A new model to finance fisheries reform

THE GRAND PLAN

WWF’s Living Planet Report 2012 estimated that continuing “Business as Usual” will require two planets by 2030 to meet our annual demands. A key challenge in moving the world economy to a sustainable path, however, is finding ways to achieve sustainability that are socially, economically, and politically viable – a problem that is particularly acute in marine fisheries. Through its Smart Fishing Initiative, WWF is aiming to realize the future economic value of recovered and sustainably managed fish stocks with a Financial Institution for the Recovery of Marine Ecosystems (FIRME) which employs an investment model that finances conservation without adversely impacting livelihoods.

The first pilot FIRME will occur at the site of the world’s most infamous fishery collapse: Atlantic Canada’s Grand Banks of Newfoundland.

DEMAND IS UP, FISH STOCKS ARE DOWN

In one region after another, a long history of relentless overfishing, driven by short-term profits or needs, results in excessive pressure on fisheries and ocean ecosystems. With 2.6 billion people currently relying on fish in their diets, and with the global population forecast to exceed 10 billion by 2050, maintaining business as usual is untenable.

SUSTAINABLE FISHING MAKES MORE “CENTS”

The cost of doing nothing is, quite clearly, bad business. The Sunken Billions, published in 2008 and written by the United Nations Food and Agriculture Organization and the World Bank, demonstrated the difference between what is made and what could be made if fisheries were better managed is conservatively estimated to be $50 billion per year. Clearly, fisheries are a dramatically underperforming asset.

BUILDING ON THE SUSTAINABLE SEAFOOD MARKET MOMENTUM

Growing consumer demand for sustainable seafood products has provided incentives for retailers, processors, and harvesters to supply sustainable products to the market place. The Marine Stewardship Council (MSC), for example, currently sells just under 10,000 individual product lines in a global market for labeled certified seafood now worth over $2.5 billion annually. But markets-based solutions alone cannot be expected to meet the scope of requirements for managing human use on complex systems, much less to significantly address species recovery targets. A holistic, ecosystem-based suite of measures is needed achieve this. Unfortunately, the upfront costs of the required conservation measures are often too much for the industry to bear and ultimately act as powerful disincentives for change.

How then, can we trigger the large-scale transformation required to achieve sustainable fisheries without creating undue hardship on those affected?
THE FIRME: TRANSFORMATION TO A SUSTAINABLE FISHING INDUSTRY

The FIRME is an investment-based model that is designed to finance the transition to sustainable fisheries, generating profits far exceeding the original investment. This financial structure aims to facilitate recovery by providing the upfront costs of conservation while simultaneously providing financial security to those whose livelihoods are adversely affected in the short term. The FIRME will operate through loans, secured against the value of future fish stocks as based on a credible sustainable fisheries management plan. These loans would be repaid with interest but only when a certain baseline of profitability is reached. Consequently, the FIRME’s original capital becomes a revolving fund that can be reinvested in other fisheries (see figure below). New investors will join as the benefits become evident, leading to a blended public/private investment model.

FINANCING SOURCES

One of the most significant and ready sources of investment capital could be that acquired by redirecting the harmful fisheries subsidies that currently underwrite much of today’s overfishing. Totaling $25-30 billion annually, channeling these through the FIRME could allow governments to continue supporting their fishing industries, but with greater social, economic, and environmental returns far into the future.

Private financing instruments also have great potential to provide a more diverse array of means to help transition fisheries, and join a growing class of sustainability investments. It is said that there is no shortage of potential financing; rather, “there is just a shortage of good deals”. These transitional opportunities can be unlocked through impact investing (or “socially responsible investing) which combines environmental and social returns with various levels of financial return. Socially Responsible Investing is a growing part of the investment marketplace, accounting for about 12.1% of the total financial investments in the United States (about $3.07 trillion).

In the first instance, traditional financing for environmental programs - government grants and philanthropy may be a means to phase in various forms of investment, especially those that may be seen as more risky.

GETTING THERE: RETURN ON INVESTMENT IN CANADA’S GRAND BANKS FISHERIES

WWF is currently collaborating with partners and stakeholders to build a Global FIRME (which would act as an international secretariat) with the goal of implementing its first pilot program in Canada’s Grand Banks. Achieving recovery here would be a success of great global significance, paving the way for the successful model to be implemented in other fisheries regions around the world.

A NEW PARADIGM

The FIRME derives momentum from a growing consensus on solutions for our oceans and the need for political commitments on the ‘green economy’ theme (e.g.: United Nations Conference on Sustainable Development/Rio+20). In 2010 at Nagoya, the Conference of the Parties of the United Nations Convention on Biological Diversity identified the need for innovative financing to underpin sustainability investments in nature. Meeting that challenge with conservation financing schemes, such as the FIRME, would be an explicit validation that society is aiming to properly value and secure the natural capital base upon which we all depend.

More information:

Dr. Robert Rangeley, Vice President, WWF-Canada, Atlantic rrangeley@wwfcanada.org

Dr. Robin Davies, Deputy Leader, WWF Smart Fishing Initiative, WWF International rdavies@wwfint.org

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