer solutions for these projects as a critical element in attracting greater investment into this space.

Across developing economies, there exists an outsized opportunity to mitigate the risks from the impacts of climate change through sustainable investment in coastal and ocean resilience. However, these markets often do not have access to all the necessary actors, tools, and capacities to attract the scale of investment needed. In response, concessional capital and risk transfer products are needed to accelerate commercial, donor and philanthropic investments in markets traditionally perceived as risky, or with challenging investment enabling environments.

The SCIFF's RTP will contribute to ensure the long-term viability of projects identified and/or developed through the BRCH to be scaled through the Finance Umbrella, by strengthening investor confidence in coastal and ocean financing opportunities.



CONTEXT

Traditionally, the use of risk transfer solutions has focused disproportionately on the physical risks from climate change. Enabling greater investment in initiatives and projects to increase coastal and ocean resilience using NbS, requires consideration and evaluation of a broader range of risks and risk transfer alternatives. Depending on whether projects focus on the protective services provided by coastal and ocean ecosystems, and depending on the region, risk transfer solutions may be needed for credit, financial or political risks, among others. An existing solution may be provided off-the-shelf or will need to be tailored to specific local needs, or a fully new solution may need to be developed.

In an effort to develop more holistic and sophisticated approaches to mitigating coastal and ocean-related risks, ORRAA's members continue to explore and develop new products and tools, including AXA's Coastal Risk Index and WTW's parametric insurance for the MesoAmerican Reef. Products and tools like these must now be refined for replication and application on a larger scale.

As the RTP will be responsive to the needs presented by the BRCH and the Finance Umbrella, development of the RTP is set to begin from mid-2022 in collaboration with the Insurance Development Forum (IDF). In a first phase, a team of insurance industry experts will design the RTP's structure, governance and operational approach as well as establish target use cases.

The RTP will provide specific solutions, informed by a robust understanding of investors' priority areas for de-risking. Consultation with industry experts have identified the following aspects as critical for the RTP to effectively assure investors that their risks are sufficiently covered and that their funds are efficiently allocated:

- **Access to in-depth expertise to understand market and sector-specific risks.**
- **Facilitation of swift access to existing tools, or the development of new risk transfer solutions, including with local insurance industry players where possible.**
- **Engagement with local communities to understand how risks are perceived locally.**
- **A robust governance framework for engagement with project owners, local governments, and investors as well as development organisations, donors and other public and private sector actors who may play a role in providing a risk transfer solution to support sustainable projects for coastal and ocean resilience and ensure project longevity beyond an initial pilot.**
- **Access to data and information that accurately illustrate the expected development of a multi-year project, allowing for a more detailed understanding of existing and new risks and required risk transfer tools**

APPENDIX IV THE OCEAN RISK AND RESILIENCE ACTION ALLIANCE

The United Nations has called for a transformative response by the finance and insurance sectors to reduce the exposure and vulnerability of coastal communities and ecosystems through the global mobilisation of private capital and risk reduction expertise.

Nature based-Solutions (NbS) in coastal and ocean ecosystems represent a tremendous opportunity to mitigate the risks from the impacts of climate change and the biodiversity crisis on land and in the water. Coastal floods and storm surge already cost the world between US\$10bn and US\$40bn dollars per year. To this end, the importance of reefs, mangroves, seagrass beds, dunes, wetlands, saltmarshes and other coastal ecosystems to economies and coastal protection cannot be underestimated. Yet less than one percent of climate finance is invested into them.

The global community has agreed to spend at least US\$100bn per annum to assist developing countries in the transition to net zero. Internationally, the case has been made that half of this should be spent on adaptation. With almost half of total economic activity and 40 percent of the world's population living near the coast, investing at least US\$25bn per annum in coastal resilience is not only the minimum required, but also a sensible investment.



BARRIERS

There is, however, a disconnect in the sustainable blue economy between project and product developers and investors.

- **Developers are looking for financing but might not have achieved the scale needed for their projects to be viewed as “investable”.**
- **Investors are looking for clear pathways to financial returns yet struggle to find these projects and haven’t always developed the due diligence or standards to enable investment. Where they have done so, the scale they are looking for doesn’t match the projects that they find, and transaction costs might be too high.**
- **In many Small Island Developing States (SIDS) and developing countries, the policy environment may not be in place to spur investment into NbS or other coastal and ocean resilience-focused opportunities.**

It is, therefore, imperative to overcome these barriers, to develop and grow this marketplace, to seed the space, and to scale projects from proof of concept to commercial viability.

The Ocean Risk and Resilience Action Alliance (ORRAA) is the only multi-stakeholder alliance working in the ocean finance space that brings insurers, banks, governments, multi-lateral entities, academics, and civil society together. We work across geographies to innovate and collaborate on coastal and ocean protection by pioneering, piloting, and scaling innovative finance products that invest in NbS.

ORRAA's agility together with the diversity of its membership, enables it to interlink policy, science, and business effectively and efficiently, so that financial and insurance decisions are made through a blue lens. Its core focus is to break down the silos that typically separate these areas, showing how investment into coastal and ocean ecosystems reduces risk and builds climate resilience, creating more financially and socially resilient communities - an avenue to sustainable development.

OUR ACTION

The scale and urgency of the challenges posed by ocean-derived risks calls for a global response based on public-private partnerships locally and globally.

Since ORRAA's launch in September of 2019, as one of the initiatives supported by the United Nations at the UN Secretary General's Climate Action Summit, the Alliance has been endorsed twice by the G7, invested into over 30 projects and produced cutting-edge research products to inform the space. Seed funding from the Government of Canada was quadrupled in an announcement by Prime Minister Trudeau at the 2021 Glasgow Climate Summit. The United Kingdom's Blue Planet Fund has catalysed additional product development, and momentum is building further in 2022. Coupled with in-kind member contributions, these funds have been leveraged into US\$20^{MN} of investment.

In April, at the Our Ocean Conference in Palau, the U.S. Special Presidential Envoy for Climate, John Kerry, announced that the United States was committing US\$1m in financial support to ORRAA this year. In his closing statement to the conference, President Surangel Whipps Jr. announced that the Republic of Palau was joining ORRAA, becoming the first full member from a Small Island Developing State. Salesforce also announced that it was becoming a member, with a specific collaboration to develop a high-quality blue carbon market – an area of mutual interest. Now, more than 50 organisations are members of ORRAA.

The Alliance is driving three leading-edge initiatives to dramatically increase commitments from the finance sector to invest in blue NbS:

1. **The UN-backed #BackBlue Ocean Finance Commitment** looks to ensure that a blue lens is applied to decision-making by the financial sector, accelerating the transition towards a healthy and sustainable ocean through lending, investment, and insurance practices that commit to net zero, mitigate ocean risk and build the resilience of climate vulnerable coastal communities; and by supporting work to raise an initial US\$500m of investment into coastal nature by 2030, to create scalable and investable finance and insurance projects and products. Signatories include AXA, WTW and Palladium.
2. **The ORRAA Project Portfolio Platform (O3P)** helps seed the development of innovative finance and insurance products from the ground-up. ORRAA's project portfolio applies investment criteria vetted by our Funder Advisory Board to the types of projects ORRAA is looking to bring to market. The criteria serve to frame projects so that they result in proof-of-concept investments that build resilience, are community-based, promote gender-equity and have the potential to be scalable and replicable. A Monitoring, Evaluation and Learning framework that is closely linked to the Global Resilience Partnership, fosters growth and learning from project inception through completion to inform the development of our project portfolio going forward. This includes ORRAA's Ocean Resilience Innovation Challenge, supported by the Swiss Re Foundation and UK government.
3. A new global ocean financing architecture through the development of the **SCIFF**, the focus of this paper.

To learn more about ORRAA, please visit our website:

oceanriskalliance.org

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GLOSSARY OF TERMS

Sustainable Blue Finance

Blue Finance is emerging as an area of Sustainability Finance fully aligned with Green and Climate Finance, delivering the finance tools to fully transition the ocean economy to zero carbon and nature-positive outcomes. Sustainable blue finance aims to ensure the conservation, restoration and sustainable management of all marine and coastal ecosystems, supporting a new sustainable blue economy that ensures the provision of equitable access to all marine resources including water and sanitation to all for sustainable development. (UNEP-FI)

Blue Natural Capital/ Blue Nature

The wealth of ecosystem services – including air, food, water, energy, shelter, medicine, as well as crucial climate change mitigation, adaptation and resilience benefits – provided by coastal and marine habitats. (BNCFF)

Natural Capital

Natural Capital is another term for the stock of renewable and non-renewable resources (e.g.: plants, animals, air, water, soils, and minerals) that combine to yield a flow of benefits to people. (Natural Capital Coalition)

Nature-based Solutions

Actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits. (IUCN)

Climate Finance

Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change. (UNFCCC)

Nature Positive

Nature positive means enhancing the resilience of our planet and societies to halt and reverse nature loss. A nature positive approach enriches biodiversity, stores carbon, purifies water and reduces pandemic risk. (WEF)

Platforms

“Platforms” are independent entities that engage with multiple projects, sponsors, or start-ups in the blue resilience space, widely defined in developing countries. They are delivering key support to these in multiple ways and can play a critical role as a conduit to the wider financial world. They may be public or private, for profit or not-for-profit.

Blue Resilience Clearing House

The Blue Resilience Clearing House (BRCH) is an element of the Sea Change Impact Financing Facility. The BRCH cooperates with aligned platforms to ensure synergies, deliver specific support and promote impact, for SIDS and coastal developing states.

Debt-for-Nature Swap

Debt-for-nature swaps (DNS) are financial transactions in which a portion of a developing nation’s foreign debt is replaced by new funding, supported by investments in environmental conservation measures, such as better management of marine areas. (Dalberg)

Blue Bond

A blue bond is a capital market instrument used to fund ocean and water-related solutions and sustainable business opportunities. (IDB Invest)

Resilience Bond

Resilience bonds are a form of catastrophe bond that aims to capture insurance savings to use them to invest in resilient infrastructure projects. (Brookings)

Blue Carbon

Blue carbon is used to refer to the carbon sequestered in coastal and marine ecosystems, such as mangroves, seagrass and saltmarshes. (Blue Carbon Initiative)

Blue Resilience

The capacity of social, economic and environmental systems to cope with a hazardous event or trend or disturbance, responding or re-organising in ways that maintain their essential function, identity and structure, while also maintaining the capacity for adaptation, learning and transformation. (IPCC)

Blue Infrastructure

Blue infrastructure refers to infrastructure projects that directly or indirectly affects coasts and marine habitats. By designing such projects appropriately negative impacts and costs can be reduced and the resilience capacity of natural marine ecosystems can be levered to support biodiversity and physical resilience to climate change. (BNCFF)