

Charting the blue frontier: Harnessing the ocean's potential for a sustainable future

As the world grapples with the dual challenges of economic growth and environmental sustainability, the Blue Economy is emerging as a beacon of hope. This blossoming sector encompasses a wide range of activities linked to oceans, seas, and coastal regions. From traditional industries like fishing and maritime transport to cutting-edge sectors like marine biotechnology and offshore renewable energy, the Blue Economy offers a vast potential for sustainable development.



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Defining the Blue Economy: A sea of perspectives

The definition of the Blue Economy varies among organizations. For the European Investment Bank (EIB), it strictly pertains to ocean-based and ocean-related economic activities, e.g. fish processing, ocean-related research and development, manufacturing for renewable marine energy, etc., excluding inland water bodies like rivers. This includes both marine industries, such as shipping and seafood and coastal sectors like ports and shipyards or ocean-related research and development. Today, most international organizations do not include other water-related activities[1] such as inland waterways and other water infrastructure[2].

This divergence underscores the need for a cohesive, universally accepted framework to guide investments and policymaking in the Blue Economy. Clarity in definition is essential to harness the full potential of this sector and to ensure that efforts are aligned towards sustainable practices. During LuxFLAG's recent breakfast seminar on the Blue Economy, Stefanie Lindenberg, Blue Economy Expert at the EIB, emphasized the sector's critical role in fostering economic growth while safeguarding our oceans.

[1] Clean oceans and the blue economy Overview 2024, European Investment Bank 2024

[2] World Bank: the blue economy is the "sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem."

European Commission defines it as "All economic activities related to oceans, seas and coasts. It covers a wide range of interlinked established and emerging sectors."

The Commonwealth of Nations considers it "an emerging concept which encourages better stewardship of our ocean or 'blue' resources."

United Nations: The blue economy comprises a range of economic sectors and related policies that together determine whether the use of ocean resources is sustainable.

Navigating towards Sustainable Growth

The Blue Economy is increasingly seen as integral to global efforts to promote sustainable development. Oceans play a vital role in producing 50% of the planet's oxygen, absorbing 25% of CO2 emissions, and mitigating excess heat, making them indispensable in the fight against climate change.

To foster sustainable growth, it is crucial that blue projects are developed in harmony with environmental and social goals. This approach aligns with broader sustainability objectives, where initiatives in the Blue Economy contribute not only to economic growth but also to climate and environmental targets. Projects that drive the sustainable Blue Economy may also align with global and regional environmental frameworks, such as the EU Taxonomy' six environmental targets.[3]

Key Initiatives and Investment Strategies - Flagship projects

Several initiatives have been launched to promote the Blue Economy, with a focus on financing efforts that combat ocean pollution, enhance ocean health, and support sustainable growth. For example, the "Clean Ocean Initiative" or the "Blue Mediterranean Partnership" launched by the EIB. These projects aim to finance efforts to combat plastic pollution of oceans and drive sustainable growth and enhance ocean health respectively in the Mediterranean. Although the Blue Economy currently represents a smaller portion of the EIB's overall financing portfolio -€ 7 billion over the past 5 years -its importance is expected to increase. The growth of coastal population and the demand for food, energy, and research are the main key drivers that will elevate the Blue Economy's importance in financing sustainable development strategies.

Beyond flagship initiatives, integrating blue considerations into other sectors, such as transportation and infrastructure, can yield indirect benefits for the ocean, contributing to a more holistic approach to sustainability.

Challenges and Opportunities in the Blue Economy

One of the LuxFLAG breakfast seminar's key discussion was the challenge of identifying and categorizing Blue Initiatives. Also presenting at our breakfast seminar, Pierre-Yves Jahan, Director, Head of Fund Distribution and Listing Solutions at Carne Group, highlighted the importance of precise categorization to ensure investments align with sustainable goals and provide transparency for investors. There is a need for precise terminology and adherence to new ESMA guidelines on fund naming [4]. The objective is already alive (Goal 14 of the Sustainable Development Goals: "Conserve and sustainably use the oceans, seas and marine resources for sustainable development"). However, developing clear criteria and standards is required and would be essential for distinguishing truly blue projects from broader environmental efforts.

The EU Taxonomy provides a robust framework for defining environmental criteria, including those for blue initiatives. However, the absence of a distinct "Blue Economy" category and the nascent focus on this sector often result in blue projects being classified under general environmental objectives. Despite this, investor interest is growing, with major financial entities like BNP Paribas and Amundi expressing keen interest in blue projects, indicating a promising trend towards increased funding and development.

[3] European Commission: EU Taxonomy for sustainable objectives 2020

[4] ESMA Guidelines establish harmonized criteria for the use of ESG and sustainability terms in fund names (14 May 2024).

The role of Luxembourg and its Asset Management industry

Pierre-Yves Jahan brought attention to the critical role Luxembourg can play as a state and asset management center in advancing the Blue Economy. As a signatory to the UN Ocean Conference Initiative and with substantial exposure to blue projects[5], maybe to the surprise of some and despite its landlocked position, Luxembourg is well-positioned to drive forward the Blue Economy agenda, serving as a model for integrating blue considerations into broader sustainable investment strategies.

Charting the course: Strategies for a Sustainable Blue Economy

Establishing a unified definition and clear criteria for the Blue Economy is critical. This will facilitate better investment decisions and policymaking, ensuring that efforts are focused on genuinely sustainable practices. A consensus on what constitutes the Blue Economy will help align stakeholders and streamline development efforts.

Educating stakeholders about the Blue Economy's potential and its environmental benefits is crucial for driving investment and participation. Raising awareness among investors, policymakers, and the public can generate broader support and engagement, paving the way for more substantial crucial investments in blue initiatives.

Developing Innovative Financing and Incentives

Developing new financial instruments tailored to blue projects and providing tax benefits can stimulate investments in the Blue Economy. Innovative financing mechanisms, such as blue bonds and dedicated investment funds, can attract capital and support the growth of sustainable blue ventures.

Encouraging collaboration across different sectors could amplify the impact of blue investments. As such, integrating blue considerations into other areas, such as transportation, tourism, and infrastructure, can create synergies that enhance overall sustainability efforts. Cross-sector partnerships can leverage diverse expertise and resources, driving more comprehensive and effective solutions.

Conclusion

The Blue Economy's sector offers a transformative opportunity for sustainable growth, addressing critical environmental challenges while fostering economic development. By aligning investments with sustainable practices, fostering innovation, and promoting a clear understanding of this sector, we can navigate the path towards a thriving Blue Economy. Through collective efforts and strategic focus, ocean-related economic activities can contribute positively to global sustainability.

In embracing the Blue Economy, we chart a course towards a future where our oceans not only support economic prosperity but also preserve the ecological balance essential for the well-being of our planet.

[5] For example, the Blue Natural Capital Financing Facility is funded by the Government of the Grand-Duchy of Luxembourg.