

APRIL 2024

## Nautilus Ocean Guarantee Company

The [Ocean Risk and Resilience Action Alliance](#) (ORRAA) and the [Development Guarantee Group](#) (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.<sup>1</sup>

### Snapshot

- A means of de-risking private investments into the six ORRAA-identified regenerative and sustainable blue economy sectors<sup>2</sup> 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.

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<sup>1</sup> Blended Finance Taskforce 2023. “Better Guarantees, Better Finance”

<sup>2</sup> The six [ORRAA-identified regenerative and sustainable blue economy sectors](#) are: Ocean Conservation, Ridge to Reef, Sustainable Seafood, Sustainable Blue Infrastructure, Circular Economy and Blue Technology, and Ocean Based Renewables.

### Purpose (continued)

- 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.
- 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 million<sup>3</sup>.

### 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.

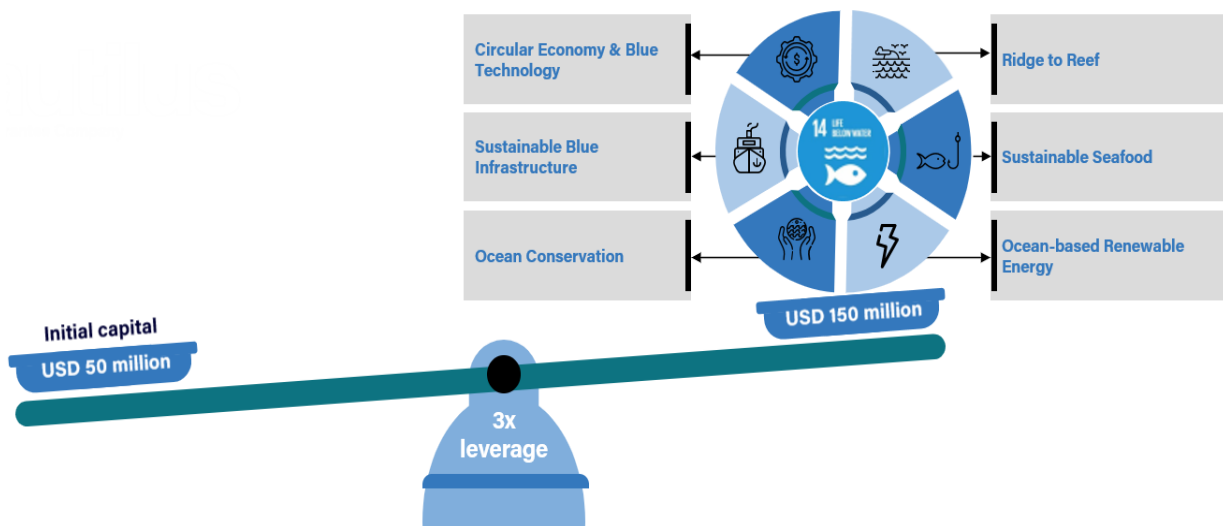


Figure displaying the mobilisation ratio of Nautilus guarantees (Development Guarantee Group).

<sup>3</sup> 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

1. **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 [United Nations Sustainable Development Goals \(SDGs\)](#):** 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)<sup>4</sup>.
- A Preliminary Information Memorandum will be available by end of Q1 2024.
- Launch is envisaged at the [UN Oceans Conference](#) in 2025 with a first close at USD\$25-50 million.

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<sup>4</sup> 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.

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The [Ocean Risk and Resilience Action Alliance](https://oceanriskalliance.org) (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.

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## Investing in coastal communities and the Ocean

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