IUCN BBNJ Policy Brief

Innovative High Seas Finance Mechanisms

for the future instrument under the United Nations Convention on the Law of the Sea on the conservation and sustainable use of marine biological diversity of areas beyond national jurisdiction (BBNJ)

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Government Offices of Sweden
Ministry of the Environment and Energy

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High time for Innovative High Seas Finance

The conservation and sustainable use of marine biological diversity in the ocean beyond national jurisdiction, as described under the IUCN WCC-2020-Res-128[1], require expeditious identification, establishment and management of an ecologically representative, well-connected, well-managed network of effective Marine Protected Areas (MPAs), including a substantial portion of which are highly and fully protected, and other area-based management tools (ABMT). Fully including such protection of the High Seas will be required if we are to meet the global target of protecting at least 30% of the ocean[2] as part of a healthy interconnected seascape that mitigates the impacts of ocean use, as being discussed under the United Nations Convention on Biological Diversity (CBD)'s Post-2020 Biodiversity Framework.

Studies[3] are indeed suggesting vast benefits of such measures, provided they are underpinned by an effective financial support and a robust, equitable, flexible and multi-pronged mechanism for financing implementation. The cost of inaction would far exceed the costs of establishing such a mechanism[4,5].

An upfront financial commitment to help deliver BBNJ ambition

This policy brief suggests that we can be bold, visionary and pragmatic[6] by complementing the finance approach suggested under Article 52.3 of the BBNJ further revised draft text with a dedicated upfront funding commitment. This will allow to deliver the promise made by the High Ambition Coalition on Biodiversity beyond National Jurisdiction[7], which is to "recognize the contribution of such BBNJ Treaty to the protection by 2030 of at least 30% of the Ocean and seas through an ecologically representative, well connected network including of highly, and fully protected marine areas and area-based management tools."

Art.52.3. of the BBNJ further revised draft text[8] now states:
The mechanism shall include:
[…]
(b) A special fund established by the Conference of the Parties that shall be funded through assessed contributions from Parties […] and open to additional contributions from Parties and private entities wishing to provide financial resources […]

1 https://portals.iucn.org/library/sites/library/files/resrecfiles/WCC_2020_RES_128_EN.pdf

2 Pew. (2021). The Drive to Protect 30% of the Ocean by 2030. Article. https://www.pewtrusts.org/en/research-and-analysis/articles/2021/01/27/the-drive-to-protect-30-percent-of-the- ocean-by-2030

3 https://wedocs.unep.org/bitstream/handle/20.500.11822/40275/MPA_Finance.pdf?sequence=3&isAllowed=y

4 https://portals.iucn.org/library/sites/library/files/resrecfiles/WCC_2020_RES_128_EN.pdf

5 https://www.iucn.org/news/marine-and-polar/202203/iucn-closing-statement-un-igc4-biodiversity-beyond-national-jurisdiction-agreement

6 https://www.iucn.org/sites/default/files/2022-07/iucn_abmt_2021_-_report.pdf

7 https://oceans-and-fisheries.ec.europa.eu/ocean/international-ocean-governance/protecting-ocean-time-action_en

8 Note of the President of A/CONF.232/2022/5 1 June 2022, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/368/56/PDF/N2236856.pdf?OpenElement

IUCN has proposed[9] that such a special fund also requires an **appropriate institutional mechanism**, and supports a public-private partnership approach, coordinated by a **Standing Committee on Finance** under the BBNJ COP.

Delivering a New Blue Deal for the Sustainable Development Goal (SDG) 14 in the High Seas[10] requires an early upfront investment to set a path to benefits and potential future revenue streams. The proposed partnership approach would allow for effective implementation from an early stage and would help to transition to a stable BBNJ funding model over time. An Ocean Sustainability Bank[11] can provide integrative financing tools to effectively address the ocean finance gap not only for BBNJ but throughout the global ocean, helping to deliver SDG14 and a sustainable blue economy for a new blue deal that addresses ocean, climate and biodiversity challenges in a **just** transition based on principles of equity, informed decision-making, shared responsibility and accountability.

Investing US$500million into robust BBNJ implementation

Effective BBNJ conservation measures rely on a range of inputs, including a process of scientific assessment and identification of areas, baseline research and discussion. Proposals will need to be taken through the BBNJ ABMT designation process, with comprehensive stakeholder engagement, in particular from relevant sectoral and regional bodies ("SRBs")[12]. Once measures have been adopted, areas need to be monitored, both for potential infractions and to deliver appropriate dynamic ecosystem management. A robust system will require both physical (sensors, satellites, etc.) and institutional (staff, data, reporting, etc.) infrastructure, with capacity building throughout[13].

Whilst the total cost of establishment and operations of such measures will be significant[14], the proposed BBNJ Agreement assumes that a significant part of the cost will be covered by State Parties, either directly, or through capacity-building support funded through assessed contributions to the special fund, or through memberships in SRBs which will implement such measures[15].

This policy brief focusses on measures that need to be immediately started, including prior to ratification of the Agreement, such as efforts of States and scientists in developing ABMT proposals, capacity building in developing countries[16] to allow for full participation in this process including through civil society, and innovative measurement, reporting and verification (MRV) solutions[17]. Research[18] has identified initial areas covering 6% of the High Seas that could serve as initial pilots. For example, the Sargasso Sea[19] offer insights into approaches and management options[20], including a thorough budgeting process.

9 See IUCN textual suggestions for IGC5 on https://www.iucn.org/story/202207/iucn-gearing-igc5

10 https://yalebooks.co.uk/page/detail/?k=9780300259742

11 https://www.globaloceantrust.de/_files/ugd/06cc3d_c40bc4181a2e4279a378eda7ac858377.pdf

12 See revised ABMTs flowchart prepared by BBNJ President Rena Lee in August 2022

13 https://www.globaloceantrust.de/_files/ugd/06cc3d_c40bc4181a2e4279a378eda7ac858377.pdf

14 See upcoming study prepared for the Blue Nature Alliance

15 See full overview in document entitled „Informal Information: Ocean Financing" prepared by BBNJ President Rena Lee in August 2022

16 Gill, D. A., M. B. Mascia, G. N. Ahmadia, et al (2017), 'Capacity Shortfalls Hinder the Performance of Marine Protected Areas Globally', Nature, 543(7647), 665– 669.

17 Example: https://www.skylight.global

18 The Pew Charitable Trusts, 'A Path to Creating the First Generation of High Seas Protected Areas' (Report, 31 March 2020)

19 Freestone, D. (2021). The sargasso sea commission: an evolving new paradigm for high seas ecosystem governance? Front. Mar. Sci. 8:659. doi: 10.3389/fmars.2021.668253

20 Maxwell, S.M., Gjerde, K.M., Conners, M.G. & L.B.Crowder (2020) Mobile protected areas for biodiversity on the high seas. Science Vol 367, Issue 6475

Multiple potential future revenue streams

Effective and rapid protection of High Seas biodiversity delivers significant economic value in the form of ecosystem services far in excess of cost. This blue natural capital value, from fish nurseries to blue carbon[21] to ecosystem resilience, is increasingly being captured in ocean accounts[22]. The value at risk from exploitation of the ocean is significant[23].

Public budget allocations, tourism fees, and donor-supported conservation trust funds are commonly employed financial mechanisms for marine protection. The Seychelles, for example, designated 30% of its territorial waters as MPAs, supported by donors, and are bridging the financing gap and engaging local stakeholders in ocean conservation[24].

Improved regulation, abolition of destructive subsidies and appropriate pricing of carbon can help to deliver better ocean outcomes. BBNJ implementation by 2030 needs to be robust and based on delivering connectivity, thus providing network effects. This would accelerate the channeling of additional private sector financial contributions.

Potential sources of direct payment streams to BBNJ management may include:

- **Access fees**, for instance from those entering protected areas (similar to those presently charged for instance to divers in national MPAs);
- **User fees**, including from those that directly rely on BBNJ data infrastructure, for example where operational benefits can be delivered such as optimal routing;
- **Royalties on revenues from conservation and restoration activities** (where a private entity is contracted to deliver services and delivers incremental value);
- **Sale of allocations of benefits of ecosystem services**, such as potentially around blue carbon; and
- **Taxation of sustainable activities** that take place in marine Areas Beyond National Jurisdiction (ABNJ).

Conserving 30% of global ocean in Marine Protected Areas could create 1 million jobs, sustain fish catch worth US$70–80 billion/year and provide ecosystem services with a gross value of roughly US$4.5–6.7 trillion/year[25]. Given the scale of the benefits not just economically but for society as a whole, more value is lost annually by any further delay in adequate protection than is likely to be recouped through financial flows later on.

The approach proposed here of an early, defined upfront investment not only helps to protect this value immediately, it also provides time to flexibly assess, through the Standing Committee on Finance under the BBNJ COP, if, how and when additional funding streams should be integrated into the BBNJ architecture.

Partnerships for BBNJ Progress

The new language in the further revised draft text on additional contributions from Parties and private entities[26] provides an entry point for innovative financing partnerships[27]

21 Bertram, C., Quaas, M., Reusch, B.H. et al., (2020) The blue carbon wealth of nations. Nature Climate Change

22 https://www.oceanaccounts.org/tag/ocean-accounts/

23 https://wwfint.awsassets.panda.org/downloads/embargoed_navigating_ocean_risk_value_at_risk_in_the_global_blue_economy_oct21.pdf

24 https://seyccat.org/seyccat-secures-US$4.7-million-from-international-donors-for-sustainable-management-of-new-mpas/

25 UNEP-WCMC and IUCN. (2016). Protected planet report 2016. UNEP WCMC and IUCN: Cambridge UK and Gland, Switzerland.

26 Note of the President of A/CONF.232/2022/5 1 June 2022, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/368/56/PDF/N2236856.pdf?OpenElement

27 Thiele, T. & Gerber, L.R. (2017) Innovative financing for the High Seas. Aquatic Conserv: Mar Freshw Ecosyst.; 27(S1):89–99. https://doi.org/10.1002/aqc.2794

based on an ecosystem approach[28]. Pro-actively engaging a wider range of partners and stakeholders can deliver results without overburdening institutional arrangements[29] and allow to work complementarily to ensure effective implementation. Similarly to the innovative financing used by the Global Alliance for Vaccines and Immunisation (Gavi)[30], such a BBNJ multi-stakeholder coalition, gathering finance, tech, conservation, philanthropies and governments actors, could not only contribute funding, ideas and skills, it could also use formats such as advanced market commitments (AMC), matching funds[31], and High Seas blue bonds secured on guaranteed payments.

Technologies such as remote sensing via satellites, subsea devices such as buoys and SMART subsea cables[32] and eDNA analysis represent multiple mechanisms to monitor the High Seas, collect important data, enforce protected areas and deliver sea basin approaches to integrated observing systems[33]. Such tools can be used to help analyse future climate change impacts[34] which if not taken into account could limit the effectiveness of ABMTs[35]. By engaging relevant organisations directly in the partnership, agreeing on joint development and providing long-term funding commitments for specific use cases, these approaches can be rapidly deployed, scaled and de-risked.

As mentionned above this work needs to commence ahead of the BBNJ Agreement ratification[36] and require support of a "coalition of the willing", similar to the concept of climate clubs as proposed by the German G7[37]. Different organisations can play a role in facilitating such partnerships. IUCN for instance is well-suited to coordinate work around ABMT standards and design, and could therefore be tasked with managing specific finance- related functions.

The role for an Ocean Sustainability Bank

The proposed partnership structure for BBNJ could be effectively supported through a dedicated multilateral ocean finance institution, such as the proposed Ocean Sustainability Bank. Just as the UN climate finance process gained traction through the creation of the Green Climate Fund[38], sustainable ocean finance needs an effective, well-resourced funding institution. The upcoming 27th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) offers the best chance to secure significant new global commitments to large-scale ocean finance for climate funding, based on the G7 Ocean Deal[39]. This is key to address financing gaps[40] identified in the UNFCCC US$100 billion Delivery Plan[41].

28 O'Leary, B.C. et al (2020) Options for managing human threats to high seas biodiversity. Ocean and Coastal Management 187: 105110

29 Clark, NA (2020) Institutional arrangements for the new BBNJ agreement: Moving beyond global, regional, and hybrid. Mar Pol 122:104143. doi: 10.1016/j.marpol.2020.104143

30 https://www.gavi.org/investing-gavi/innovative-financing

31 For the use of AMC in other sectors see eg https://www.gavi.org/investing-gavi/innovative-financing

32 Howe, BM et al (2022) SMART Subsea Cables for Observing the Earth and Ocean, Mitigating Environmental Hazards, and Supporting the Blue Economy. Review, Front. Earth Sci. https://doi.org/10.3389/feart.2021.775544

33 deYoung, B., Visbeck, M., de Araujo Filho, M.C. et al (2019) An Integrated All-Atlantic Ocean Observing System in 2030. Front. Mar. Sci. 6:428. doi: 10.3389/fmars.2019.00428

34 Visalli, M.E. et al. (2020) Data-driven approach for highlighting priority areas for protection in marine areas beyond national jurisdiction Marine PolicyVolume 122, 103927

35 Johnson, D., Ferreira, M.A., Kenchington, E. (2018) Climate change is likely to severely limit the effectiveness of deep-sea ABMTs in the North Atlantic, Mar Pol 87: 111-122

36 Gjerde, K.M. et al (2022) Getting Beyond Yes: Fast-tracking Implementation of the United Nations Agreement for Marine Biodiversity Beyond National Jurisdiction submitted to: npj Ocean Sustainability

37 https://www.g7germany.de/resource/blob/974430/2057926/2a7cd9f10213a481924492942dd660a1/2022-06-28-g7-climate-club-data.pdf

38 The Green Climate Fund: https://www.greenclimate.fund

39 De Sanctis, C., Lamy, P., Letta, E., Pons, G., Pons, J.F., Mueller, M., Sack, K., Teleki, K., Thiele, T., Waite, A.M. (2022) Delivering a Sea - Change: A G7 Ocean Finance Deal. ORRAA/ Europe Jacques Delors G7 Policy Brief https://www.europejacquesdelors.eu/publications/europe-jacques-delors-institute--orraa-launch-report

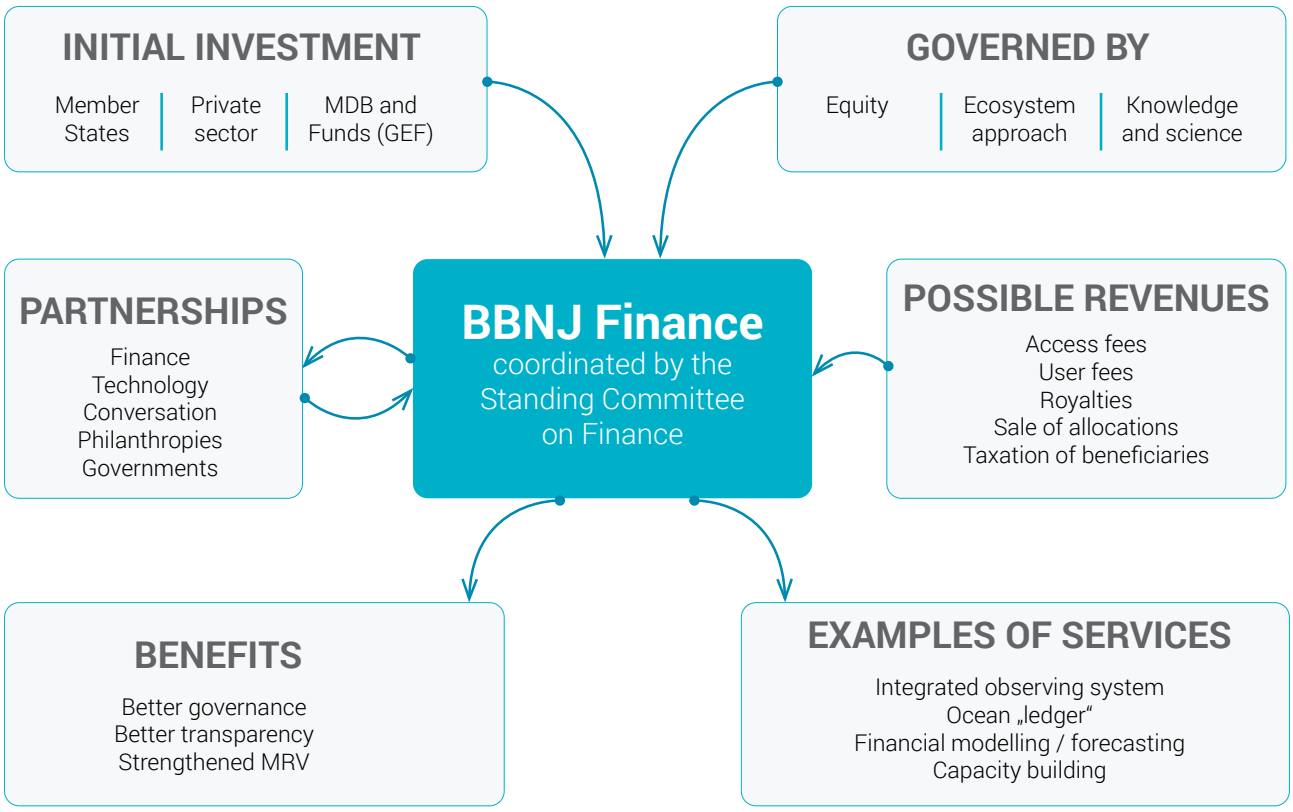
40 https://www.oecd.org/climate-change/finance-usd-100-billion-goal/aggregate-trends-of-climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2020.pdf

41 Delivery Plan on the US$100 billion goal presented by Canada and Germany to UNFCCC COP26

This policy brief argues that this opportunity should not be missed. An important component for the new institution could be to address the financing challenges of the High Seas, as well as delivering ocean project finance to support coastal resilience solutions and blue infrastructure[42]. Today's investment in physical, natural and knowledge capital to facilitate the conservation and restoration of ecosystems[43] is limited, in particular in the marine space[44]. Development banks have a key role to play in future ocean finance as they have been spending more than US$2 trillion per year[45] overall, are already working on common standards and have access to low cost, long term finance through capital markets.

This policy brief argues that a new institution can help to develop, in cooperation with existing development finance institutions and the private finance sector, large-scale blended finance approaches, act as a knowledge hub and agent of change[46]. It recalls the approach taken with the launch of the European Bank for Reconstruction and Development (EBRD)[47] and multiple institutions have since emerged with different regional and sectoral focuses. Multilateralism remains key to unlocking the response for a new financial, societal and economic architecture[48]. An early commitment to significant ocean finance investment will play an important role in helping to conclude an effective BBNJ Agreement.

Schematic representation of the proposed innovative High Seas finance mechanisms



42 Thiele, T. et al. (2021). "MDB Engagement: Mainstreaming Blue Nature-based Solutions into Infrastructure Finance" . Report by Silvestrum Climate Associates

43 Duarte, C. M., S. Agusti, E. Barbier, G. L. et al. (2020), 'Rebuilding Marine Life', Nature, 580(7801), 39–51.

44 Sumaila, U.R. et al (2021) Financing a sustainable ocean economy. Nature Comms https://www.nature.com/articles/s41467-021-23168-y.pdf

45 AFD (Agence Française de Développement). (2020). "Booklet Finance in Common Summit." Paris: AFD

46 Thiele, T. (2015). Accelerating Impact, The Promise of Blue Finance Cornerst JoSFB, Accelerating Impact, The Promise of Blue Finance Cornerst JoSFB 2015

47 https://www.ebrd.com/who-we-are/history-of-the-ebrd.html

48 https://www3.weforum.org/docs/WEF_A_New_Era_for_Investment_Finance_and_Internationalism_2022.pdf

For more information, visit
https://www.iucn.org/story/202207/iucn-gearing-igc5

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