



# Financing the EU & Baltic Blue Economy

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*With thanks to Martin Poulsen, Acacia Sustainable Business Consulting*



# About Us

- **Non-profit** financial research & advisory for healthy oceans
- **Investment Advice** on all Blue Economy sectors
- **Engagement** with financiers to speed transition to sustainability

2018



**EC Blue Economy Investment Platform:**

Evaluated 500 SMEs for EC financing  
Details on 90... Final Selection: 35  
Study for Blue Umbrella Fund  
Presented to multiple investor forums  
Built relationships with maritime hubs

2019



**Pacific Ocean Finance Program:**

Funded by World Bank & GEF  
Bond Finance for 11 Pacific SIDS  
Regional Blue Economy Study  
Global Green Bond Study  
Propose 3 Bond Options

2019+



**Advisor to top shipping financier  
Marine Capital Ltd:**

**European Maritime Impact Fund** for  
EU companies supplying greentech  
solutions to shipowners & ports for  
reduced emissions & waste mgt.

2017-Now



**Marine Assets Committee**

Green Bond Standards  
*for Maritime Issuers to global market*  
Combine Science & Industry inputs  
Access to mainstream finance  
Now: Shipping & Ports

# **Part I:**

# **EC Blue Economy Investment Platform**

# Blue Economy Investment Platform:

## Phase 1 - 2018

- **Market Study:** EU Blue Economy Trends, Stakeholders, Financing Gaps
- **600 Projects** Evaluated, All Maritime Sectors, All EU Members
- **100 Passed** Our Sustainability & Financial Criteria
- **35 Selected** for consideration by EIF & EIB
- **6 Pitch Events:** SMEs to Investors across EU. *Also active in many other investment forums*
- **Study for Umbrella Fund** to catalyse private investment in EU Blue Economy SMEs
- **Success:** *Blue Investment Case concurred by EIF, EIB & Private Investors*

### Eligibility Criteria

- ☐ Contribute to blue economy?
- ☐ Sustainable best practice?
- ☐ Innovative product/approach?
- ☐ Ready for business?

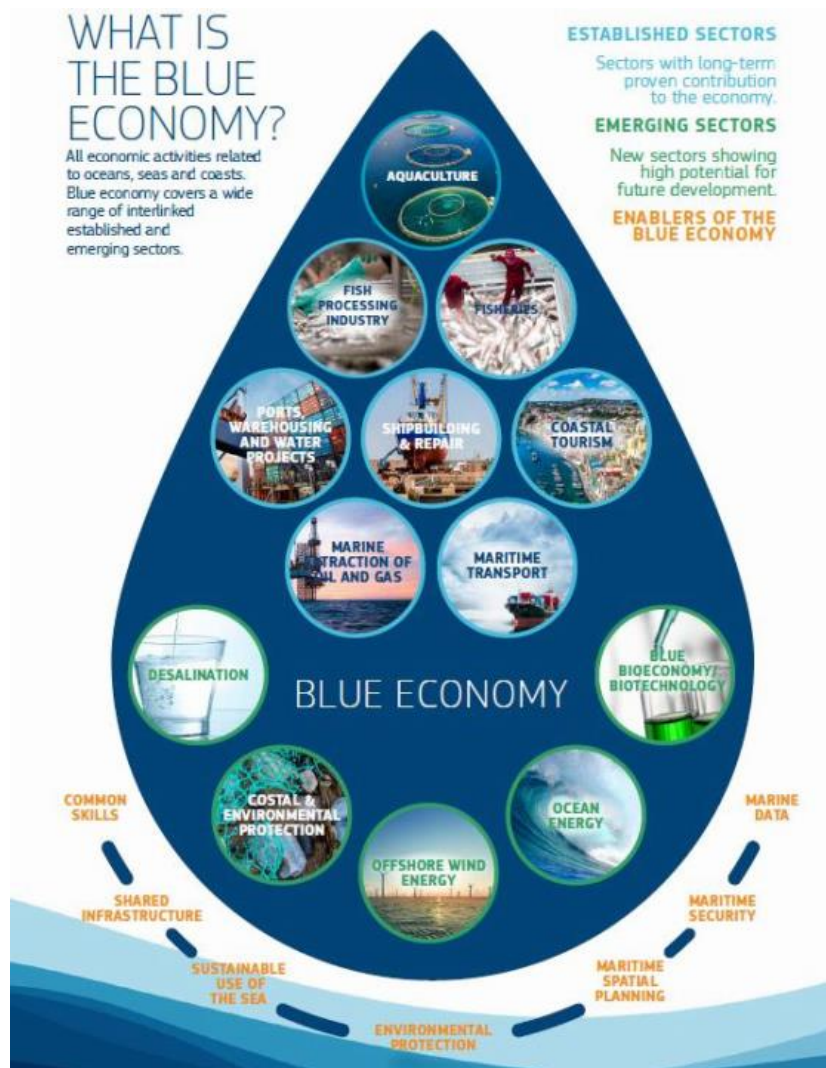


### Quality Criteria

- ☐ Partners & Customers?
- ☐ Reliable supply chain?
- ☐ Patents or IP protection?
- ☐ Robust Financials?

# Evaluating

All sectors with a contribution to a sustainable blue economy



# Countries: Projects Considered

**From Baltics:**

**Denmark:**

**14**

**Estonia: 5**

**Finland: 7**

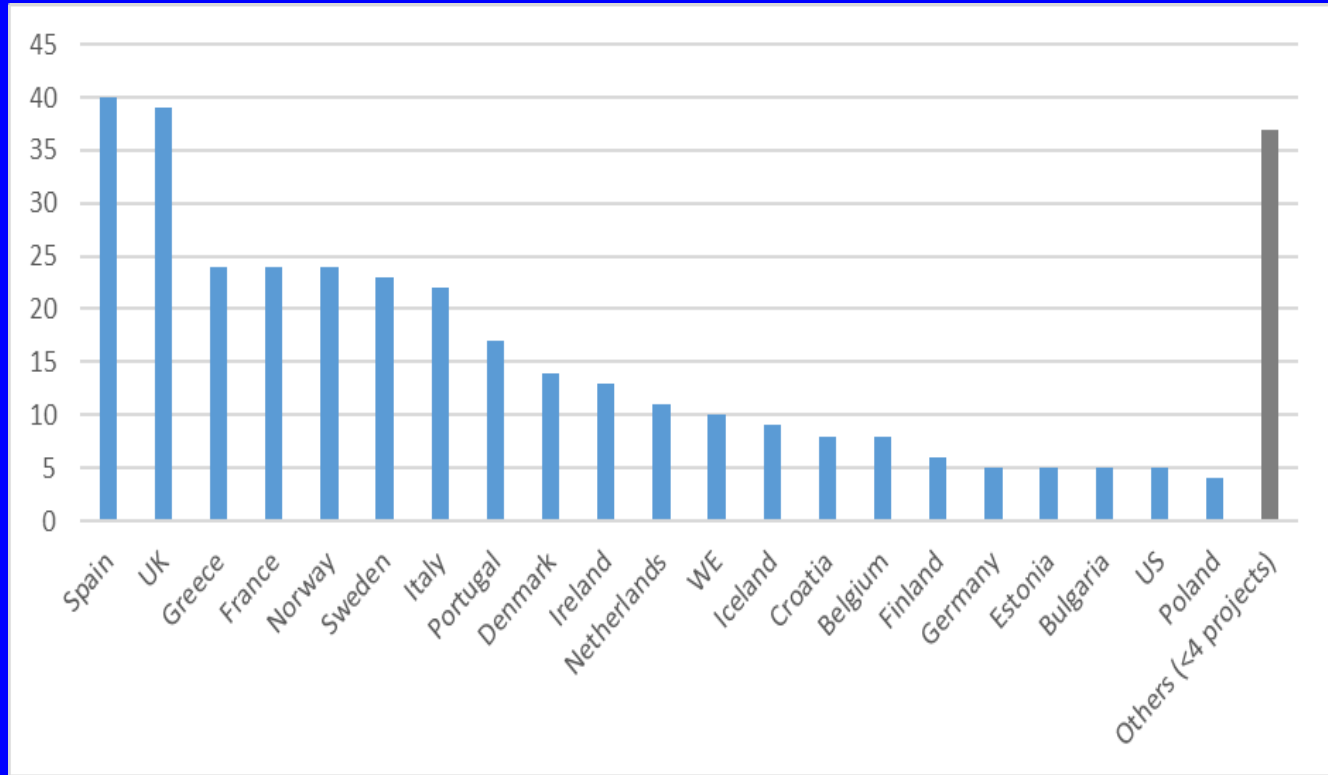
**Germany: 6**

**Poland: 4**

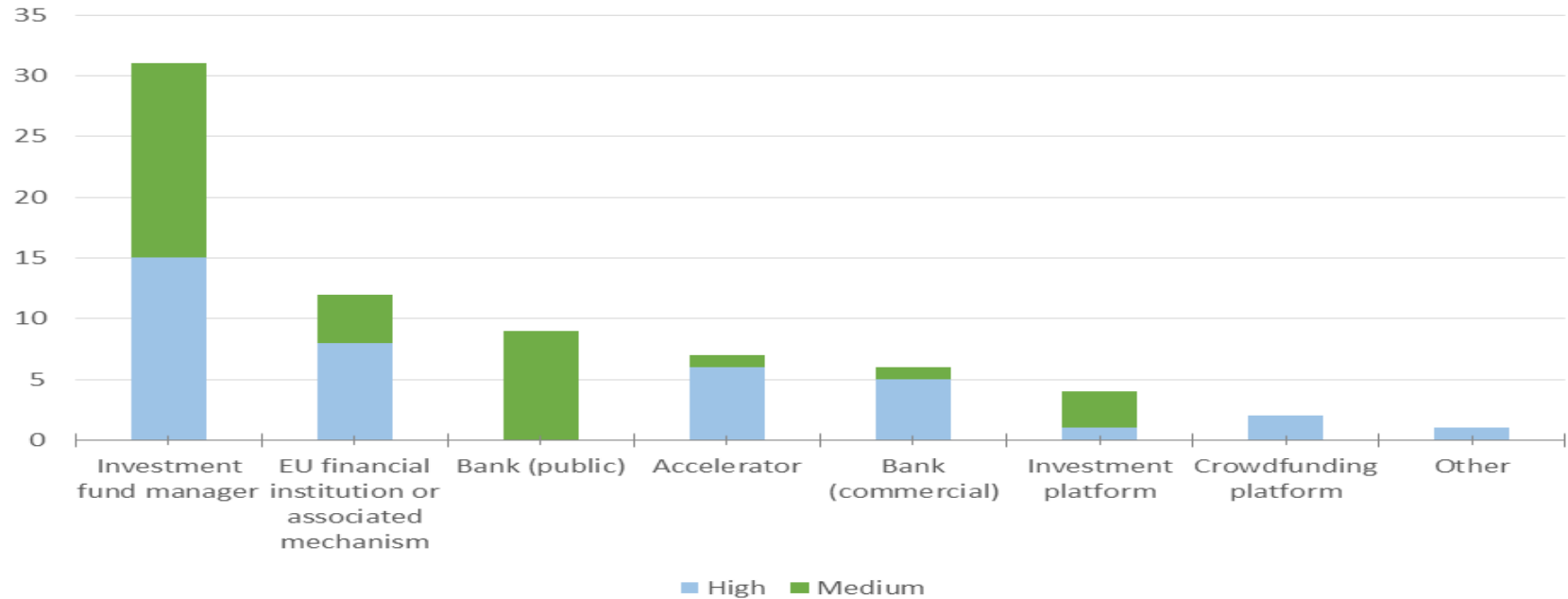
**Sweden: 24**

**Latvia, Lithuania: 0**

**Total: 60**



# Existing Blue Finance Sources



Blue = High Relevance to Blue  
Green = Medium Relevance

# Investor Descriptions

## Investment Fund Managers

- Private equity, debt and infrastructure. Usually via a broad strategy but can also be focused on stage, sector or geography.

## Investment Platforms

- More diversified structures that provide finance and other services to their clients.

## Commercial Banks

- Usually providing loans across all sectors. Mostly exited shipping finance after 2008.

## Public Banks

- Usually provide loans across sectors requiring public finance, sometimes on concessional terms.

## Accelerators

- Groups providing business development services to boost the growth of very early stage companies.

## Crowdfunding Platforms

- Structures that draw together small financial contributions from retail investors.

## EU Financial Institutions or Associated Mechanisms

- Supply grants or other forms of concessional finance to Blue Economy players.



# *Key findings on Investment platform*

BEIP

**EU Blue Finance Gap of E70bn** may be reduced by a Blue Economy Investment Platform (BEIP) as a single contact point for public-private funding

Amount

**SME funding gap** occurs for amounts between EUR 3-15mn. Blue SMEs compete with more mature sectors that hold priority in portfolios. Innovators especially challenged.

Single platform

**Combine public & private sources** into a single financing vehicle, wherein public sources provide catalytic capital to reduce risk for private investors

Platform options

**6 Key Requirements:** Short implementation time, Risk reduction by EC sources, Collaborate with private fund managers, Collaborate with maritime clusters/hubs, Appropriate SME funding & technical support, Investor education & promotion

# ***Umbrella Fund Recommendation***



- **Classic Fund of Funds (FoF):**

- Support of existing fund managers who are candidates for Blue mandates
- Catalytic capital from EU sources to attract private investors

- ***Or... Virtual FoF:***

- Deal-oriented *EU Blue Investment Platform* with multi-manager structure
- Targeted investment strategy to scale up growth sectors of EU Blue Economy

## ***We also recommend:***



- **InnovFin, etc:** Decide how to work with EIB financing initiatives that impact Blue
- **Select FoF Manager:** Engage with financial & maritime networks to evaluate
- **Clusters/Hubs:** Increase engagement with financial & maritime networks.

***Message to Public Financiers: Cooperate, don't compete!***

# BEIP: Possible Secondary Functions

- **Provide Information** about Blue Economy sector market sizes & growth potential
- **Match-making** of Blue Economy participants
- **Risk mapping** & business analysis
- **Information about** Blue Economy **technologies**
- **Promotion** of blended finance through case studies
- **SME Advisory Services** to project promoters & maritime clusters
- **Investor Advisory Services** to streamline investment processes
- **Support Due Diligence** for project promoters & investors



# Part II:

## Finding Baltic Investment Opportunities



# Support from Maritime Clusters



Maritima klustret  
i Västsverige



# Accelerators: Pipeline of Baltic Innovators

34

**Accelerators** in Copenhagen, Gdansk, Hamburg, Helsinki, Stockholm -  
*not counting Industry groups for Maritime & Technology support!*

**Investors value** Accelerators, Clusters & Industry Groups for:

- Investment Pipeline
- Support for SMEs

# Baltic Green Shipping Finance

## Public Maritime Finance

### GoLNG Baltic Project

- Integrated LNG Value Chain
- Baltic Blue Corridor
- LNG Competence & Business Centers
- Phase1 concluded April 2019

*Funded by*



EUROPEAN  
REGIONAL  
DEVELOPMENT  
FUND

### Green Shipping Guarantee

- Signed 2018 with ING, ABN-AMRO, SocGen
- €300 mn facility with AAA rating
- New green vessels & retrofits
- Blended Finance: Reduced risk & cost



## Private Maritime Finance

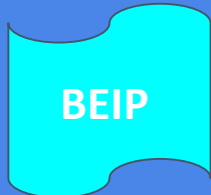
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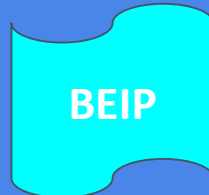
# Baltic Maritime Energy Innovators



- Swedish Tidal Energy technology developer
- Founded in 2007 as a spin-off from Saab
- Unique low-water-speed technology
- Main owners are BGA Invest and Midroc New Technology. Listed on NASDAQ North Exchange.
- Received funding from H2020, ERDF and WEFO.
- Holds 36 patents in 16 markets worldwide.



- Finnish Wave Energy technology developer
- Penguin: Wave technology patent
- Received first commercial order for wave park
- Wave market is still unexplored, worth €1tr
- Wave converter can also be applied to vessels
- Requires more grant funding or tariff support to be commercial viable (similar to Minesto) (but this is probable)



- Finnish Rotor Sail technology developer
- Innovations on automation system & mechanics
- Goal: Leadership of wind systems for large ships
- Raised over €15mn from diversified sources
- H202, private equity funds, Finnish tech agency
- 46 Patents protect all Norsepower innovations
- Enable fuel savings of 20% for wide range of ships
- Part of solution to comply with IMO regulations





# Europe's Ports Need

€750bn

Annually  
urgently needed  
by Europe's ports

€5bn

How to fill the gap?



Private Investors

Investment needed by 2030 to realise core ports network

*But...* Ports got only 4% of investment from CEF budget (2014-17)

47 Members of Baltic Ports Organisation (ports & stakeholders)



Infrastructure  
Finance



## Infra Risk Categories & Returns

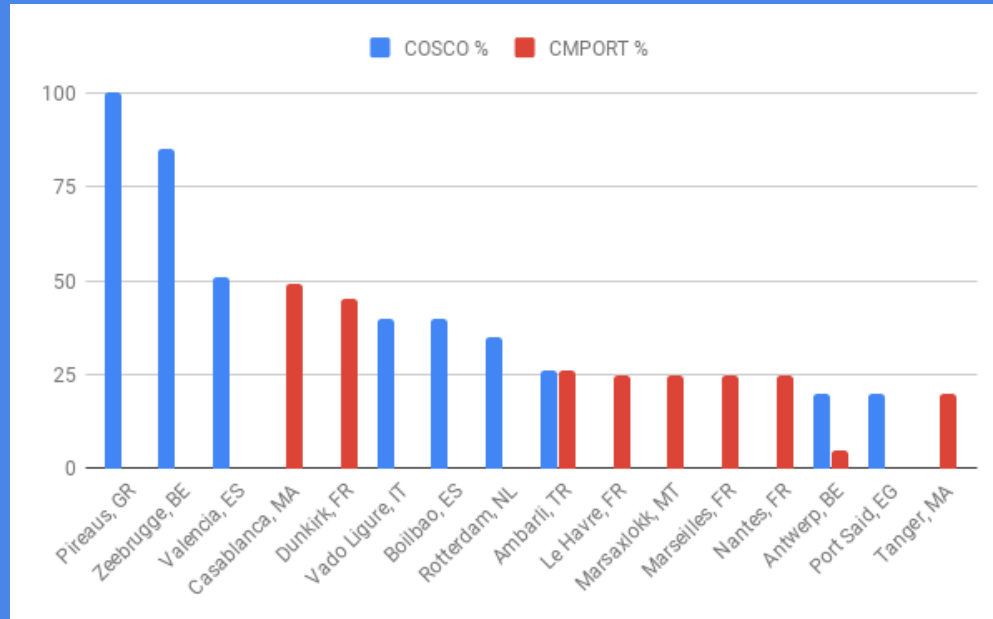
- **Core:** Boring operating assets, returns from cash dividends. *Returns: 5%+*
- **Non-Core:** Operating assets + Growth story. *Returns: 5-10%*
- **Value-Add:** Requires operational or strategy change. *Returns: 10-15%*
- **Opportunistic:** Highest risk, no cash dividends.- *Returns: 15%+*



# The China Factor

## 20 Chinese investments in Europe & Med Ports

COSCO Shipping Ports & China Merchants Port Holdings



### Considerations

- **Economic:** EU is China's biggest source of imports & 2nd largest export market
- **Military/Strategic:** China as maritime superpower
- **Silk Road Initiative & Arctic**
- **Anaconda Strategy:** Investing on Europe's periphery
- **Sustainability concerns:** Different standards vs Europe?

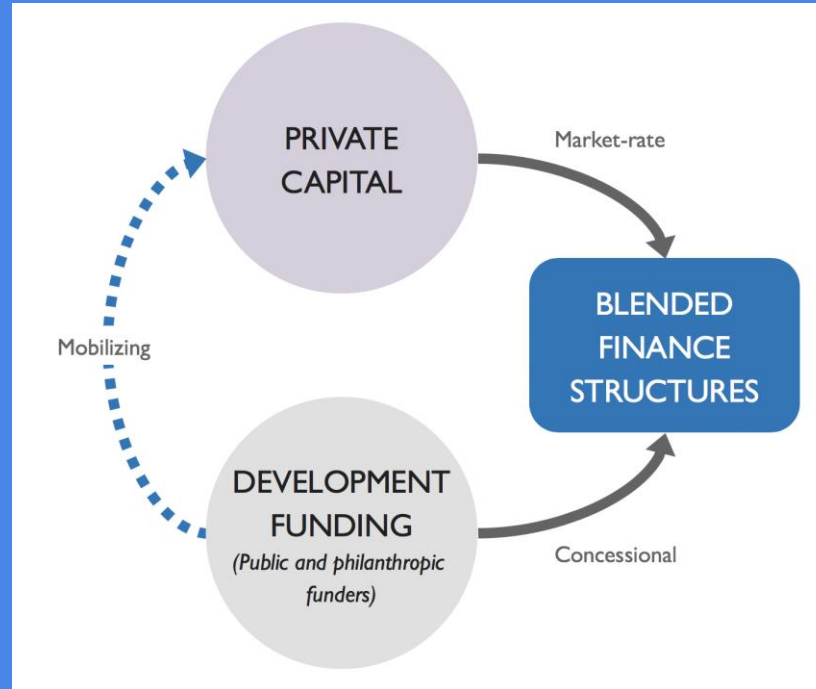
# Green Port Priorities



# Blended Finance

## Goals

- **Returns:** Positive!
- **Sustainability:** Very important! (but no trade-offs vs return)
- **Market:** Attract Private Investors!
- **Favorable** investee terms!

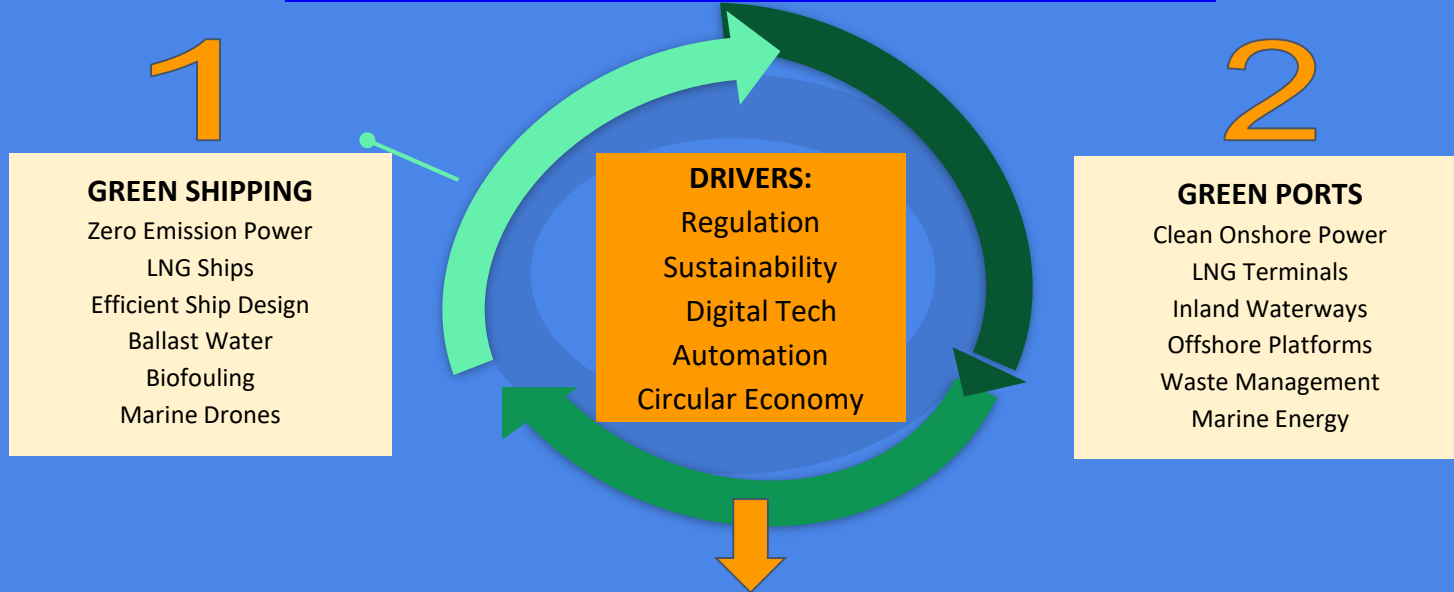


## Tools

- **Repayment guarantee**
- **First Loss covered**
- **Coupon Payments covered**
- **Matching Investment**
- **Letters of Credit**
- **Project Insurance**

# Our Response

**\$200bn** of financing is needed to make the green transition. Blended Finance attracts private investors.



**Ocean Assets advises Marine Capital Ltd:**  
**European Maritime Impact Fund** for EU companies supplying greentech solutions to shipowners & ports for reduced emissions & waste management.

# Thank You!



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