

auctusESG Insights

Inside sustainable finance

BLUE FINANCE

Q4 2025

Introduction and global context

2025 has been defined by scale, concentration, and growing sophistication in sustainable finance instruments. As of Q3 2025, a total of [US \\$6.5 trillion](#) of [GSS+ bonds](#) (includes green, social, sustainability, and sustainability-linked bonds, (SLB)) has been recorded cumulatively. Moreover, 2025 (Q1-Q3) recorded [US \\$781.6 billion](#). Figure 1 shows the quarterly trends across 2025. Additionally, looking at the past year's trends, the bond flows decline in the last quarter, a trend expected for Q4 2025 as well.

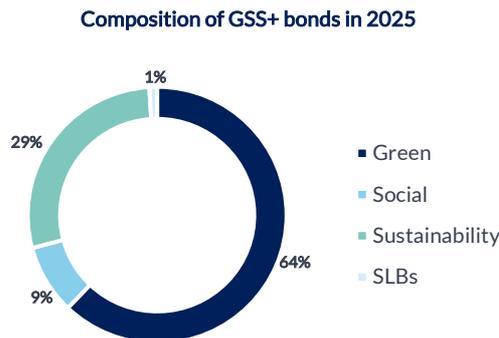


Figure 1: Composition of GSS+ bonds, Q3 2025

Q3 alone recorded [US \\$233.2 billion](#) GSS+ bonds issuance. Figure 2 shows the composition of GSS+ bonds. In terms of instruments, [green bonds](#) continue to dominate, accounting for [64%](#) of the quarterly aligned issuance, highlighting their significance in the field of sustainable finance. Sustainability-labelled bonds saw robust issuance, [US \\$61.3 billion](#), marking one of their higher quarterly totals, signaling investor appetite beyond pure green themes.

The issuer base of the global sustainable bond market is characterised by a concentrated yet diversified base. In [Q3](#), green bond issuance was led by a mix of [supranationals](#), [government-backed banks](#), and [infrastructure corporates](#), such as [China Construction Bank](#) and the [European Investment Bank](#) (US \$6 billion each). The top ten issuers of green bonds, together raised about [US \\$32.7 billion](#), highlighting strong investor preference for scale, asset-backed projects. Sustainability-labelled bonds were dominated by [multilateral](#) and [public issuers](#) such as the World Bank Group, regional development banks, and sub-sovereigns, signalling growing demand for blended, multi-impact financing structures.

The last quarter also saw innovation through [Slovenia's](#) aligned sovereign sustainability-linked bond. With this, Slovenia became the world's [third](#)

sovereign, and the [third](#) in Europe, to issue an SLB. The bond value totalled [US \\$1.2 billion](#).

Thematic focus: Blue finance

Blue economy

Imagine an economy where oceans are not just exploited but nurtured, where prosperity doesn't come at the cost of marine ecosystems. This is the core idea behind the blue economy.

Unlike the traditional **ocean economy**, which views seas and coasts primarily as **sites for extraction**. The **blue economy** reframes our relationship with aquatic resources. It calls for a [regenerative, inclusive](#) approach to growth, one that **balances economic activity with the long-term health** of marine ecosystems and the well-being of coastal communities. In essence, the blue economy is *about working with the ocean, not just taking from it*.

Increasing significance of the blue economy

Over [3 billion people](#) depending on marine and coastal biodiversity for their livelihoods. Oceans also provide the primary source of [food](#) for many, globally. With this, the stakes for sustainable ocean management have become higher. The global ocean economy is valued at approximately [US \\$2.5 trillion annually](#), with projections reaching to [US \\$3.2 trillion](#) by 2030. Separate [research](#) by the Ocean Panel suggests that every [US \\$1](#) invested in ocean solutions could yield at least [US \\$5](#) in global benefits by 2050. Conversely, continuing harmful and unsustainable ocean practices could result in more than [US \\$8 trillion](#) in losses by 2050. However, this immense economic potential exists alongside unprecedented threats from climate change, pollution, overfishing, and habitat destruction. For example, since 2005, the rate of ocean warming has more than [doubled](#) and is projected to [continue rising](#) even under low-emissions scenarios. Meanwhile, the 2025 Planetary Health Check shows that [seven of nine](#) planetary boundaries, including [ocean acidification](#), have been breached, pushing oceans beyond a safe operating space for marine ecosystems.

The blue economy is increasingly central to Paris Agreement implementation. It is claimed that ocean-based climate solutions can deliver up to [35%](#) of the annual greenhouse gas emission cuts needed in 2050 to limit global temperature rise to 1.5°C. Additionally, COP29 coincided with the first [Global Stocktake](#), which called on countries to strengthen their Nationally Determined Contributions (NDCs) by 2025, also highlighting [ocean-based](#) action for

adaptation and mitigation. Since then, countries have [increasingly](#) begun integrating ocean actions into their NDCs. Consequently, [92%](#) of coastal countries' updated NDCs submitted by November 2025 included ocean-based measures, an increase from [62% in 2015](#). At [COP 30](#), this was reinforced by the launch of the [Brazil-France Blue NDC Challenge](#) in 2025 to scale technical and financial support towards the blue economy. Further, [COP30's](#) focus on ocean-based climate action mark a clear shift toward recognising oceans as essential to meeting global climate targets.

Despite the ocean economy's recognised importance, a severe financing gap constrains the transition to sustainable blue practices. The UN estimates that achieving SDG 14 requires [US \\$175 billion](#) annually, yet only about [US \\$30 billion](#) has been mobilised since 2010, making it the [most underfunded](#) Sustainable Development Goal (SDG). In 2022, ocean-related finance was under [US \\$3 billion](#), while marine ecosystems receive [just 9%](#) of nature-based climate finance, and only [26](#) blue bonds were issued globally between 2018 and 2022.

Closing this gap requires systematically mobilising climate and development finance, highlighting the critical role of blue finance, which channels investment towards ocean sustainability and resilience. A range of blue finance tools are being deployed across the world as described below:

Instrument	Deployment context	Purpose
Debt-for-nature swaps	Highly indebted countries	Ease debt repayment while securing long-term funding for marine conservation
Blue bonds	Coastal states (example: Seychelles)	Finance sustainable ocean economy priorities through capital markets
Parametric insurance	Small island states	Provide fast, predictable post-disaster financing
Performance-linked mechanism (blue carbon markets etc)	Coastal and marine sectors	Link financing to restoration outcomes and climate performance

Table 1: Existing blue finance instruments and their deployment

Policy and regulatory developments

2025 marked a turning point in global ocean governance, with the adoption of binding multilateral agreements and policy frameworks that

strengthened the foundations for scaling blue finance. For example, the [Blue Economy and Finance Forum \(Monaco\)](#) in June 2025, pledged reached [US \\$10.2 billion \(€ 8.7 billion\)](#) in new financial commitments. Moreover, [~ US \\$29 billion \(€25 billion\)](#) in existing blue investments were identified. On the other hand, under its Euro Medium Term Note Programme, Emirates NBD, a leading MENA banking group recently completed its inaugural dual-tranche [US\\$1 billion sustainable bond issuance](#) with a US \$300 million blue tranche with a 3-year tenor. This issuance marks the largest blue bond to date in the UAE and GCC and the largest dual-tranche blue-green bond globally by a financial institution.



Figure 2: Recent policy and regulatory developments

Case studies

1. Ecuador’s debt-for-nature swap for Galápagos conservation

The Galápagos Islands represent an irreplaceable evolutionary laboratory and biodiversity hotspot. 97% of the reptiles and land mammals found here are found nowhere else on Earth, making any extinction here a permanent global loss. However, despite 97% protected status as a National Park, around 188 species face extinction threats. To conserve this hotspot, in May 2023, Ecuador completed the world’s largest debt-for-nature swap. The conservation effort was designed to convert expensive external debt into cheaper, longer-tenor financing while ring-fencing part of the savings for conservation.

Instrument

The core instrument is a “blue bond” issued by a Special Purpose Vehicle (SPV) created by the Ecuadorian government. The SPV purchased US \$1.6 billion at 40 cents per dollar and financed this purchase by issuing a US \$656 million blue bond.

The bond was supported by a layered de-risking structure to enhance credit quality and reduce borrowing costs. The US Development Finance Corporation (DFC) provided US\$656 million in political risk insurance and the Inter-American Development Bank (IDB) extended an US\$85 million unfunded guarantee, covering the first six quarterly interest payments in a default event. The combined credit enhancement enabled substantive reduction in cost of capital and improved market confidence.

In parallel, Ecuador also entered into a blue loan arrangement with the SPV. Servicing of this blue loan by the government covers:

- Repayment of the blue bond
- Dedicated payments for marine conservation

The Galápagos Life Fund (GLF) was also established as a permanent independent trust structure to manage conservation payments, oversee governance and ensure long-term financing in the Galápagos.

Impact

The swap is estimated to reduce Ecuador’s debt service by about US \$1.1 billion by 2041, equivalent to roughly 0.8% of 2023 Gross Domestic Product (GDP). In terms of conservation flows, around US \$12 million per year for 18.5 years (2023–2041) for marine conservation. The total conservation

financing is about US \$450 million over the life of the programme.

This case study demonstrates that debt-for-nature swaps can integrate fiscal sustainability and biodiversity protection into a single structure along with using multilateral guarantees to crowd in private capital. It also provides a replicable model for other biodiversity-rich, indebted countries.

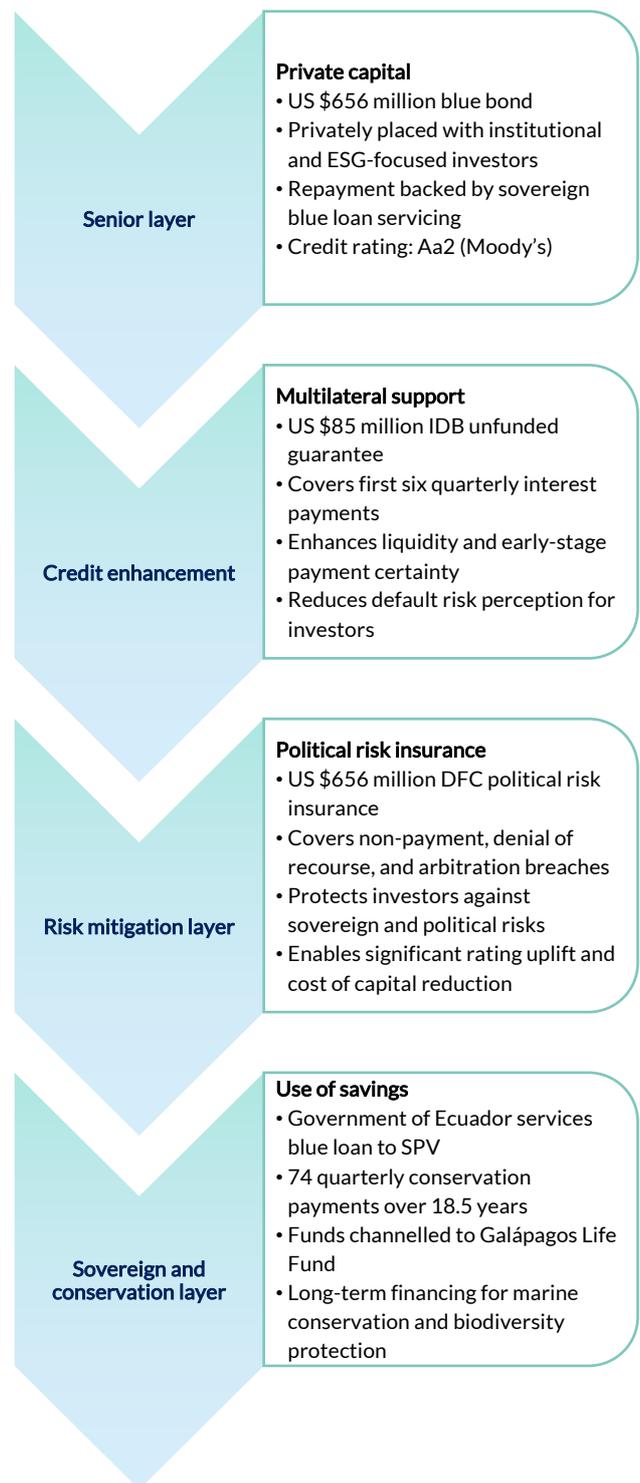


Figure 3: Ecuador’s blue bond-backed debt-for-nature Swap (via SPV structure)

2. Indonesia’s coral bond

Indonesia is one of the world’s most biodiverse marine nations. It is home to around 16 % of global coral reef area and 17% of the world’s blue carbon reserves. However, nearly one-third of its coral reefs are in poor condition, highlighting the urgency of conservation. These ecosystems are central to national resilience and economic activity, supporting fisheries and tourism worth over US \$6 billion annually. Additionally, they also support US \$639 million per year with coastal flood protection, while also contributing to food security, carbon storage and natural coastal defence. Safeguarding Indonesia’s coral reefs is therefore both a national development priority and a critical contribution to global climate and biodiversity objectives.

With this background, the Indonesia coral bond is the World Bank’s first outcome-based financing instrument designed to mobilise private capital for marine biodiversity conservation at scale.

Instrument

The instrument targets improved management effectiveness and ecological outcomes across more than 5 million hectares of marine protected areas (MPAs) in Indonesia, one of the most biodiverse marine regions globally.

At its core, the coral bond departs from conventional conservation finance by decoupling capital mobilisation from outcome payments. The World Bank issues the bond to private investors, who provide upfront capital but agree to forego periodic coupon payments. These foregone coupons are redirected to finance conservation activities in four priority MPAs located in Raja Ampat, the Savu Sea, and Alor, areas within the globally significant Coral Triangle ecoregion.

The bond proceeds themselves are retained by the World Bank for its general sustainable development portfolio. Conservation activities are funded using the interest investors forgo, rather than the bond principal, allowing biodiversity outcomes to be financed without increasing Indonesia’s public debt. Performance risk is embedded directly into the instrument design. Conservation success is assessed against indicators such as live coral cover, maintenance or increase in coral reef fish biomass in select MPAs, outcomes aligned with the IUCN Green List of Protected and Conserved Areas.

Capital flow structure	Risk allocation and performance
<ul style="list-style-type: none"> Investors purchase World Bank-issued outcome bond Bond principal held by World Bank and repaid at maturity Coupon payments are forgone and redirected to conservation financing Conservation funds deployed upfront to priority MPAs 	<ul style="list-style-type: none"> Investors bear performance risk linked to biodiversity outcomes No periodic coupon income during the bond tenor Outcome risk transferred away from government and donors Conservation success independently verified against pre-defined metrics

Outcome and backstop
<ul style="list-style-type: none"> Success payment at maturity if outcomes are achieved Success payment funded by performance-based grants (BNP Paribas; potentially GEF) World Bank acts as issuer, intermediary, and credit backstop Structure preserves principal protection while exposing investors to outcome risk

Figure 4: Key features of Indonesia’s coral bond

If the project achieves the specified outcomes, investors receive a success payment at maturity, in addition to full principal redemption. These success payments are funded through performance-based grants provided by BNP Paribas and the Global Environment Facility (GEF), channelled via the World Bank. If outcomes are not achieved, investors receive only their principal, and donors do not disburse success payments, effectively shifting performance risk away from donors and onto capital market participants.

Conservation activities include measurable improvements in biodiversity and ecosystem management with emphasis on coral reefs. These are implemented by the Indonesian Environment Fund, in coordination with the Ministry of Marine Affairs and Fisheries and the Ministry of National Development Planning.

Impact

The instrument builds on Indonesia’s existing marine conservation investments, including the [World Bank’s US \\$200 million](#) Oceans for Prosperity project, and supports national and global commitments such as the “30 by 30” target and [Sustainable Development Goal 14](#) (Life Below Water).

3. Bahamas debt conversion for marine conservation

The Bahamas is a highly climate vulnerable state. This is reflected in its acute debt sustainability pressures post-Hurricane Dorian which led to [25% GDP loss](#) for the state. Marine ecosystems, underpinning [60%](#) of GDP through tourism and fisheries, faced degradation from climate change, over-exploitation, and underfunding. This was despite [17%](#) MPA coverage and hence the need to conserve marine resources. In [November 2024](#), the [Government of the Bahamas](#) launched the Debt Conversion Project for Marine Conservation to refinance external debt and generate dedicated funding for ocean and marine biodiversity protection.

Instrument

The central instrument is a debt-for-conservation swap. The Bahamas repurchased [US \\$300 million](#) of external commercial debt using proceeds from a new [US \\$300 million](#) loan arranged by [Standard Chartered Bank](#). This was structured with an innovative credit-enhanced financing package, allowing the country to refinance existing obligations on favourable terms while unlocking fiscal savings for conservation purposes without increasing its overall debt stock.

The financing structure includes a blended package of credit enhancements that reduced borrowing costs and strengthened investor confidence:

- [US \\$200 million](#) partial credit guarantee from the IDB
- [US \\$70 million](#) collateralised guarantee from Builders Vision (impact investment platform)
- [US \\$30 million](#) credit insurance from AXA XL
- [Standard Chartered Bank](#) served as lender and arranger for the new loan

This credit enhancement package enabled the replacement of old debt with a new instrument priced competitively, while preserving national liquidity. The transaction is projected to generate an estimated [US \\$124 million](#) in new funding for marine conservation over the next 15 years. Additionally, it is also going to generate an endowment fund expected to grow to around [US \\$20 million](#) by 2039, ensuring support for conservation activities beyond the initial timeframe.

Implementation was coordinated through a multi-stakeholder partnership:



Figure 5: Bahamas’ debt-for-conservation swap implementation structure



Figure 6: Key features of the swap structure

Relevance

The Bahamas Debt Conversion Project represents an innovative blended finance model, bringing together diverse stakeholders such as MDBs, private impact investors and insurers, and commercial banks to support sovereign environmental goals. It demonstrates how debt instruments can be linked to measurable conservation outcomes, offering a replicable model for other small island developing states.

Conclusion

This quarter underscores that the blue economy is no longer a peripheral sustainability theme but an emerging investment frontier with systemic

importance. 2025 signalled a market that is becoming more concentrated, structured, and outcome-oriented, creating conditions for ocean-related sectors to transition from underfunded priorities to investable asset classes. The coming quarters will be defined by how quickly project pipelines, risk-sharing mechanisms, and thematic instruments can be scaled to translate this promise into deployable capital and measurable impact.