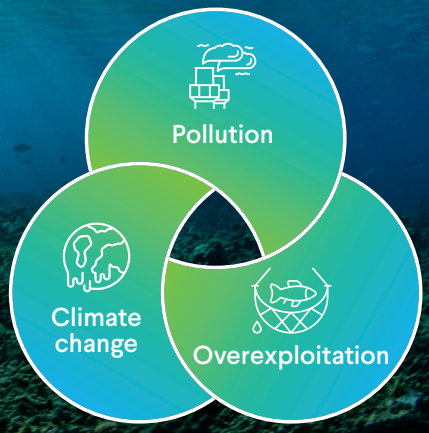
HYMANS ROBERTSON

Why Oceans and Marine Biodiversity Matter

Executive Summary



The ocean economy

The ocean covers 70% of the planet's surface, holding 97% of all water and 80% of the world's biodiversity. The ocean is critical to life on earth as we know it and plays a vital role in regulating the climate.

A healthy ocean is a powerful economic engine supporting many sectors. The ocean or 'blue economy' comprises economic activities including marine renewable energy, shipping, tourism, fishing, aquaculture and blue technology. The annual economic value of the blue economy is estimated at $2.5 trillion, ranking oceans as the equivalent of the seventh-largest economy by GDP, with ocean assets conservatively estimated at $24 trillion.

A sustainable and growing blue economy can provide investment opportunities and a significant environmental return. For example, mangroves and coastal wetland can store 3–5 times more carbon than an equivalent-sized tropical rainforest. It's been estimated that a cost of $2 trillion can deliver over $10 trillion in a host of economic, environmental and health benefits.

Threats to ocean health

The health of the ocean is, however, under severe threat. The three biggest pressures come from pollution, the overexploitation of marine biodiversity and climate change. These key issues are leaving industries, businesses and people's livelihoods – the whole of the blue economy – at risk.

Awareness of the role and importance of the oceans in combating the climate and biodiversity crises remains stubbornly low in the global investment industry. The growing interest from business and investors in sustainability must not leave the ocean and marine biodiversity behind.

Pollution is an increasing threat, particularly from plastics (including microplastics) and chemical pollution.

- 11 million tonnes of plastic enter the ocean every year.
- In a week in the UK, 9 trillion fibres find their way into the environment.
- Over 80% of marine pollution is due to land-based business activities.

Overexploitation has the biggest impact on marine biodiversity, with unsustainable and often illegal practices harming the ocean.

- 34% of fish stocks are currently overfished.
- Over 40% of fish catch worldwide is caught unintentionally and thrown back.
- 90% of mangrove and seagrass species are threatened by extinction.

Climate change is causing rises in surface sea temperatures and ocean acidification, with potentially devastating impacts on marine life.

- The ocean absorbs 30% of all human carbon dioxide emissions and 90% of the heat generated from these emissions.
- Marine biodiversity provides over 50% of the oxygen we breathe.

Actions for investors

Investors looking to protect marine biodiversity can focus on the three key threats to ocean health:
1. Pollution; 2. Overexploitation; and 3. Climate change

Taking a step back, what actions can asset owners take to make a positive difference and tackle the marine biodiversity crisis?

Education and engagement

- Understand the importance of the ocean and marine biodiversity, including how to tackle each key theme: pollution, overexploitation, climate change and marine protected areas
- Raise awareness of these key issues and how investment choices can lead to positive change
- Engage with investment managers and portfolio companies on marine biodiversity to limit harmful impacts and understand portfolio dependencies on the ocean
- Use voting power, where possible, to encourage conservation and sustainable business practices

Risk management

- Use biodiversity data/metrics to understand the impacts and dependencies of asset portfolios on marine biodiversity (by following the TNFD's guidance and LEAP framework)
- Implement negative screening processes that exclude companies involved in harmful activities such as overfishing, destructive exploitation practices or pollution
- Prioritise investments in companies that emphasise transparency and traceability in their supply chains to ensure sustainable sourcing

Collaboration and policy

- Collaborate with other parties (investors, NGOs and academia) to improve the understanding of key issues and join initiatives to protect the marine environment, including the enforcement of designated MPAs
- Work with others to encourage policymakers to protect marine biodiversity by removing harmful subsidies and addressing key drivers of loss such as pollution and overfishing

Opportunities and innovation

- Actively seek out and invest in companies that prioritise marine conservation
- Support and invest in companies that follow sustainable fishing practices, such as those certified by the Marine Stewardship Council
- Promote innovation, including opportunities to invest in technologies to reduce the environmental impact of marine-related industries (eg sustainable aquacultures, plastic capture, pollution reduction, marine carbon capture)
- Consider investment funds and strategies that explicitly aim to have a positive impact on the marine environment (eg blue bonds or new marine technology)

Please get in touch if you'd like to discuss how to address marine biodiversity issues in your asset portfolio.

If you want to find out more, you can read the full publication here.

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