



Ocean Finance

What is the issue?

The global ocean faces multiple threats – climate change, pollution, and biodiversity loss through overexploitation, habitat destruction and invasive alien species. These pressures continue as [ocean economic activity](#) grows. In 2020, the [OECD projected](#) that the global ocean economy would reach **\$3.0 trillion by 2030**. One of the ways to ensure that this growth does not come at the cost of ocean and environmental health or human rights is through greater attention to the responsibilities of financial actors in the ocean economy. As the [High Level Panel on a Sustainable Ocean Economy](#) noted: “[o]cean finance can play a vital role in supporting sustainable development of the ocean economy by directing investments to sustainable development pathways that minimise ocean risks and maximise social equity, human well-being and environmental health.”

The OECD states that a transformational shift is required to “reset” the mainstream financial sector. This requires moves away from subsidising or financing harmful activities, and instead redirecting capital to sustainable activities that take economic as well as environmental and social impacts into account. [Human rights](#) due diligence is often less prioritised compared to efforts to address environmental concerns. A greater emphasis on human rights is needed across the mainstream financial sector to ensure that ocean activities financed are both environmentally and socially viable. Recent [regulatory developments](#) in Europe are also sending a powerful message that in order to be considered sustainable, financing activities must meet both environmental and human rights requirements (and [shipping and ocean energy technologies](#) is one of the listed sectors impacted). This briefing provides an overview of the key human rights challenges involved, and suggests ways to approach these issues for financial institutions.

Whose human rights are impacted?

There are a wide range of people and communities affected by the financing of ocean economic activities including:

ABOUT THE OCEAN AND HUMAN RIGHTS PLATFORM

Led by the [Institute for Human Rights and Business](#) and the [Rafto Foundation](#), the Ocean and Human Rights Platform is a collaborative movement to raise awareness to prevent and address adverse human rights impacts across the ocean’s industries. The Ocean Platform works with a global network of business, government, human rights defenders, civil society partners, academia and national human rights institutions.

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Workers in the operations that are directly financed

Financial actors should be aware of human rights risks within the immediate operations which they finance. The payment of [living wages](#) is an issue across the board, especially in sectors which rely on low skilled labour such as fisheries. Even in [more developed fishing fleets](#), there are mounting questions about fairness and equity in the distribution of benefits between workers and vessel owners. Other severe abuses for workers include forced labour associated with poor recruitment practices, health and safety risks, the prohibition of or interference with trade unions and wage theft across [ocean sectors](#).

Workers in supply chains

Even where financial institutions are not funding ocean sectors directly, there may be ocean derived products in the supply chains of companies and sectors which do receive financing. High rates of human rights abuses, such as [forced labour and human trafficking](#), [have been](#) identified in fishing fleets in every part of the world.

Local Communities

The ocean provides livelihoods, food and housing for millions living in coastal communities around the world. Ocean activities that have direct negative impacts include forcibly displacing communities for tourism facilities or industrial fishing that overexploits fish populations relied upon for local livelihoods. The destruction of the environment or pollution can harm human health and limit access to water for local communities.

Indigenous Peoples

Indigenous peoples are found along the coast of every major continent except Antarctica. Their close ties with their lands, territories and resources – terrestrial and marine – gives them a unique status and set of rights in international and domestic legislation. The greatest threats faced by indigenous peoples are displacement from traditional territories and resources with the increasing development of coasts, legal and administrative barriers to claiming native territories and a growing competition for resources (such as harvesting rights) which only rewards the highest bidders.

Which businesses should pay attention?

There are [different types of financial institutions](#) engaged in financing the ocean economy:

Financial Institution types

- **Standard commercial financing:** This provides the bulk of financing for traditional ocean industries (tourism, energy, shipping and the industrial end of the fishing sector) where [corporate finance and working capital loans dominated](#) with little or no attention to sustainability.
- **Financing focused on environmental and social improvements with financial returns** such as debt and equity financing with below-market return expectations such as concessional loans and equity from development banks (national and multilateral), impact investors and specific sustainable ocean fund, amongst others.
- **Financing focused on maximum social and environmental impact** such as public grants, overseas development assistance and philanthropic donors.

Given the complexity of financial processes and activities, almost every financial institution and actor may be linked to the ocean economy in both direct and indirect ways. UNEP FI has highlighted that “[e]ven [financial institutions located thousands of miles from the coastline may have significant ties to the ocean through clients whose supply chains either source material from the ocean or damage the marine environment.](#)”

CASE STUDY

On the island of Lombok, east of Bali in Indonesia, a number of international banks including the Asian Infrastructure Investment Bank are financing a large tourism development project. However, human rights groups have noted houses of local residents being bulldozed for the project and [UN human rights experts have observed that](#) the Sasak indigenous peoples were being forcibly evicted from their homes.



Furthermore, ocean health has increased the risk exposure of up to **66% of publicly listed companies** with around US\$8.4 trillion of assets and revenues being at risk in the coming 15 years. There, financial institutions that finance the **following sectors** should pay particular attention:

Sectors

- Sectors that are **economically dependent on ocean natural capital**, such as wild capture fisheries, aquaculture, tourism, pharmaceuticals, cosmetics that source marine genetic material for research and development.
- Sectors that are **physically located in the ocean** but not dependent on natural capital, such as energy and shipping.
- Sectors **located outside of the ocean but with important indirect impacts on ocean health**, such as agriculture (due to run-off), waste management, mining, chemicals, pharmaceuticals, apparel, and consumer goods.

What should financial institutions do?

For mainstream financial institutions seeking to align with environmental, social and governance (ESG) principles, they should begin paying greater attention to the “S”. For example, the [Sustainable Blue Economy Finance Principles](#) provide a solid basis for many environmental and social issues but a [benchmarking study](#) of development finance institutions found that safeguard policies have several important gaps when it comes to human rights. Financial actors should prioritise instruments such as the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines and other [detailed sector-specific guidance](#) all of which provide authoritative frameworks for implementing corporate human rights responsibilities. Key takeaways for action are:

- **Align financing policy with a sustainable and just ocean economy:** Financial institutions should embed the responsibility to respect human rights and the environment within their institutional investment and lending policies and seek to systemically align their activities with equitable and just growth in the ocean economy.
- **Assess current investment, lending and underwriting activities:** Institutions should assess their activities [for impacts or dependencies on the ocean](#) along with an assessment of human rights risks and impacts associated with those activities.
- **Identify material risk for people, not just assets:** Many reporting frameworks focus on disclosure of [financially material ESG impacts](#) on investments but neglect to include impacts [on people and the environment](#). An [increasing number of regulators](#) and the [Global Reporting Initiative \(GRI\)](#) reporting standard require disclosure of impacts on people.
- **Exclude financing of harmful activities:** Where financing could contribute to harmful business practices, including [IUU fishing](#), [shipbreaking](#), involvement in [harmful fishing or fuel subsidies](#), [deep seabed mining](#) and many others in the UNEP FI’s [ocean-specific Exclusion List](#), financial institutions should not engage in investing in such projects.
- **Set relevant expectations and requirements for clients on human rights:** By way of illustration, Norges Bank Investment Management sets both [ocean sustainability and human rights expectations](#) for the companies it invests in (although it has not connected the two

CASE STUDY

The European Bank for Reconstruction and Development (EBRD) provided a loan of USD\$60 million for the development and regeneration of an area of land along the Red Sea in Jordan called Ayla Oasis, which was previously heavily polluted with mines. The financing was for a tourism project [that supported the development of both residential and tourist infrastructure](#) while ensuring that local youth and women had support and training for career development in the hospitality sector.

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in its expectations documents). Financial institutions can set clear expectations for clients as a first step and then create [binding requirements in financing documents with respect to these expectations](#).

- **Consider Nature-based Solutions infrastructure investments:** IUCN notes that integrating Nature-based Solutions (NbS) has the potential to make coastal infrastructure more resilient to climate change effects, provide for human well-being and biodiversity benefits, and add longer-term value to infrastructure assets. Financiers should consider using the [NbS Global Standard](#) to ensure a more integrated environmental and human rights approach to infrastructure financing.

RESOURCES: Some useful existing work/initiatives

Overviews of Ocean Finance

- UNEP FI, [Rising Tide: Mapping Ocean Finance for a New Decade](#) (2021)
- Friends of Ocean Action's [Ocean Finance Handbook](#) (2020)
- High Level Panel for a Sustainable Ocean Economy's [Blue Paper on Ocean Finance](#) (2020)
- OECD, [Reframing Financing and Investment for a Sustainable Ocean Economy](#) (2020)
- WWF, [Value At Risk In The Blue Economy: Piloting a Systems Modeling Approach to Explore Sustainability Pressures and Financial Risk](#) (2019)
- London School of Economics, Institute for Global Affairs and Grantham Research Institute on Climate Change and the Environment, [From Green to Blue Finance: Integrating the Ocean into the Global Climate Finance Architecture](#) (2016)

Initiatives

- UNEP FI Sustainable Blue Economy Finance Initiative (SBEFI)
- [Ocean Risk and Resilience Action Alliance](#)

Multilateral Development Bank Initiatives

- Asian Development Bank, [Healthy Ocean Action Plan and Oceans Financing Initiative](#)
- European Investment Bank, [Preserving our oceans: our initiatives](#)
- World Bank, [PROBLUE: Healthy Oceans, Healthy Economies, Healthy Communities](#)

Examples of Ocean Conservation and Impact Investors

- IUCN [Blue Natural Capital Finance Facility](#)
- Bloomberg Philanthropies [Vibrant Oceans Initiative](#)
- Mirova [Althelia Sustainable Ocean Fund](#)
- [Katapult Ocean](#)
- [Ocean 14](#)
- [Funding the Ocean](#)

RESOURCES: International standards & guidance

Business and Human Rights

- [UN Guiding Principles on Business and Human Rights](#) (2011)
- [OECD Guidelines for Multinational Enterprises](#) (2011)

Sustainable Development Goals

- [SDG 14 – Life Below Water](#)

Principles

- [Sustainable Blue Economy Finance Principles](#) (2017)
- [Principle for Investment in Sustainable Wild-Caught Fisheries](#) (2018)
- [Poseidon Principles](#) (2019) & [Poseidon Principles for Marine Insurance](#) (2021)

Guidance

- UNEP FI [Turning the Tide: How to Finance a Sustainable Ocean Recovery](#)
- UNEP FI [Recommended exclusions list for a sustainable blue economy](#)
- IUCN [Blue Infrastructure Finance: A New Approach, Integrating Nature Based Solutions for Coastal Resilience](#) (2020)
- IUCN, [Blue Natural Capital Positive Impacts Framework](#)
- Oceana and UN Environment's [Principles for Sustainable Insurance Initiative, Risk Assessment and Control of IUU Fishing for the Marine Insurance Industry](#) (2018)
- FAO, [Blue Finance Guidance Notes](#)

Blue Bonds

- IFC [Guidelines for Blue Finance Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles](#) (2022)
- UN Global Compact [Practical Guidance to Issue a Blue Bond](#) (2020)
- [Climate Bond Initiative criteria on marine renewable energy](#)