



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?

Slajd 4

1

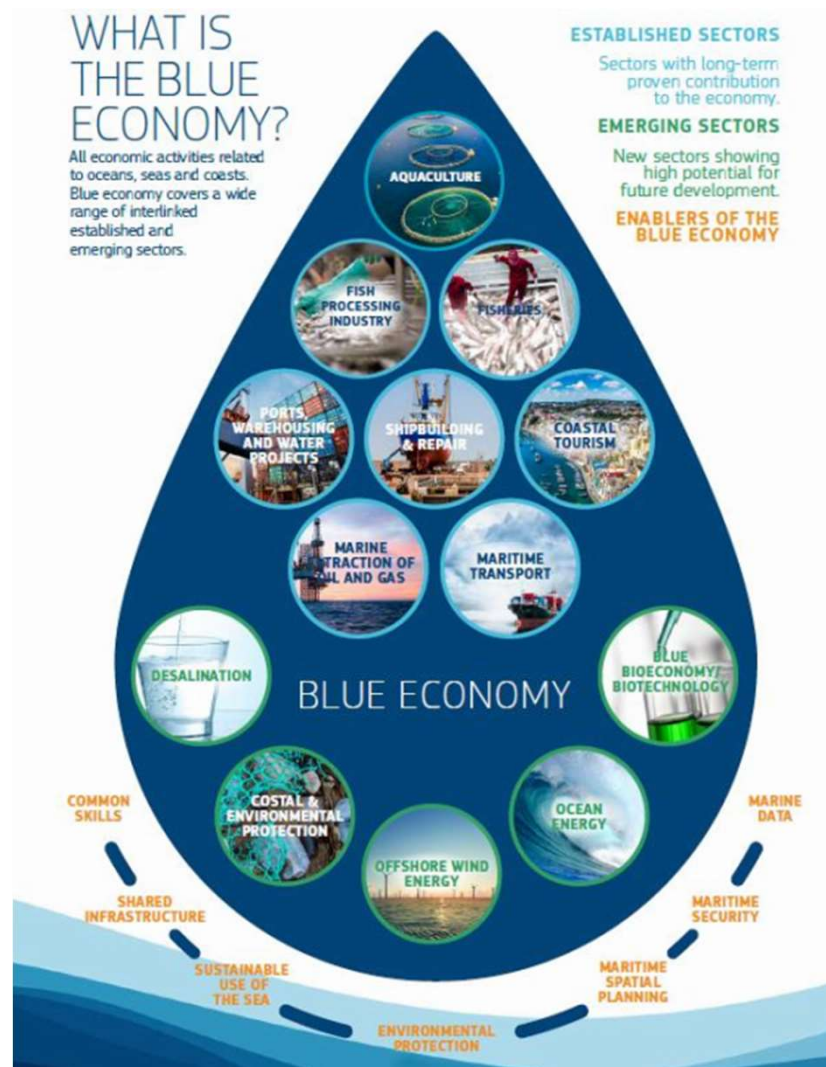
Phase 2 of the Platform is being managed by EASME with PWC as lead consultant

-D. Michael Adams

; 10.06.2019

Evaluating

All sectors with a contribution to a **sustainable** blue economy



Source: Claus Schultz, DG MARE. *Investment in the Blue Economy*, 2018

Countries: Projects Considered

From Baltics:

Denmark: 14

Estonia: 5

Finland: 7

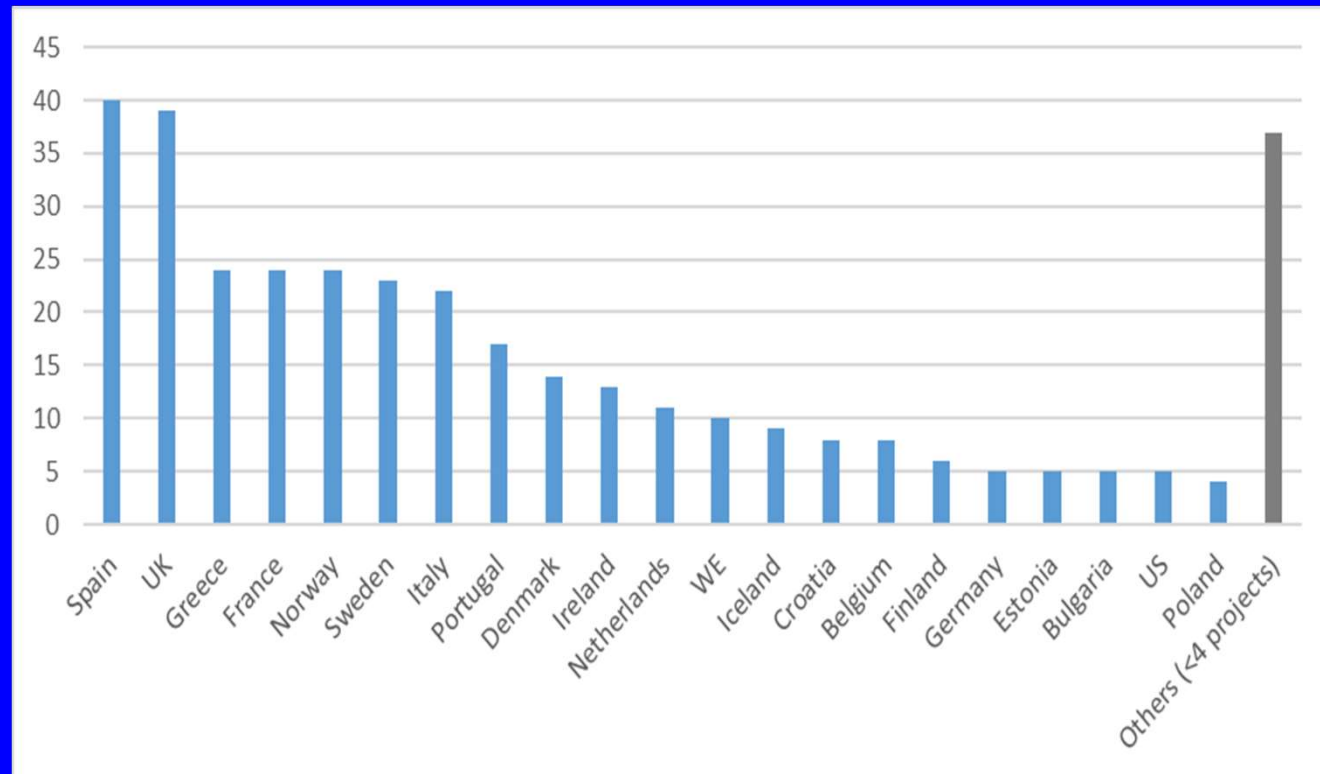
Germany: 6

Poland: 4

Sweden: 24

Latvia, Lithuania: 0

Total: 60



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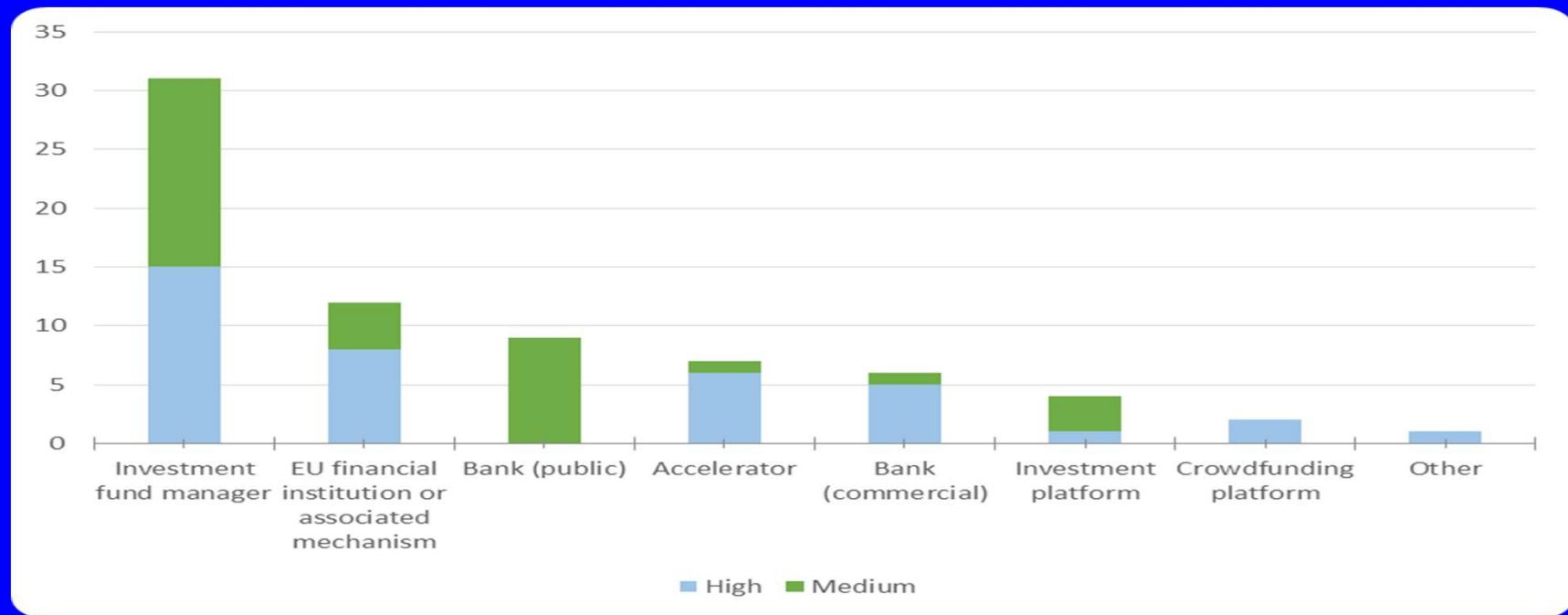
Sweden & Denmark: Strong clusters made it easy to collaborate

Germany, Poland: Many more opportunities we did not have time or partners to access

-D. Michael Adams

; 10.06.2019

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



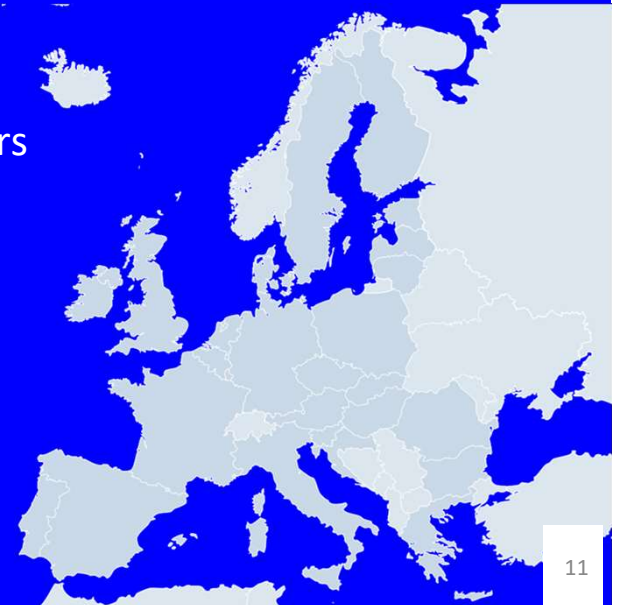
We also recommend:

- **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



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



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.

BEIP



- ❖ 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)

BEIP



- ❖ 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

OAI

Europe's Ports Need

€750bn

Annually
urgently needed
by Europe's ports

€5bn

How to fill the gap?



Private Investors

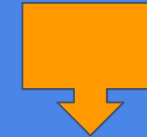
Investment needed by 2030 to realise core ports network

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%+*

Source: European Seaports Organisation. *Infrastructure Investment Needs & Financing Challenge of European Ports, 2018*
Data According to TEN-T Policy - 2014 Strategic framework for Connecting Europe Facility (CEF II)



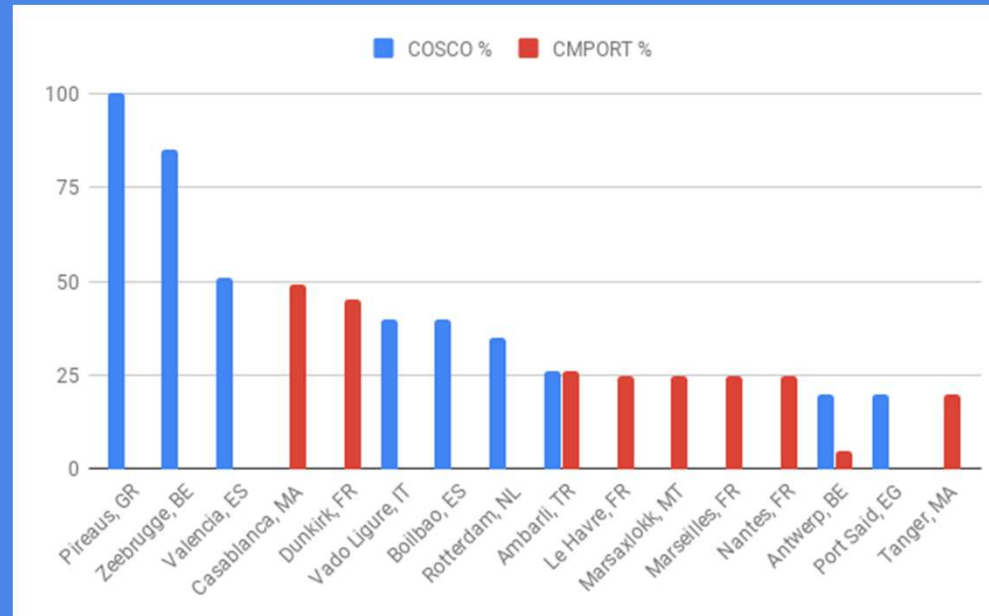
The China Factor

20 Chinese investments in Europe & Med Ports

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?

COSCO Shipping Ports & China Merchants Port Holdings



Source: [Olaf Merk, Revue internationale et stratégique \(2017\)](#)

Green Port Priorities

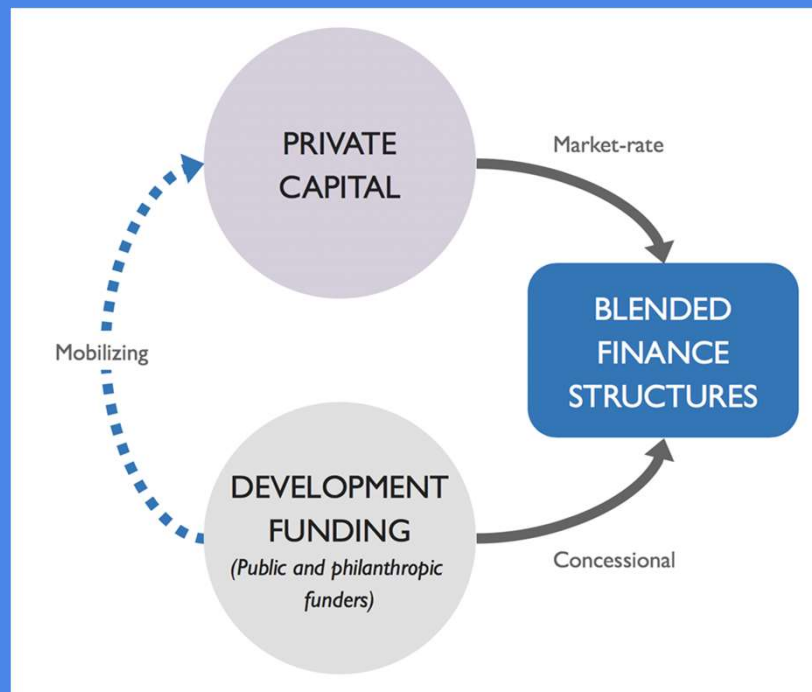


Source: European Seaports Organisation (ESPO)

Blended Finance

Goals

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

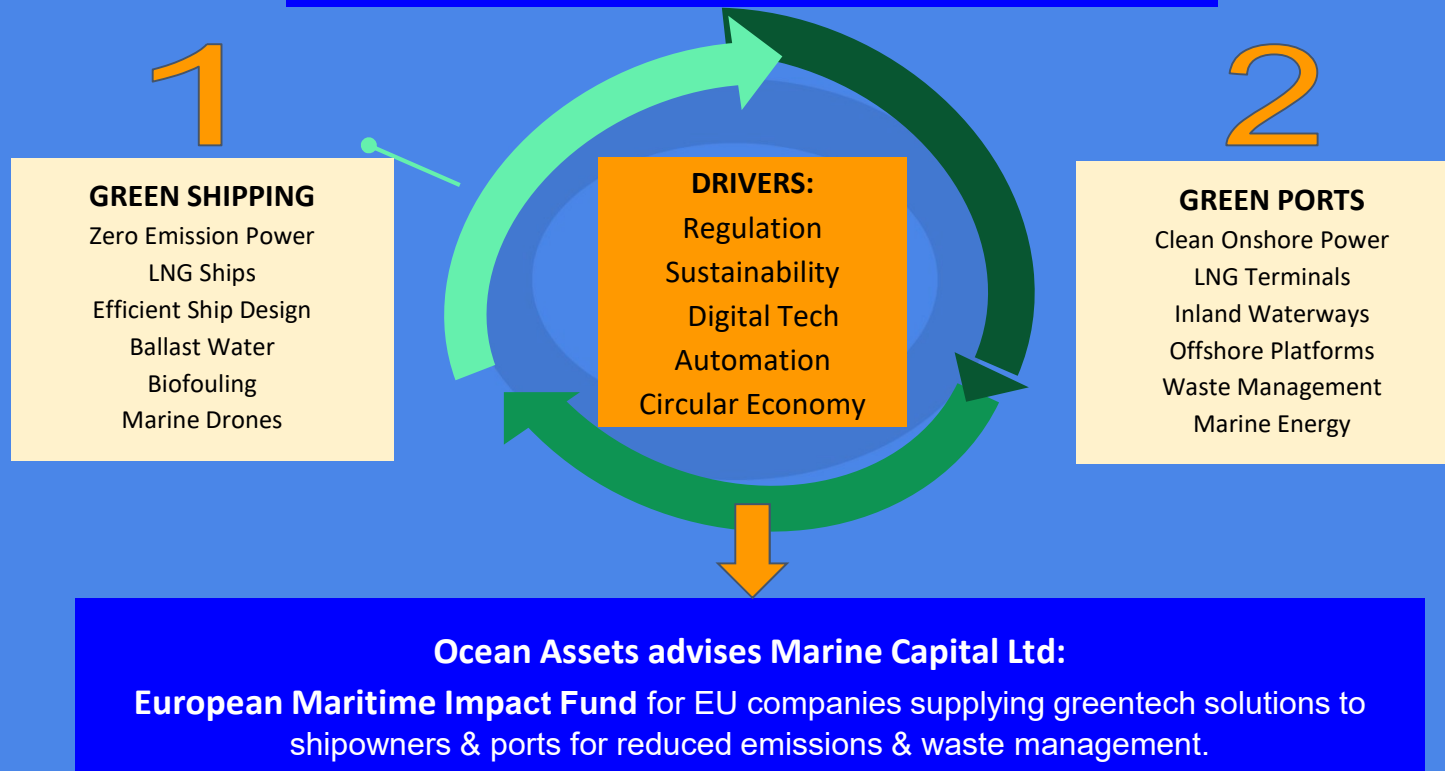


Tools

- **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.



Thank You!



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