

**SUSTAINABLE
SEAS**Ko ngā moana
whakauka

Summary

Restorative marine economies: a framework for mobilising ecosystem-level investments

Investments in restorative economies play a major role in shifting to a more sustainable, equitable economy. This summary document explains the key concepts of restorative economies and outlines an impact investment framework to guide questions and steps when mobilising investment for restoration activities.

The framework is informed by ecosystem-based marine management and two research reports:

- Encouraging coastal and marine restorative economies in Aotearoa New Zealand
- Financing restorative economies in Aotearoa New Zealand's marine and coastal space

'Restorative economy' describes an economy that combines business activities with environmentally sustainable and restorative practices that respond to community needs and iwi aspirations.

Restorative economy investments yield socio-environmental benefits and economic gains

The impact investment framework aims to support strategic ecosystem-level investments in restorative economies, based on sustainable finance principles. The framework consists of six components to guide investment decisions.

1. Define restoration aspirations.
2. Outline status of the four capitals (human, social, natural and produced).
3. Assess and prioritise opportunities at the land/seascape level.
4. Define the investment case.
5. Raise capital.
6. Implement on-the-ground actions.

The framework helps you assess investment opportunities with a focus on context, purpose, and feasibility. It's designed to guide investment considerations at individual, seascape, and ecosystem-scales. The framework prioritises co-benefits and accommodates diverse socio-economic and environmental drivers.

The impact investment framework fills an information gap

In Aotearoa New Zealand, limited information about financial flows and biodiversity outcomes creates uncertainty about the biodiversity (restoration and protection) financing gap. This uncertainty is particularly the case in marine and coastal ecosystems.

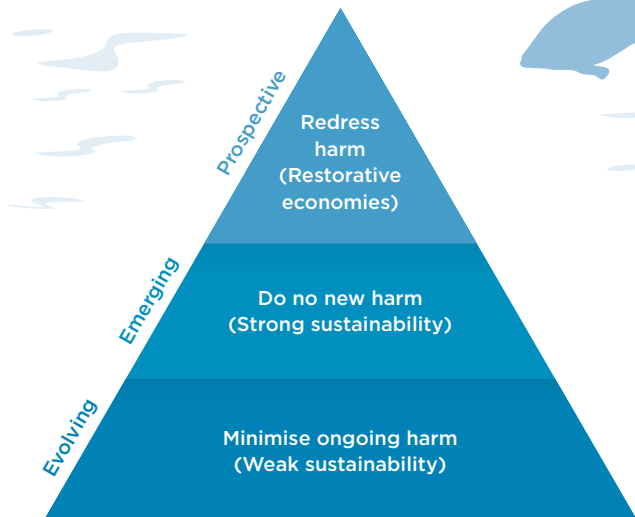
New investment frameworks are needed that integrate the financial benefits of restoration and biodiversity into investment decision-making. Government, businesses, investors, NGOs, iwi, Māori, philanthropists, and environmental action groups share an interest in developing appropriate investment frameworks.



Business activities fit on a blue economy pyramid

Restorative economy is a term used to describe an economy that combines business activities with environmentally sustainable and actively restorative practices. Mobilising finance for coastal and marine restorative economies requires appropriate structuring. This structuring is likely to include different types of capital, for example public, philanthropic, and private investment. It also requires different investment mechanisms, for example impact bonds, blue bonds, or blended finance.

Restorative economy initiatives lie at the top of a blue economy pyramid. Any specific investment in a restorative economy may involve activities in other parts of the pyramid but should produce net positive outcomes for nature through restoration and doing no new harm. Restorative economy investments are likely to involve a clear vision and steps to get there.



Blue economy pyramid

Evolving level: minimise ongoing harm



Investments focus on traditional industries aiming to green (blue) their activities, for example decarbonising maritime transport. Businesses assess and consider externalities of their operations, and activities focus on transitioning to practices that minimise ongoing harm.

Emerging level: do no harm



Investments prioritise sustainability and innovation to minimise harm, such as zero-waste and circular economy approaches. Emerging-level activities focus on incorporating sustainable practices as part of the investment plan. Financial strategies are used more widely, for example, blended finance and debt.

Prospective level: redress harm (restorative economies)



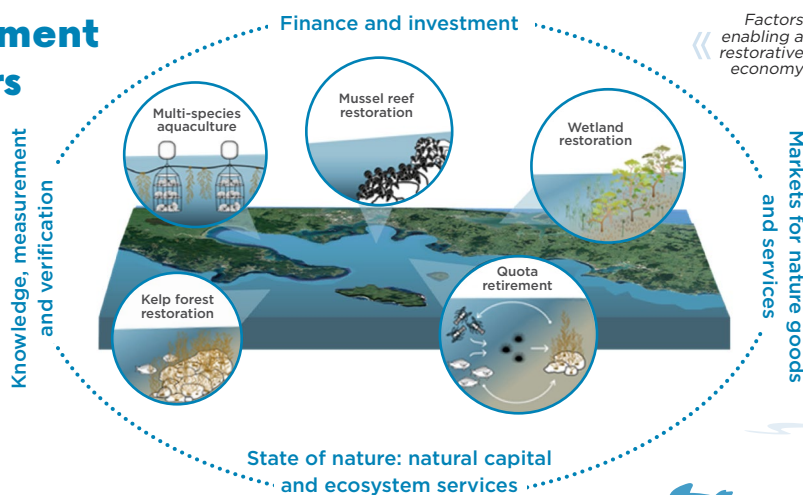
Investments focus on restoration and nature-based solutions aimed at improving ecosystem services and enhancing co-benefits. These investments may involve innovative financial instruments and joint ventures among financial, philanthropic, iwi, and government agencies with environmental and social responsibilities.

Innovative methods to measure returns to nature and communities are needed. This includes the ability to monetise nature-based solutions and ecosystem services for financial returns, as well as non-financial returns such as biodiversity gains or positive community outcomes.



Ecosystem-level investment model: different factors enable a restorative economy

Restoring seascapes and ecosystems includes activities like restoring wetlands, mussel reefs, and kelp forests, creating multi-species aquaculture, and retiring quotas to support ecosystem recovery. These activities are part of ecosystem-based marine management. Four factors influence the success of these activities.



Finance and investment

Finance and investment are vital tools for enabling restorative economies. These tools encompass financial capital, sources of funding, and financial instruments. Identifying and assembling financial resources into viable models is fundamental to the development of restorative economies.

Markets for nature goods and services

Different types of markets play a role in the model. These markets include commodities markets that deal with provisioning ecosystem services, such as fisheries, where sustainable practices are essential for long-term viability. Additionally, the model considers services markets like tourism and ecosystem markets, such as carbon markets, which provide economic incentives for conserving and restoring marine ecosystems to sequester carbon and mitigate climate change.

State of nature: natural capital and ecosystem services

The central focus of restorative economies is redressing harm to nature. For financial investors, this focus is sometimes simplified to the idea of natural capital and measured by ecosystem services and returns to nature, including biodiversity gains, improved fish stocks and coastal habitats, and other ecological gains.

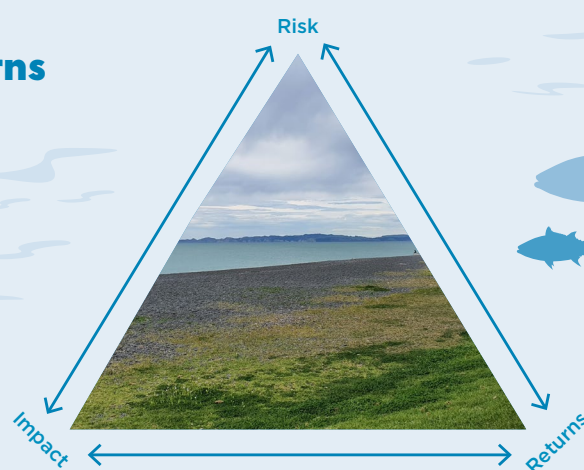
Knowledge, measurement and verification

The success of any restorative initiative depends on information and knowledge about the state of nature and the effects of any restorative intervention. The ability to measure and verify desired improvements is key for understanding progress, avoiding unsuccessful pathways, and scaling up successful ones. To do this, science and mātauranga Māori are essential.

Balancing risk, impact, and returns

The challenge in ecosystem-level investment lies in balancing risk, impact, and returns. Different investors seek a different balance. In general, corporate investors seek restoration as a co-benefit of financial returns, while philanthropic investors prioritise ecological and social benefits. Iwi investors may prioritise a different mix of environmental and economic gains, while institutional investors may emphasise the impacts that they are responsible for. Matching objectives to interventions and assembling appropriate groups of investors requires careful attention.

Successful restorative economy investments also involve assessing business risks and returns. This assessment should especially include interactions with restoration gains through natural capital effects in key environmental markets (in which carbon units or biodiversity credits are traded to incentivise restoration) as well as ecosystem service producing markets such as multispecies aquaculture.



Ecosystem-level investments balance risk, impact, and returns

Examples of revenue models include carbon markets, biodiversity credit, multispecies aquaculture, land aquaculture of kina harvested from barrens, and monetisation of other ecosystem-services, including water quality.

Ecosystem-level investment framework

Phase 1: evaluate the context

When you evaluate the context, think about these things:
values / social economic sectors / political / iwi perspectives
stakeholders / environmental and ecological / institutional arrangements
potential funders / available financial and investment instruments

This framework steps you through questions to ask, information to gather, and things to do when mobilising investment for restoration projects.



1 Primary question: Why are restoration initiatives required in certain land/seascapes?

Define restoration aspirations

- Analyse strategic plan, vision, mission, and aspiration
- Confirm scope (location, timeframe and activities)

Output: Desired outcome identified

List of desired restoration aspirations.

2 Primary question: What is the state of knowledge?

Outline capitals status

- Establish key targets and indicators
- Map data availability for baseline indicators
- State of environment analysis – extent of degradation, drivers, possibilities for restoration
- Analysis of potential business and social returns
- Existing regulatory framework: four capitals analysis

Output: Calculating possibilities

High-level restoration risks and opportunities are mapped. Impact, dependencies, and degradation drivers are identified. Financial flows and financial gaps are assessed.

3 Primary question: How to achieve restoration aspirations?

Feasibility assessment and prioritisation of opportunities at the land/seascape level

- Explore project (cost and benefits identification)
- Prioritise intervention objectives
- Define capacity, knowledge, and innovation requirements

Output: Investment thesis

Set the investment thesis that states how opportunities would generate a compelling revenue and impact (environmental and social).

Phase 2: measure and review impact

When you monitor and evaluate activities and impact, you're likely to trigger new actions or adapt existing actions.

4 Primary question: What next for funding restorative economies?

Define investment case

- Prepare strategic, economic, commercial, financial management, and impact case
- Prepare business case considerations
- Financial due diligence
- Investment and financial model

Output: Investment-ready restoration

Set of restoration initiatives ready for investment informed by due diligence or business cases for funding research and foundational knowledge and tools.

5 Raise capital

- Detailed due diligence
- Investor engagement
- Investment structuring

6 Implementation (on-the-ground actions)

- Project execution
- Risk management
- Impact reporting
- Iwi, regulator, and stakeholder engagement



For more information on this project, visit:



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