



December 2024

# END OF YEAR REFLECTIONS: TIME TO THINK ABOUT THE OCEAN (AND THE SURGING BLUE ECONOMY SECTOR)

As we think about gifts and holidays (perhaps by the seaside) this last month of 2024, it is also a good time to reflect upon the state of our ocean too, as it faces unprecedented threats from climate change, pollution and other human activities. This is becoming increasingly evident, as demonstrated by the temperature-related extreme events witnessed over the summer across the globe. Based on temperature alone, it is likely that 2024 will be recorded as the [hottest summer](#) since 1940 globally and in Europe. Hotter temperature impacts the ocean's ability to absorb carbon, not to mention the damage to marine life and biodiversity.

At the same time, the Blue Economy sector is also growing at an unprecedented speed and it is expected to continue to attract more funds, in light of the growing awareness over the crucial role played by the ocean in mitigating climate change and its relevance to climate adaptation strategies, for example how we must build resilient coastal communities which make up over 40% of the world's population.

As OECD estimates the "Ocean Economy" sector to double in size reaching \$3 trillion (and creating 40 million jobs) by 2030, maritime associate Alberta Longanesi Cattani (Paris office) and private wealth associate Tze-wei Ng (Hong Kong office) share their thoughts on the latest trends in Ocean or Blue Economy, what our clients are doing and how we are supporting them.

Both Alberta and Tze-wei are also active board members of [GAIL - the Global Alliance of Impact Lawyers](#), an international community of lawyers who are committed to supporting the growth of sustainable finance and businesses. Alberta is also involved with the [BlueInvest Programme](#) funded by the European Union.

## WHAT IS THE BLUE ECONOMY?

Being an emerging concept, there is [not a universal definition](#) of "Blue Economy" as yet. The World Bank defines it as the "sustainable use of ocean resources for economic growth, improved livelihoods and jobs while preserving the health of ocean ecosystem". Blue Economy [activities](#) can include everything from maritime shipping, fishing and aquaculture, coastal tourism, renewable energy, water desalination, undersea cabling, seabed extractive industries and deep sea mining, marine genetic resources and biotechnology.



## WHAT ARE THE LATEST TRENDS?

In the past few years there has been a noticeable surge in both policies and investments in the Blue Economy.

Europe has been taking various actions to support the sector. In May 2021, the European Commission unveiled a new sustainable Blue Economy strategy for the European Union, acknowledging the crucial role of the Blue Economy sector in meeting the EU's goal of achieving climate neutrality by 2050 set by the European Green Deal. Several initiatives have been launched in this context, such as the Blueinvest programme, launched in collaboration with the European Investment Bank (EIB), aimed at supporting SMEs and start-ups in accessing finance and growth efforts, as well as providing business opportunities for specialised financiers. The European Mission Ocean and Waters' online portal is another example, with a budget of €7.3 billion as of this year.

In Asia there are also various governmental policy plans published like the ASEAN Blue Economy Vision (September 2023) and the China's 14<sup>th</sup> Five-Year Plan for Development of Marine Economy and the ASEAN-China Blue Economy Partnership (April 2024). Hong Kong is also positioning itself to become a [green fuel bunkering centre](#) and green shipping hub.

Moreover, in 2023 the landmark [High Seas Treaty](#) was finally signed at the United Nations, following over a decade of negotiations. This is of historical importance, as it is the first agreement focused exclusively on the conservation and sustainable use of marine resources in the high seas, which account for almost half the planet's surface area and over 60 percent of its oceans. Referred by some as the "Paris Agreement for the Ocean", this treaty requires the common governance of the High Seas to ensure and promote equity and fairness, tackle environmental degradation, fight climate change and prevent biodiversity loss in the high seas. Among other things, it purports to make 30% of high seas designated as marine protected areas by 2030. The treaty opened for ratification in September 2023 and will enter into force after ratification by 60 countries.

Now one year on, it has been ratified by 14 countries, and more have formally approved like the EU and India. The hope is for the ratification to be in place by the next UN Ocean conference in June 2025.

## INVESTMENT GAP

Over US\$175 billion per year was needed (by end of 2022) to achieve the United Nation's Sustainable Development Goal ("SDG") No. 14, Life Below Water, by 2030. However between 2015 and 2019 [just below](#) US\$10 billion was invested, making it the least funded of the 17 SDGs.

The number of [ocean-focused funds](#), on the other hand, has quadrupled since 2018 and capital invested in the sector has more than quintupled from \$700 million in 2021 to close to \$4 billion in 2023, according to manager of S2G Ventures' \$100 million Ocean and Seafood Fund.

The price for inaction towards conservation and sustainable use of ocean is high: the costs for coastal protection, people relocation and loss of land due to rising sea levels are projected to range from \$200 billion to \$1 trillion each year by 2100. [Research](#) shows that almost two-thirds of oil produced globally is shipped by oil tankers, yet stress tests of the world's Top 15 Tanker Terminals to various levels of sea level rise (SLR) show that 12 will be impacted even at just 1 metre.

Conversely, such challenges should also represent enormous investment opportunities, from refitting ships and ports, to investing in blue technology on reducing carbon emissions to more innovative water management.

## HOW IS THIS USUALLY FINANCED?

The Blue Economy sector is currently supported by a multifaceted financial landscape that includes equity and debt financing, blended finance, and impact investing.

Traditional **equity investments** remain a cornerstone of funding, with public and private equity investors actively engaging in the sector. Investment funds, including those established and newly formed, along with venture capital and commercial funds, provide essential capital to [start-ups](#), SMEs, and scale-ups.



These investments support a range of Blue Economy activities, from innovative aquaculture practices to advanced ocean observation technologies. Pension funds have also shown interest, reflecting the long-term investment horizon and sustainability focus that align with the Blue Economy's potential for growth and environmental impact.

**Examples:**

The [Ocean Engagement Fund](#), a partnership with Rockefeller Asset Management, is the sequel to a \$212 million sustainable oceans equity fund launched by Rockefeller and Credit Suisse, which UBS acquired last year. It is an impact fund investing in 50 mostly small and mid-cap public equities in wastewater treatment, plastic recycling, sustainable aquaculture and other ocean health issues.

The [Global Fund for Coral Reefs](#) is building a portfolio of 15 to 20 investments in wild-caught fisheries, aquaculture, hospitality and “the circular economy” to protect vulnerable coral reefs and coastal communities, particularly in the Global South.

**Debt financing** instruments such as blue loans and blue bonds have emerged as innovative funding mechanisms, earmarking capital for sustainable investments within the Blue Economy. Blue loans are designed to support projects that have clear environmental benefits, with terms often linked to the achievement of specific sustainability criteria. Blue bonds, on the other hand, are debt securities issued by governments, financial institutions, or corporations, with proceeds dedicated to financing marine and freshwater projects that contribute to the health of the ocean and water bodies. These instruments have been bolstered by guidelines developed by organizations like the International Finance Corporation (IFC) and the International Capital Market Association (ICMA), providing clarity on criteria and practices for blue financing.

**Example:** Since the Seychelles pioneered the [blue bond](#) with a debt-for-nature swap in 2018, several other island and coastal nations, including Belize, Barbados and Ecuador have used similar mechanisms to raise capital for ocean conservation.

**Blended finance** is another key avenue for funding the Blue Economy, utilizing catalytic capital from public or philanthropic sources to leverage private-sector investment. This approach is particularly valuable for sustainable ocean businesses that are often categorized as high-risk due to their early-stage nature or innovative project models. Blended finance structures may include direct subsidies, concessional loans, and de-risking tools such as loan guarantees and first-loss facilities. The European Investment Bank (EIB) and the European Investment Fund (EIF) have been instrumental in this space, contributing to funding mechanisms that support the Blue Economy.

**Example:** A good example of blended finance in this context, as provided by the EIF's website, is their support to the venture capital fund Blue Revolution Fund, pursuant to which they contribute €20 million via the InvestEU programme and invest in early-stage aquaculture enterprises, driving innovation and sustainability in the sector. The fund is managed by Hatch Blue, with an investing team with extensive experience in the aquaculture industry. The fund intends to contribute to the restoration of the marine ecosystem with a focus on conservation and sustainability.

**Impact investing** also plays a vital role in the Blue Economy, with investors seeking not only financial returns but also measurable environmental and social outcomes. Corporate social responsibility initiatives, public grants, and philanthropic efforts contribute to this segment, often focusing on projects that enhance biodiversity, reduce pollution, promote sustainable fishing practices and restore ocean health. International financial institutions like the EIB and private investors alike are active in this domain, providing smaller-scale financing to the sector usually explicitly aligning with United Nations Sustainable Development Goals (SDGs) Goal 14, which calls for the conservation and sustainable use of oceans, seas, and marine resources.



**Example:** Hong Kong company [Archireef](#), which manufactures the world's first 3D printed Reef Tiles made from terracotta clay and started out with support from the city's social enterprise, has gone on to winning deal with Hong Kong corporates and most lately the Abu Dhabi authorities.

## STEPHENSON HARWOOD AND THE BLUE ECONOMY SECTOR

As a full-service international firm with world leading practices in marine, energy and finance, Stephenson Harwood is uniquely placed to advise on the growing Blue Economy. Decarbonisation is one of five strategic areas of focus for the firm, with an international and multi-disciplinary team dedicated to assisting our clients in navigating through the opportunities and challenges decarbonisation presents.

Globally our lawyers have also dedicated pro bono time to a few impactful maritime and ocean projects, including acting as co-coordinators of the [Blue Visby Solution](#), a consortium of some 20+ companies and institutions which aims to reduce shipping greenhouse gas emissions by 15% through eradicating the practice of "Sail Fast, then Wait". We have also created pro bono partnerships across the globe, such as with the Hong-Kong based charitable organisation [A Plastic Ocean Foundation](#), which works with and trains corporates to reduce plastic waste and water contamination and supports climate resilience projects with coastal communities, and with the global initiative [Plastic Odyssey](#), an association supported by the Paris Office which fights plastic pollution by developing low-tech and open source technologies and by encouraging the reduction of the production and consumption of single-use plastics.

## CONCLUSION

As nations and investors recognize the vast potential of the ocean, the Blue Economy sector will no doubt continue to grow. Water-related risks are also going to be more understood and increasingly a key component of risk assessment for corporates. This will be especially pertinent in industries such as shipping and real estate, and it will also present new business opportunities for organisations that act early. For more information on how we may be able to assist you in your pursuits of the Blue Economy, from structuring transactions, raising blue finance, to governance and facilitating innovation in the sector, please reach out to Alberta, Tze-wei or your usual Stephenson Harwood contact.

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