The 'blue economy': ensuring the sustainable management of our marine and freshwater environment

Environmental, social and governance (ESG) expert My-Linh Ngo, BlueBay Head of ESG Investment & Portfolio Manager, RBC BlueBay Asset Management discusses the importance of the blue economy in building a sustainable future through public debt markets.



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In recent years, much attention has been placed on addressing deforestation, which drives climate change, biodiversity loss and natural resource degradation. While important, we believe attention and action also needs to be directed towards our marine and freshwater ecosystems which span oceans, seas, coasts, and freshwater resources such as lakes and rivers.

The 'blue economy' The 'blue economy' is a term which has emerged in recent years to describe the sustainable use of ocean and freshwater resources for economic growth, improved livelihoods and jobs, while preserving the health of these ecosystems. We believe that sustainable freshwater and marine management is critical in playing a key role in maintaining a stable climate. According to a study published by NOAA (National Oceanic and Atmospheric Administration) the ocean acts as a 'carbon sink' and absorbs about 31% of the CO2 emissions released into the atmosphere.

Our 'blue' history

In 2020, BlueBay selected the Blue Marine Foundation (Blue Marine) as one of our corporate charity partners. Blue Marine is dedicated to restoring the ocean to health by addressing overfishing and supporting the global campaign calling on the protection of at least 30% of the ocean by 2030. Our donations have helped set up BLUE Economics, a specialist team within Blue Marine which is quantifying the true value of the blue economy, the cost of overfishing and developing new ways of directing capital at scale towards ocean protection and restoration.

Investing in the blue economy Investing in the blue economy is an area that features within our planet theme, 'enabling a circular economy.' To date the investable opportunities have been limited in terms of the issuers that would qualify. However, we believe the emergence of the ESG-labelled bond market presents a potentially important opportunity for fixed income investors to uniquely support corporates and sovereigns,



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supranationals and agencies (SSAs), where so called 'blue bonds' could channel capital to such purposes.

Building momentum

Continuing to engage and work with organisations and initiatives like Blue Marine, alongside others, will be important in building the momentum and action on protecting our oceans and ensuring economic and social prosperity. Nature and biodiversity are now firmly on the agenda. The recognition of nature and biodiversity as systemic risks and their interconnectedness to climate change saw this become the breakthrough ESG theme of 2022.

Long-term investment returns In 2023, we expect to see companies, financial institutions and governments talk more – and take more steps – on nature and biodiversity. We believe that ESG considerations continue to be an important driver of long-term investment returns from both a risk mitigation and opportunity perspective. Beyond this primary driver, incorporating ESG into investment practice may have the ancillary benefit of contributing to safeguarding our common future.



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