Navigating a rising tide of blue ocean business

By Ingrid Van Wees By Melissa Walsh

THE global economy would not exist without the ocean. Ocean-based industries contribute US$1.5 trillion annually and hundreds of millions of jobs in fishing, shipping, marine tourism, and renewable energy. These economic services, however, are at risk due to unsustainable marine practices and over-exploitation of ocean resources.

This year, the World Economic Forum Global Risk Report identified biodiversity loss and human environmental damage as two of the biggest risks to the global economy. Continued business-as-usual approaches will result in reduced natural capital – such as fish from the sea – and disruptions in supply chains.

These risks are material to most businesses, even those that indirectly rely on the ocean, as more than half of global gross domestic product (GDP) is moderately or highly dependent on nature.

Pressure is building on unsustainable businesses to disclose climate and nature-related risks. With credit rating agencies mainstreaming sustainability assessments and transition planning, and global accounting standards being updated to ensure inclusion of sustainability risks, there is simply no place to hide.

Moreover, the financial sector is seeing unprecedented demand for sustainable investment opportunities. Partly due to the ongoing pandemic, the growth of funds focused on sustainability is shattering records. International agreements are being forged to remove harmful subsidies that support unsustainable businesses.

These trends should come as no surprise. The "blue ocean" was flagged as a metaphor for a space of limitless business opportunities as early as 2005, when W Chan Kim and Rénee Mauborgne published the groundbreaking book, *Blue Ocean Strategy*. They contended that many companies were competing in so-called "red oceans", or established markets with an existing number of competitors and often razor-thin margins – for example, low-cost family cars.

Conversely, they argued, "blue-ocean" markets provide an under-developed business space ripe for innovation with vast opportunities for sustainable and profitable growth – for instance, the fully electric cars developed by Tesla Motors.

This potential is rapidly being realised. Businesses now have a choice: Compete in crowded markets of the red ocean with increasing financial, climate and nature-related risks; or explore the largely uncontested potential of the blue ocean.

Riding the blue wave

Large firms are pivoting to ride the blue wave. A study commissioned by High Level Panel for a Sustainable Ocean Economy (Ocean Panel), published in a 2020 report titled *Ocean Solutions that Benefit People, Nature and the Economy* found that sustainable ocean investments could produce US$15.5 trillion in net benefits by 2050 and build future-focused industries that generate six times more food and 40 times more renewable energy.

In the fisheries sector, reducing the 35 per cent of seafood wasted in the value chain could have measurable environmental and economic benefits. M&C Asia, a major seafood importer in Hong Kong, China, holds two sustainability certifications for its work tracing each fish from dock to plate, allowing it to charge premium prices.

The Sustainable Seafood Fund, which aims to deliver fishery improvement projects to reduce fisheries' investment risks including pipeline development, repayment risks, market risks, and execution risks, partners with corporate buyers using long-term purchase agreements to secure fish and repay investors through fees based on volume or value.

In solid waste management, 60 per cent of global land-based marine plastic pollution comes from five countries in Asia. To enhance its margins, Indorama Ventures, a global manufacturer of polyethylene terephthalate (PET), is expanding its plastic bottle recycling capacity and decreasing ocean waste. The environmental benefits earn the company blue-ocean credentials, relevant for environmentally conscious investors.

Blue is the new green

The global green economy is worth nearly US$8 trillion. But the new frontier is the blue economy, and it too is booming.

Take clean energy. The terrestrial green energy market is vibrant, but limited by land available for capacity expansion. Oceans can provide limitless supplies of renewable energy. Offshore wind alone could generate 23 times more power than present total global electricity consumption.

A fish farm in Clayoquot Sound on the west coast of Vancouver Island, Canada run by Cermaq. The Norwegian firm is developing facial recognition technology for salmon farming to conduct biological tests on each animal, enabling targeted applications of food and chemicals and reducing environmental and economic waste.
PHOTO: BLOOMBERG

With global offshore wind costs plummeting by 32 per cent in 2019 and expected to decrease further, the huge markets of Europe and China could reach US$400 billion of investments over the next two decades.

Even the global shipping industry, once powered by fossil fuels, is catching on. New market entrant Neoline is developing a sail-based maritime transportation business in the North Atlantic, offering decarbonised shipping that is price-stabilised due to significantly lower exposure to fuel prices.

Diving into the deep blue

To feed the world we should also look to the seas, where sustainable aquaculture is growing strongly. First-movers, such as Norwegian firm Cermaq, are developing facial recognition technology for salmon farming to conduct biological tests on each animal, enabling targeted applications of food and chemicals and reducing environmental and economic waste.

Oceans 2050, a foundation established by the granddaughter of famed ocean explorer Jacques Cousteau that advocates for ocean abundance restoration, is pioneering regenerative seaweed aquaculture that will sell both carbon credits and a premium food product while creating jobs for vulnerable coastal and island communities in twelve countries on Asia, Europe, North and South America.

This trend is not limited to fish and seafood. Traditional crops are being grown in underwater pods to conserve energy, water, and chemicals.

Purpose-built companies are being developed with the primary aim of investing in nature to make our oceans healthy and more resilient.

CLS is a global company operating in 90 countries to provide high-tech fisheries management products and services, such as electronic monitoring systems. Aquaai Corporation builds robotic fish that combine real-time data, artificial intelligence, and machine learning to deliver marine monitoring and compliance services.

Other innovators include the company Wildlife Process Solutions for Environmental Assessment (Wipsea), which uses drones and big data to improve marine megafauna monitoring, and the Beyond Coral Foundation which invented coral-farming robots such as the Coral Husbandry Automated Raceway Machine (Charm).

The blue future is now

The pandemic offers governments around the world a chance to "build back bluer" by using the economic pause to reimagine sustainable development and reinvigorate stimulus spending on the environment.

For companies considering new blue opportunities, the time is now to get preferential access to new funds. Many are already taking advantage. Investors such as Mirova are capitalising funds for private ocean investments, such as the Althelia Sustainable Oceans Fund at US$132 million.

Funding is also available to design blended public-private blue investments through the global network for blended finance, Convergence. Accelerators such as Katapult Ocean are investing in blue start-ups, while platforms such as Investible Oceans are connecting businesses to investors. The 1000 Ocean Startups coalition is bringing together the global ecosystem of incubators, accelerators, competitions, matching platforms and venture capital firms supporting startups for ocean impact.

The global blue economy is fast becoming a profitable, sustainable reality. The question facing traditional businesses now is: will you be part of the pollution, or part of the solution?

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