Building a Sustainable Blue Economy

UNEP FI SBE Annual Report

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Introduction

Climate Fund Managers (CFM) is a climate-focused investment manager dedicated to mitigating and building resilience to climate change. Through a blended finance structure, CFM attracts public and private capital to invest in renewable energy, water, sanitation, and ocean infrastructure via Climate Investor One (CIO) and Climate Investor Two (CI2).

Since becoming a signatory of the UNEP FI Sustainable Blue Economy Finance Principles in 2020, CFM has embedded these Principles into its investment processes. The Impact Screening tool, utilising criteria from UNEP FI's 'Turning the Tide' publication, ensures alignment with these Principles and adherence to recommended exclusions.

This report provides an update on progress over the past year, highlighting ongoing efforts, integration of the Principles into projects, and the initiatives undertaken.

Case Study: Oceans Finance Company (OFC)

CFM's marine ecosystem venture Oceans Finance Company (OFC) has incorporated the Principles into its corporate Sustainability Management System (SMS) and all projects it supports or funds. OFC is the Project Manager for the largest debt-for-climate conversion taken place to date ("the Project"). Conservation funding made available through the Project will be directed to grantees via a Conservation Trust Fund in an effort to strengthen management, monitoring, and enforcement of a new marine protected area (MPA) located adjacent to the Galápagos Islands, off the coast of Ecuador, known as the Hermandad Marine Reserve (HMR), as well as the Galápagos Marine Reserve (GMR). The funding will be used to promote sustainable fishing and tourism in the reserves, enhance ecosystem richness, and build resilience to climate change.

Through a complementary structure using CI2 funds, OFC provides additional funding to support conservation activities in the Project area, which will enhance long-lasting social and economic benefits; restore, protect and maintain diverse, productive and resilient ecosystems; and tackle plastic pollution to support a sustainable blue economy. A community needs assessment is being undertaken to identify the needs and opportunities of the communities impacted by the establishment of HMR, focusing on improving their livelihoods and development. OFC will work with local implementation partners to address the identified needs and opportunities, whilst promoting the Principles throughout the initiatives.

OFC supports a number of the Principles through its project in Ecuador as demonstrated in the table below:

Principles	Descriptions
Principle 1: Protective	The HMR has been financed to protect a marine ecosystem of global importance. OFCs complementary initiatives will provide additional support to protect and enhance the overall health of marine ecosystems, as well as the livelihoods of the communities dependent upon them.
Principle 2: Compliant	The Conservation Trust Fund has established an Environmental and Social Management System (ESMS) aligned with local/ national legislation and international best practices including the IFC Performance Standards, the IUCN Global Standards for MPAs, and the UNEP FI Blue Economy Finance Principles. Grantees will be required to align with the requirements of this ESMS.
Principle 3: Risk-aware	The Conservation Trust Funds' ESMS provides a robust governance and risk management framework, as well as a risk register of its activities and those of grantees.
Principle 4: Inclusive	Inclusive, effective stakeholder engagement is core to the success of the Project. The Conservation Trust Fund recognises the need for collaboration with local communities and stakeholders and their knowledge and perspectives will be factored into ongoing project decision making through effective engagement in line with its stakeholder engagement plan.
Principle 5: Transparent	Transparent reporting obligations have been established, requiring the Conservation Trust 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 6: Impactful	A social impact assessment is ongoing and will be supported by a Livelihood Restoration Plan to provide impacted artisanal fishers with adequate opportunity to re-establish their livelihoods. The initiatives to be funded by OFC will deliver a net positive social and environmental impact. The outcome of the community needs assessment will inform a community development programme.
Principle 7: Precautionary	All funded initiatives, whether via the Conservation Trust Fund or OFC directly, will be required to assess environmental and social risks and impacts associated with their activities. Exclusion Lists based on best international standards (e.g. UNEP FI SBE Turning the tide: Recommended exclusions) have been established and such activities will not be supported.
Principle 8: Diversified	Conservation funding is directed at a diverse range of organisations from small scale grassroot environmental or social non-governmental organisations (NGOs), to larger scale implementation partners with an emphasis on the need for local capacity building.
Principle 9: Partnering	Through partnerships with local organisations, OFC seeks to enhance the delivery of its goals set to achieve a sustainable blue economy. For example, OFC has established a strategic 16-year partnership with the Charles Darwin Foundation aimed at advancing crucial long-term conservation initiatives.
Principle 10: Science-led	To fully understand the climate mitigation and adaptation outcomes of the Project, an impact measurement, reporting and verification programme for the HMR is being established. This is reliant on good scientific data which will be collected through ecological and oceanographic surveys guided by regional scientific experts.

Concluding Remarks

Over the past year, CFM has made significant strides in embedding the Sustainable Blue Economy Finance Principles. The successful management of the HMR and the GMR highlights CFM's commitment to protecting marine ecosystems and promoting sustainable development.

Through strategic partnerships and innovative financing, CFM has advanced conservation initiatives that benefit both the environment and local communities. Looking ahead, CFM remains dedicated to driving positive change within the blue economy, fostering transparency, governance, and inclusive engagement to create lasting impacts.