



# Investing in the blue economy

PUBLISHED  
June 2021

READ TIME  
3 minutes

**Better ocean health is vital for addressing climate change. As fixed income investors, we're seeing growing opportunities to make a difference.**

Carbon sinks have become pivotal in the fight against climate change. Simply put, they are areas that absorb more carbon than they release. While green forests spring to mind as obvious carbon sinks, we must not overlook the power of the ocean.

The world's oceans have absorbed about a quarter of the carbon dioxide released into the atmosphere since we began burning fossil fuels for energy, thanks to phytoplankton. These microscopic marine algae and bacteria play a huge role in the world's carbon cycle – absorbing about as much carbon as all the plants and trees on land combined. But pollution means plankton are eating microplastics, which is decreasing the rate at which they can trap carbon.

The recognition of the power of the ocean as our largest carbon sink is increasing the focus on the 'blue economy' as a critical

natural resource – a term that refers to all economic sectors that have a direct or indirect link to the ocean.

## **Which sectors could benefit from the push for cleaner oceans?**

To date, efforts by investors to promote healthy and sustainable oceans have included lobbying companies and governments to operate responsibly, as well as ensuring there are appropriate policies and regulations in place to protect the environment.

The emphasis has been on conduct, but it's now expanding to include developing products that are more sustainably sourced or designed. Examples include engagement around sustainable fishery practices and developing alternative proteins, as well as efforts to cut plastics waste across industries. Efforts are also

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being made to reduce ocean pollution generated from extractives, such as offshore oil and gas production, and shipping industries that are operating in these environments.

Companies involved in leisure and tourism also benefit from the push for cleaner oceans, alongside those offering consultancy services around sustainable management practices.

**How are you investing around the blue economy theme?**

Through our impact-led investment strategy, we are looking to invest thematically in companies providing solutions to some of the world's biggest environmental and social challenges. These include the better management of natural resources such as oceans.

Oceans fit within our 'Enabling a Circular Economy' investment theme, which targets companies offering products with a lower environmental impact, as well as those which enable better natural resource management. The latter currently has a limited investable universe, but we anticipate this will expand.

**Are there any limitations to investing in ocean health? Are there any changes on the horizon that might improve investability?**

It can be difficult to directly access investments in the blue economy, particularly as fixed income investors. One area that we believe will represent an increasingly meaningful opportunity is the ESG-labelled bond market.

We are seeing the emergence of 'blue' bonds, where the proceeds are used to address ocean sustainability. This is an area set for expansion given the focus on delivering the UN's 17 Sustainable Development Goals, alongside impact investing, climate change and the need for nature-based solutions.

We also expect to see growth in outcomes-based sustainability-linked bond (SLB) issuances – from both companies and sovereigns – which can help investors support issuers with explicit objectives and targets for promoting sustainable oceans.

In our view, these developments should help expand investment solutions beyond niche private markets and make them more accessible to public markets, facilitating greater scale in the drive to tackle ocean health.

**Are there any regulatory or policy developments you are watching closely in the space?**

Beyond mandatory regulation, some investors are considering voluntary initiatives, such as becoming signatories to the Sustainable Blue Economy Finance principles. Others are supporting efforts to develop investment decision transparency through initiatives such as the Taskforce on Nature-related Financial Disclosures, taking the framework developed by the Task Force on Climate-related Financial Disclosures and applying it to nature.

Overall, expect to see more nature-positive investment solutions emerging.

For more ESG insights, visit our [Responsible Investing content hub](#).

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