UN Global Compact COP28 Input Paper

Ocean Finance

Dubai, UAE, 30 November–12 December 2023

What is COP and what's the role of non-state actors

The Conference of the Parties for Climate Change is convened under the multilateral process on climate change adopted in 1992, known as the United Nations Framework Convention on Climate Change (UNFCCC). In 2015, the historic adoption of the Paris Agreement set the ambition to limit global warming by 1.5 degrees above pre-industrial levels, review countries' commitments every five years and provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts. While the UNFCCC COPs are designed for governments to take stock of the climate crisis and decide the best actions to tackle it, they have also become a critical space where non-state actors can showcase their decarbonization pathways, their commitments to net-zero operations, and call for government policies. This is a direct reflection of the widely accepted fact that not one sector or single group alone can tackle the climate crisis - but rather that all stakeholders must take action and seek multilateral, public-private sector cooperation.

This year's climate COP, the 28th, will be hosted by the government of the United Arab Emirates, marking the halfway point between the historic Paris Agreement and the 2030 mark. The UAE COP28 Presidency will focus on the following: Mitigation, Food Systems, Adaptation, Climate Finance and Loss and Damage. Marking the conclusion of the first Global Stocktake, COP28 will be a pivotal moment for governments to negotiate their country's response to the stocktake findings, and agree on new pathways to meet the 1.5 degrees goal.

United Nations Global Compact's role as a special initiative of the United Nations

The United Nations Global Compact (UNGC) is the world's largest corporate sustainability and corporate social responsibility initiative. While voluntary action is critical, global standards, policies and regulations are required to get to the scale of action necessary to make meaningful progress towards net zero. UNGC's role at COP is to support and facilitate dialogue between governments and non-state actors, in partnership with UNFCCC.

UNGC Ocean work

The Ocean Stewardship Coalition convenes ocean-related industries, academic institutions, financial actors, governments and UN agencies, to deliver on the 2030 agenda for Sustainable Development - establishing guidances, courses, and standards, informing regulatory institutions and developing finance frameworks.

This paper is part of a series of Input Papers on key ocean topics, and can be shared with all interested stakeholders. For further information about the UN Global Compact Ocean's work, please reach out to ocean@unglobalcompact.org.

Financing the Sustainable Ocean Economy

Industry state of play

A healthy and resilient ocean is key for achieving the crucial climate and nature goals of 2030 and 2050, and plays a central role in fulfilling all 17 Sustainable Development Goals. Investing in thriving, sustainable ocean economies redirects funding away from potentially harmful activities to ocean-based solutions, tackling issues like rising sea levels, climate change, pollution, biodiversity loss, creating sustainable livelihoods, and ensuring large-scale safety. However, to effectively fund these solutions and cultivate sustainable ocean economies, it's instrumental to develop policies and financing mechanisms that foster private sector innovation and remove barriers to mainstream investment.

The growth of sustainable ocean economies will significantly depend on ocean industries and their financial value chains. As these economies expand and diversify, involving a wider range of sectoral actors, these industries and their financial networks will face various risks, but also encounter substantial opportunities. Their role is critical in steering the development of these sustainable ocean economies.[1]

Despite developments in the field of ocean finance over the last decade, the sustainable ocean economy finance gap is growing faster than overall investment. The UN has estimated that the world will need to spend between $3 trillion and $5 trillion annually (around 3% of global GDP) to meet the SDGs by 2030. SDG14 and the wider blue economy receive the least amount of private sector capital of all the SDGs. A paradigm shift is required to realign the global economy, by growing the *blue* economy to sustain ocean, community, and economic health.

Although government funding is valuable, especially in the early stages of riskier investments, it cannot support the scale of funding needed over the long term – for this, private sector funding is essential. However, private capital is not moving at the pace and scale needed in the ocean space. There are several barriers to attracting mainstream investment, which need to be addressed:

1. A lack of awareness and capacity around the opportunities for growing the blue economy.
2. The lack of common frameworks, metrics and data for key actors including governments, investors, corporations, and intermediaries.
3. A limited pipeline of investable deals.

[1] Ocean industries vary in nature of operation and function, and play different critical roles for climate and sustainability targets, all representing great investment futures; decarbonization, increased renewable capacity, sustainable seafood, nature positive output and hundred percent well managed oceans. The 2050 market value in a reinvested, sustainable and redistributed ocean economy has an estimated 5,5 trillion USD.

Breakthroughs and Targets

To achieve specific ocean-related climate targets, an estimated additional $1 trillion in finance is required by 2030, with a total of $2 trillion needed from 2030 to 2050. Leading up to the UN Ocean Conference 2025, our focus is on building the market and supporting the scale up of ocean investments.

The Ocean Stewardship Coalition's finance community of practice, which includes numerous public and private institutions, is working towards providing these tools along with greater clarity and standardization in the market to facilitate replicable deals that can serve as the building blocks for future investment in the blue theme.

The coalition has begun drafting an Ocean Investment Protocol which will serve as a reference point that guides investors, corporations, governments and development finance institutions to both drive and benefit from the rapid growth of sustainable ocean economies. By bringing together the different frameworks, standards, and tools that guide ocean investment today, this protocol will create greater cohesion and interlinkage across a currently disjointed investment environment.

Key Policy and Business Recommendations

Policy Recommendations

- **Governments can signal a commitment at the highest level to recognize ocean investment as a climate solution and align policies with the 1.5C target**. The public sector can incentivize integrated action on climate and nature, including mechanisms that provide clear incentives for investments that deliver Net Positive Impact (NPI), for example, using pre-qualification or tender criteria to reward conservation and sustainable value creation.
- **Set national Ocean Plans** that frame public and private activities for the development of a Sustainable Blue Economy across government portfolios.
- **Establish rules of the road to create business security to invest and reduce risk** (e.g. predictable policy environments on tax, trade and commerce, agreed-upon taxonomies and aligned support with DFIs- especially because the ocean is a commons, typically with no tenure rights). Investors and developers require consistency, certainty and legal clarity on what activities are supported by the government and what development objectives for ocean and coastal environments include. This includes phasing out subsidies that do not align with development strategies for SBE.

Business recommendations

- **Build sustainability into corporate governance**: Build a strategy that considers how social and environmental impacts and dependencies are governed within the company, and considered when seeking financing.
- **Understand and respond to company-specific impacts and dependencies on the ocean using best practice frameworks**: Key impact management frameworks in this respect include the TCFD and SBTI for climate-related disclosure and target-setting and the TNFD and SBTN for nature-related disclosure

and target-setting, alongside sectoral and specific guidance in the UN Global Compact Sustainable Ocean Principles.

❖ **Strive to link corporate finance with sustainable outcomes in the ocean economy:** Companies and CFOs can explore the use of sustainability-linked bonds and loans with ambitious but achievable sustainability KPIs, which will further mainstream finance for best industry practices in sustainability.

Key Documents for Reference:

General ocean-climate leadership documents

Global Stocktake / UNFCCC
UN HLCC Ocean Breakthroughs
UN Climate Change High-Level Champions
COP 28 UAE Website
IPCC report
UNGC Sustainable Ocean Principles
Ocean-Climate Tracker Report - WRI / HLCs

Sector-Specific Resources for Ocean Finance

Global Practitioner's Guide for Bonds to Finance the Sustainable Ocean Economy
UNEP FI Sustainable Blue Economy Finance Principles and Initiative
Cartagena Call to Deliver Positive Action for the Ocean
High Level Panel on the Sustainable Ocean Economy