

# Think blue, go green - why we need to start talking about the Blue Economy

## INTRODUCTION

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Simmons & Simmons believes that the transition to a sustainable blue economy represents the next frontier in combating climate change and enhancing biodiversity. We expect that blue economy investments will become increasingly attractive as investors adapt their economic calculus to factor in the true cost of nature (and therefore its value).

Simmons & Simmons is committed to promoting the blue economy agenda. Over the past 18 months we have:

- hosted a flagship event in our London office ([Financing the Growth of the Blue Economy](#));
- convened blue-focused roundtable and sponsored key conferences (including the World Ocean Summit in Lisbon in March 2024); and
- contributed to ocean literacy through our [podcast series](#) in collaboration with UK NGO Marine Conservation Society.

In this client briefing, we set out why investors and managers should start to think “blue”.

### *What is the Blue Economy*

The Blue Economy is a term that describes a sustainable ocean-based economy that promotes economic growth, social inclusion and improvement of livelihoods while ensuring environmental sustainability of oceans.<sup>1</sup> The blue economy covers businesses whose operations relate to the oceans, seas and coasts, whether based in the marine environment (shipping, seafood, energy generation) or on land (ports, shipyards, coastal infrastructure).

BlueInvest (a European Commission programme launched in 2019 to unlock investment opportunities in this space) identifies the following sectors as key for the EU blue economy: aquaculture, blue biotechnology, blue renewable energy, blue tech and ocean observation, coastal and maritime tourism, environmental protection and regeneration, fisheries, shipbuilding and refit, shipping and ports, water management.<sup>2</sup>

Given the breadth of the blue economy, investment opportunities will be relevant for managers of private investment funds spanning a range of strategies, including VC / growth-equity, private credit, blue impact, renewables and infrastructure.

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<sup>1</sup> [Diving into the blue economy | UN DESA | United Nations Department of Economic and Social Affairs](#)

<sup>2</sup> [BlueInvest Investor Report, Unlocking the Potential of the Blue Economy 2024](#)

## ***The economic case for blue***

In pure economic terms, the blue economy represents a significant investment market. If the global blue economy, were compared to a national economy, it would be the seventh largest in the world, and the ocean as an economic entity would be a member of the G7.<sup>3</sup> In Europe, the blue economy provides 4.5 million direct jobs.<sup>4</sup> The OECD has estimated that the global ocean economy will double in size by 2030.<sup>5</sup>

In its recent report and citing data from CB Insights, BlueInvest pointed to an increase in EU blue economy transactions:

- in the last 10 years, investments (across M&A, IPOs, early stage and growth equity investments and grants) have more than tripled from €4 billion to more than €13 billion;<sup>6</sup>
- the number of deals has increased markedly: from 380 in the period 2000-2012; to 456 in the period 2012-2017; to 1,347 in the period 2018-2023; and
- the three largest sectors, in terms of deals closed, are: blue renewable energy, blue tech and ocean observation and aquaculture.

In the coming decade, emerging technologies will create attractive investment opportunities for investors. According to the High Level Panel for a Sustainable Ocean Economy (Ocean Panel) of the World Resources Institute, investing €2.54 trillion in just four ocean-based solutions – offshore wind production, sustainable ocean-based food production, decarbonisation of international shipping, and conservation and restoration of mangroves – would yield a net benefit of €14.11 trillion by 2050:

- offshore wind production, with a benefit-cost ratio of 12:1;
- sustainable ocean-based food production, with a benefit-cost ratio of 10:1,
- decarbonisation of international shipping, with a benefit-cost ratio of 4:1; and
- conservation and restoration of mangroves, with a benefit-cost ratio of 3:1.<sup>7</sup>

## ***Blue is central to environment and climate objectives***

The blue economy is fundamental to achieving environmental and climate objectives. The ocean is the largest carbon sink and according to the European Commission: “There just can’t be green without blue”.<sup>8</sup> The Commission also noted that as an alternative to building more “grey” infrastructure, climate adaptation should be based on natural and nature-based solutions: wetlands, seagrass fields, mangroves and dunes. The World Bank has cited the importance of these nature-based solutions:<sup>9</sup>

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<sup>3</sup> [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a new approach for a sustainable blue economy in the EU Transforming the EU’s Blue Economy for a Sustainable Future, COM\(2021\) 240 final](#)

<sup>4</sup> Ibid.

<sup>5</sup> [OECD work in support of a sustainable ocean](#)

<sup>6</sup> Although BlueInvest considers that the total amount of EU Blue Economy investments is underestimated, noting that two thirds of the deals listed have not disclosed information on deal size.

<sup>7</sup> [World Resources Institute High Level Panel for a Sustainable Ocean - A Sustainable Ocean Economy for 2050: Approximating its Benefits and Costs](#)

<sup>8</sup> [European Commission: a new approach for a sustainable blue economy in the EU](#)

<sup>9</sup> [Climate Explainer: Blue Carbon and its Importance in Tackling Climate Change](#)

- one hectare of mangroves sequesters 10 times and stores 3 to 5 times more carbon than a similar area of mature tropical forests; and
- stopping seagrass destruction could save up to 650 million tons of annual CO2 emissions (roughly equivalent to the entire annual emissions of the global shipping industry).

Moreover ocean-based action can play a critical role in helping the world to avoid the worst impacts of climate change - a full implementation of ocean-based climate solutions could close the “emissions gap” by up to 35 percent on a 1.5°C pathway in 2050.<sup>10</sup>

The UN High Seas Treaty, also known as the Biodiversity Beyond National Jurisdiction, was signed in September 2023. In our view, this may be a watershed moment in the development of blue economy akin to the Paris Agreement 2015 which kicked off green investments.

Institutional investors that are looking for opportunities to contribute to climate change mitigation and adaptation, as well as reversing biodiversity net loss, should therefore consider the blue economy as a way to achieve these objectives.

The importance of the blue economy has already started to resonate with investors. In 2023, Simmons & Simmons conducted a survey spanning industries and geographic regions of 600 executives and a 100 investors, which found 58% of investors prioritise ‘water/ocean sustainability’ in their portfolio investments. With 57% of executives listing oceans and blue economy projects as a priority.<sup>11</sup>

Transitioning to a sustainable and regenerative blue economy isn’t just about protecting our oceans, it’s about safeguarding trillions of dollars. Studies show that business-as-usual in the ocean economy puts over \$8.4 trillion at risk for investors. Embracing a sustainable approach could slash that risk by more than \$5 trillion.<sup>12</sup> Ignoring the climate threat to our oceans is a financial gamble. Not only are healthy oceans vital for marine life, they also provide a buffer against extreme weather events and protect major coastal cities, saving trillions in potential damage.

Because inaction is the biggest threat, the Ocean Risk and Resilience Action Alliance (ORRAA), an organisation that Simmons & Simmons is a member of, is addressing the challenge by supporting:

- **Data-Driven Decisions:** Tools like the Coastal Risk Index (CRI) and the Climate and Ocean Risk Vulnerability Index (CORVI) provide critical data to understand climate vulnerabilities and the true value of healthy oceans.
- **Investment Solutions:** ORRAA is building an investable Product Pipeline of financial and insurance products to directly support coastal resilience projects in the Global South.
- **Building the Capital Market for the Oceans:** The Sea Change Impact Financing Facility complements ORRAA’s development of an investible project and product pipeline from the ground-up by building out the large-scale investments needed to build the capital markets for the Ocean – an ocean financing ecosystem. It will also integrate sustainable blue finance into broader climate and biodiversity finance so that it becomes second nature to invest into planetary health on land and at sea.

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<sup>10</sup> [The Ocean as a Solution to Climate Change: Updated Opportunities for Action - Ocean Panel](#)

<sup>11</sup> [Foreword - unlocking-growth-and-profit \(foleon.com\)](#)

<sup>12</sup> [WWF: Navigating Ocean Risk - Value at Risk in the Global Blue Economy](#)

## *It's about the "S" as well as the "E"*

But the shift to a sustainable blue economy will also promote social objectives. The OECD estimates that more than 3 billion people (the majority in developing countries) rely on the ocean for their livelihoods. It claims that expanding existing ocean-based sectors and investing in new sectors, such as offshore renewable energies and marine biotechnologies could significantly help developing countries boost energy, food, infrastructure and tackle challenges such as poverty and food insecurity. Further, many blue projects will affect the lives of local communities and indigenous populations. Operators of these projects will therefore need to consider the impact of projects on indigenous communities and include them in the planning and design phases – in other words they will need to adopt a full ecosystem approach.

## *Some practical issues*

It won't all be plain-sailing. The blue economy is an emerging sector and SDG 14 (Life Below Water) is the least funded of the SDGs. An estimated €147 billion per year globally is needed to achieve SDG 14: Life Below Water by 2030 (with €60-70 billion in the EU alone). To date, only €21 billion is available, and merely €4.2 billion comes from private investors. This leaves a funding gap of €126 billion still to be addressed<sup>13</sup>.

## *The role of public finance and blended finance*

Private investors will not be able to undertake such large-scale projects on their own so international and governmental effort will be instrumental in mobilising private capital. It is therefore encouraging that the final version of the global stocktake (GST), which served as the main agreement for COP28, referred to the importance of protecting and preserving the ocean and coastal ecosystems, and called for "ocean-based action." This will hopefully help drive more countries to include oceans as part of their nationally determined contributions (NDCs) going forward.

There are also some promising developments in the EU, with the European Commission declaring Sustainable Blue Economy as a core element of the European Green Deal in 2021. A strong political commitment to implement this initiative has already resulted in a raft of new regulations promoting green and digital transition and bolstering innovation in new clean tech products and services. These developments have made the EU a "spawning ground for innovative and profit-generating solutions and technologies that can help fight climate change and take the green transition to the next level".<sup>14</sup>

Many blue economy projects are small-scale and do not align with the ticket-size or returns-profile of institutional investors. Blended finance has a role to play in scaling up transaction size of these projects and adjusting the returns-profile. This involves public entities or foundations providing junior capital (or a "first-loss piece") with a view to catalysing investment from the private market. To the extent that this tranche of capital is committed to an investment vehicle along with more senior tranches, then there will be some complex legal issues to work through.

*"We need blended finance to manage investment risk and to unlock capital that would otherwise not have invested into the blue economy. Outrigger is using junior equity and guarantees to help catalyse over five times more private capital to deploy into the ocean."*

(Simon Dent, Outrigger Impact)

<sup>13</sup> [BlueInvest Investor Report 2023: An Ocean of Opportunities](#)

<sup>14</sup> Ibid.

## Assessing the true value of nature

Many market participants believe that it will be difficult for the blue economy to expand until we truly “price in” the cost of nature and thereby account for its real value. To embark on this journey, investors and managers can start thinking about the “ocean risk” of their portfolios and supply chains.

As revealed by the WWF Study, up to 66% of publicly listed companies are exposed to, and to some degree dependent upon, the healthy ocean. Current projections estimate that around \$8.4 trillion worth of assets and revenues are at risk in the coming 15 years as a result of the ocean degradation.<sup>15</sup> As would be expected, the sectors most affected by “ocean” risks – such as fisheries and coastal tourism – have the most to lose as a share of total sector value. Other growing sectors – such as the bioeconomy, ports and shipping, coastal real estate and infrastructure, and marine renewable energy – face indirect “ocean” risks, such as extreme weather events, flooding or soil erosion due to deforestation. It is therefore imperative that investors and asset owners consider and “price in” such risks in their asset valuations.

*“To understand the true value of natural capital requires recognising that nature is dynamic. Its inherent capacity to change, to evolve and adapt underpins its resilience, but earth’s history has seen multiple tipping points that have profoundly influenced the natural capital of our oxygen-rich blue planet. Global warming demonstrates that our demands of and impacts upon nature have an opportunity cost. It’s complexity means that we don’t have the means to fully account for the financial value of our impacts and dependence on nature, but we can see the consequent environmental, social, political and economic impacts have a real financial cost.”*

Annabel Nelson, Sustainability expert and Strategic Advisor to CDP on Financial Institutions

## Guidelines exist to assist with implementation

The Taskforce on Nature-related Financial Disclosures (TNFD), published in September 2023, sets out a risk management and disclosure framework for organisations to report and act on nature-related risks. Widespread adoption of the TNFD could see nature integrated into investment decisions. Although the TNFD is currently a voluntary framework, we expect that it will rapidly weave its way into normal business practices through policy and regulation. Many firms are already considering how to implement these standards and our practical [checklist](#) can assist with this.

Market participants should consider other available standards and frameworks that relate to blue economy investments:

- The Sustainable Blue Economy Finance Principles<sup>16</sup> provide a framework for banks, insurers and investors to finance the blue economy and promote SDG 14 (Life Below Water). They were developed by the European Commission, WWF, the World Resources Institute and the European Investment Bank and are hosted by the UNEPFI as part of the Sustainable Blue Economy Finance Initiative. Investors and managers should consider these when participating in blue investments.
- In addition, ICMA has issued guidance in relation to bonds to finance the blue economy. Although the guidance focuses on bonds, ICMA notes that it has application across other

<sup>15</sup> [WWF: Navigating Ocean Risk - Value at Risk in the Global Blue Economy](#)

<sup>16</sup> [The Sustainable Blue Economy Finance Principles | WWF](#)

debt instruments such as loans (although in the case of loans, the Green Loan Principles and Sustainability-linked Loan Principles should also be taken into account).<sup>17</sup>

### **Concluding remarks**

Although the blue economy is at an early stage, its trajectory for growth is upwards and the environmental case is virtually irrefutable. Simmons & Simmons can assist clients in navigating this multi-disciplinary and cross-sectoral theme through its expertise and broader blue economy network.



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<sup>17</sup> [Bonds to Finance the Sustainable Blue Economy, A Practitioner's Guide, September 2023](#)