INTRODUCTION

Climate Fund Managers (CFM) is a climate-focused investment manager with the mandate of contributing towards mitigating and building resilience to climate change in the areas most affected by its consequences. CFM uses blended finance structuring to attract public and private capital to invest in climate-themed sectors spanning renewable energy, water, sanitation, and ocean infrastructure through finance vehicles Climate Investor One (CIO) and Climate Investor Two (CI2).

In 2020, CFM became a signatory of the Sustainable Blue Economy Finance Principles of the United Nations Environment Programme Finance Initiative (UNEP FI) (“the Principles”). Becoming a signatory was a natural step in reaffirming CFM’s commitment to protect the world’s oceans and marine resources.

CFM has integrated the Principles into its internal investment process and all projects relevant to the blue economy undergo evaluation against them. An Impact Screening tool has been developed which incorporates relevant criteria from the “Turning the Tide”1 publication to screen all relevant blue economy projects. Using this tool ensures that investments align with the Principles and the recommended exclusions.

CASE STUDY: OCEANS FINANCE COMPANY (OFC)

CFM’s marine ecosystem venture Oceans Finance Company (OFC) uses blended finance to support the protection and preservation of coastal and marine ecosystems, fish stocks improvements, biodiversity conservation and reduction of atmospheric concentrations of carbon dioxide. The Principles have been adopted by OFC and are incorporated into its corporate sustainability management system.

The initial major undertaking of OFC involves a debt-for-climate conversion that will protect one of the planet’s most important ecosystems: a new 60,000 km² marine protected area (MPA) located in the Galápagos Islands off the coast of Ecuador (‘the Hermandad MPA’ or ‘the Project’). The Galapagos conversion, which is the largest in history, will provide vital protection for marine life whilst also promoting sustainable fishing and tourism, enhancing ecosystem richness, and building resilience to climate change.

Extending to the Cocos Islands, the HMR also provides a safe corridor along a key migratory route for endangered marine species including the Scalloped Hammerhead shark, Oceanic Manta Ray, Blue Whale and several species of marine turtle that move between Ecuador, Colombia and Costa Rica.

The Project supports a number of the Principles through strictly applying the criteria outlined in the Guide, as follows on the second page.

1 UNEP FI, March 2021, Turning the tide: How to finance a sustainable ocean recovery.
Principle 1: Protective
In support of OFC’s mandate, the Hermandad MPA has been financed to protect a marine ecosystem of global importance.

Principle 2: Compliant
The Hermandad MPA complies with local/national legislation and has been designed to be operated in accordance with international best practices including the IFC Performance Standards, the IUCN Global Standards for MPAs, and the UNEP FI Blue Economy Finance Principles. Systems and processes will be established to ensure compliance is maintained on an ongoing basis.

Principle 3: Risk-aware
All positive and negative risks and impacts of the Hermandad MPA were evaluated through an IFC PS-compliant Environmental and Social Impact Assessment (ESIA), and mitigation measures have been included in the project’s management plans. The project is guided by robust governance and risk management practices which will be implemented by the Galapagos Life Fund which is the body appointed to manage the funding on behalf of the investors.

Principle 4: Systemic
The project is guided by robust E&S impact assessment, which take into account the potential impacts of MPA activities on the environment and local communities. The Project minimizes negative impacts and maximizes positive impacts of MPA management.

Principle 5: Inclusive
Respect for human rights and the cultural values of local communities are central to Project design and management. Gender sensitive stakeholder engagement has been undertaken with local communities, indigenous groups, and other relevant actors. A local gender analysis will be undertaken to inform the preparation of an action plan in order to mainstream consideration of women and girls in the ongoing management of the Hermandad MPA. The Project recognizes the need for collaboration with local communities and stakeholders and their knowledge and perspectives will be factored into ongoing project decision making through stakeholder engagement in line with its stakeholder engagement plan.

Principle 7: Transparent
Transparent reporting obligations have been established, requiring the Galapagos Life Fund to report to investors on Project progress and impacts, throughout its lifetime. In turn, the investors will publicly disclose information to provide insights into the progress and performance of the project.

Principle 9: Impactful
The creation of the Hermandad MPA goes beyond avoidance or mitigation of harm and aims to deliver a net positive social and environmental impact. This will be achieved in line with the Project’s conservation commitments and the requirement to establish a community development programme to deliver local benefits to project-affected communities. The impact of the Project will be measured and monitored in accordance with a defined theory of change and via a monitoring and evaluation framework.

CONCLUDING REMARKS
The Principles provide a structured approach to managing risk and a means by which the concept of a sustainable blue economy can be meaningfully articulated. CFM is committed to promoting the Principles in the investments that it manages in order to drive global efforts for ocean restoration and protection.