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Financialisation and blue economy # 1

Understanding the conservation finance industry

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Conservation finance has become dominant in the efforts to avert the climate crisis and reverse biodiversity loss. This rise of conservation finance is significant for marine fisheries as it is a central component of the "blue economy" concept. While the proponents present an ambitious vision, understanding the jargon is difficult. There is a pressing need for transparency. This is a first article of a series on conservation finance and the blue economy.

1. Overview

> *"The continuing disappearance of Earth's last healthy ecosystems is sadly no longer news. What is news is that saving these ecosystems is not only affordable, but profitable. Nature must not be turned into a commodity, but rather into an asset treasured by the mainstream investment market."*
>
> Tidjane Thiam, Chief Executive Officer, Credit Suisse.[1]

The CEO of Credit Suisse captures the essence of what is now known as 'Conservation Finance'. He also presents an example of the double-speak that is so often characteristic of it. The CEO of a bank, that has grown so wealthy from investing in the most polluting industries of the world, advocates against turning nature into a commodity. In the same breath, he tells us that nature is an asset that

[1] Cited in HUWYLER, Fabian *et al.*, "Conservation Finance - From Niche to Mainstream: The Building of an Institutional Asset Class", a report from Credit Suisse Group AG and McKinsey Center for Business and Environment, January 2016. Available at: https://www.credit-suisse.com/media/assets/corporate/docs/about-us/responsibility/banking/conservation-finance-en.pdf

should be treasured by the financial sector to generate profits. But is it possible for nature to be a profitable asset for financial markets, without it becoming a commodity?

Conservation finance has now become a dominant theme in international efforts to avert the climate crisis and reverse biodiversity loss. For the past decade, the largest conservation organisations in the world, such as WWF, The Nature Conservancy (TNC), Conservation International (CI) and the International Union for the Conservation of Nature (IUCN, have put conservation finance at the top of their agendas. Likewise, most of the biggest investment banks and hedge funds of the world, such as Credit Suisse and Goldman Sachs, describe conservation finance as both a priority and an exciting opportunity. Over a short time, conservation finance has developed into a thriving global industry.

The importance of the conservation finance industry is today reflected in numerous international initiatives. In the case of the EU, for example, private finance is emphasised in the EU's "Biodiversity Strategy for 2030", as well as the European "Green Deal Investment Plan". Among many ideas put forward in these strategies, the EU sets a target of raising billions of Euros in partnership with private investors, as well as supporting innovative financial instruments to help private investors raise capital for profitable environmental projects. At the historic COP26 meeting in Scotland, the essential role of private finance was given further validation, and one of the headline achievements was the announcement of the Glasgow Financial Alliance For Net Zero, which apparently will see 160 firms controlling $70 trillion commit to financing green investments.

This rise of conservation finance is particularly significant for marine fisheries. It is a central component of the so-called "blue economy" concept. In almost every conference on the blue economy—and in nearly every national and international strategy that has been written about it—this is presented as critical for its success. The African Union's Blue Economy Strategy devotes a prominent section to "innovative financing".[2] This focuses on encouraging the conservation finance industry to invest in Africa, which requires incentives and regulatory changes to ease the flow of capital.

UNDERSTANDING WHAT CONSERVATION FINANCE IS…

While the conservation finance industry presents such an ambitious vision, understanding exactly what it is doing, and plans to do, is difficult. This is not surprising. The world of finance is infamous for its complexity, but also its lack of transparency and bewildering jargon.

Much of what conservation finance does seems straightforward—raising money to invest in companies and initiatives that create profits while protecting nature, such as providing loans for sustainable fishing or aquaculture firms. Encourage Capital, for example, is a new organisation in the US specialising in conservation finance that designs large-scale projects for investors to transform fisheries in countries, such as Chile and Brazil. Yet there are some less familiar or "innovative" financial instruments being used by conservation finance in collaboration with governments and intergovernmental organisations. This includes "debt swaps", "environmental

[2] AFRICAN UNION, "Africa blue economy strategy", African Union Inter-African Bureau of Animal Resources, Nairobi, Kenya, 2019.

impact sovereign bonds" and "insurance policies for marine ecosystems". The latter are sometimes referred to as "catastrophic bonds" shortened to "CAT-Bonds", or as they have been described in a recent webinar on conservation finance:

> *"...innovative ways in which the risk abatement value of nature can be monetized and maintained through innovative risk financing mechanisms that support ecosystem resilience."*[3]

To most people such descriptions are confusing. What exactly does the risk abatement value of nature mean, and how is this monetized? For those who are not fluent in the language of finance, there is a pressing need for transparency. But to really have clarity on conservation finance, one needs to understand how the success of conservation finance has transformed the ideology and actors now at the forefront of saving the planet. Who are these people?

2. Context: the financialisation of the global economy

Conservation organisations first experimented with innovative financial deals in the 1980s. Amid the global debt crisis of the mid 1970s, the large US conservation organisations, including WWF and The Nature Conservancy, purchased the discounted debts of developing countries on the condition that governments owing these debts committed to spending an equivalent amount on setting up nature reserves. They were therefore buying financial assets (debts) to leverage increased government spending on conservation. This marks the first time they began working with "Wall Street" to raise financial capital.

Back then the relationship between the big conservation groups and financial markets was limited; the conservation organisations were using their own money to buy discounted debts, and the sums involved were fairly small. Investment banks were not particularly interested in these so-called "debt for nature swaps" either. However, today the relationship between conservation organisations and investment banks is completely different.

The best word that explains this changing relationship is "financialisation". It describes how the world's economy has moved from being largely based on generating profits from the manufacturing of goods and the trade in commodities, to being predominantly based on the profits of financial transactions, or the trading and gambling of money.

Although financialisation has been going on for centuries, it is a process that exploded from the 1980s, partly due to technology, which allowed financial markets to digitize and become 24/7, but also because of regulatory changes to the financial sector led by the US and the UK. These changes removed many of the rules that stopped financial markets from acting like casinos, thereby reducing oversight bodies and restrictions on trading practices. In the early 1980s the total value of financial assets in the world

[3] The webinar "Risk financing for nature-based solutions" was organized by the Conservation Finance Alliance on 22 June 2021. See more details at: https://www.conservationfinancealliance.org/news/2021/5/26/cfa-webinar-risk-financing-for-nature-based-solutions. A recording of the webinar is available at the following link (accessed on 5 November 2021): https://www.youtube.com/watch?v=CI-5a45_6Us

stood at about $12 trillion. Since then, the value of financial assets has risen to well over 220 trillion.[4] Much of this wealth can be viewed as fictitious, based on debts and profits made on selling the debts.

The rise of financialisation has widespread effects on our society and economy. One of its consequences has been changes to the nature of corporations and business sectors producing non-financial products, such as food. Having become more and more dependent on financial investments, corporations have been squeezed so that they produce higher profits for their financial owners. Financialisation has tended to suppress wages for workers and middle managers while companies are reorganised for cost-cutting and downsizing—outsourcing jobs to people with limited rights and benefits.

The more the economy is financialised the more it becomes concentrated; with fewer larger firms that achieve monopolistic positions. The single largest venture capital fund today is Black Rock, estimated to control $9.5 trillion. Alongside two other US giant private investment firms, State Street and Vanguard, they control over $220 trillion of financial capital and own an estimated 50% of all corporate shares in public listed companies the US, as well as a large proportion of shares in other parts of the world. A third of Black Rock's portfolio of shares are in Europe, making it the single largest shareholder on the continent.[5] Its assets are significantly larger than the gross domestic product of any member state of the EU.

THE DAVOS CLASS

Financialisation is not simply about the growth of financial transactions. It also describes how the logic and language of international finance increasingly dominates every aspect of our social life; packaging everything into commodities that can be traded and gambled with. But it also describes how the elites of this financial world have gained control of so many globally important sectors, including governments and international organisations.

Goldman Sachs, for example, is probably the largest and most influential investment bank in the world. While it was at the centre of the banking scandal that caused the global financial crash, what was remarkable was how many previous employees of the bank were found in government and regulatory positions tasked with recovering from the financial crisis. This included Henry Paulson, appointed Secretary of the Treasury in the US to sort out the financial crash and rescue the banks, who was the former CEO of Goldman Sachs for 30 years. But the crash became an eye-opener to how extensive these revolving doors between financial institutions and governments had become, not just in the US, but across Europe as well. Previous Goldman Sachs employees were found at the head of scores of national banks and multilateral development banks as well, such as the Bank of England, the European Investment Bank and the World Bank. The leading politicians of so many governments in the world were also former Goldman Sachs employees, which is the case in the US, the UK, Italy and India.

[4] These figures are taken from an excellent introduction to financialisation published by the Transnational Institue, see: THOMPSON, F., DUTTA, S., "Financialisation: A Primer", TNI, Netherlands, 2018. Available at : https://www.tni.org/en/publication/financialisation-a-primer
[5] See reports on Black Rock by Investigate Europe, such as the Jordan Pouille's essay, "Blackrock: The financial leviathan that bears down on Europe's decision", April 2019, available at: https://www.investigate-europe.eu/en/2019/blackrock-the-financial-leviathan-that-bears-down-on-europes-decisions/

Exposing the extent of this penetration of financial institutions into global affairs, Matt Taibbi of Rolling Stone Magazine wrote:

> *"The first thing you need to know about Goldman Sachs is that it's everywhere. The world's most powerful investment bank is a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money. In fact, the history of the recent financial crisis, which doubles as a history of the rapid decline and fall of the suddenly swindled dry American empire, reads like a Who's Who of Goldman Sachs graduates."*[6]

Goldman is just one of several global firms that act as a revolving door between elite positions in private sector finance, business consulting and leading positions on governmental and inter-governmental organisations. In recent times Black Rock, for instance, has developed extensive roles as advisors to governments all over the world, while it has recruited previous top politicians from the US, UK, France, Greece, Ireland, as well as senior people from various central banks and government pension funds.

This dense network of financial and political elites has been called many things, including the "Davos Class".[7] It refers to the annual meetings of the world's most powerful people brought together by the World Economic Form in Switzerland. If one looks at the employment history of the Davos Class, one will find that most share a common lineage from business consulting firms to investments banks to positions of public duty, and then regularly back again. But increasingly the central node in this network are private financial institutions.

Financialisation is therefore considered by many people to be the fundamental dynamic that has contributed to such vast inequalities in the world, while also becoming an existential threat to democracy. It transfers the ownership and control of so much of society to a tiny group of extraordinarily wealthy financial investors and institutions, therefore making everything work towards maximising profits over shorter and shorter time frames.

Fisheries is affected by these dynamics. The process of financialisation can be seen where fishing rights are transformed into commodities that are bought and sold by investors who have tenuous, if any, links to fishing itself, which characterises commercial fisheries in many parts of Europe, North America, Iceland and New Zealand. This process of financialisation contributes to greater pressure exerted on fish workers to produce more profit at lower costs.

The scale of financialisation in fisheries is also revealed by the surprisingly large amount of private financial capital that is tied up in global fisheries, with Greenpeace estimating that over the last 10 years or so, tuna fisheries alone have received financial investments of over $8.5 billion from private banks.[8] To understand the causes of unsustainable fishing, as well as inequalities within the fishing sector, this role of big finance is therefore critical. Yet it gets so little attention, which is

[6] TAIBBI, Matt, "The great Amercian bubble machine", *Rolling Stine Magazine,* 5 April 2010. Available at: https://www.rollingstone.com/politics/politics-news/the-great-american-bubble-machine-195229/
[7] A term coined by Susan George. See her article for TNI, published in 2012: https://www.tni.org/en/article/the-davos-class
[8] BARRAT, Luke, "Western banks provide billions in backing for firms driving species to collapse", *Unearthed News*, 28 September 2020. Available at: https://unearthed.greenpeace.org/2020/09/28/western-banks-finance-companies-responsible-for-overfishing-tuna/

unsurprising when understanding how complex the world of finance can be, but also how extensive the Davos Class has penetrated the groups and organisations that are monitoring what the sector is doing.

3. Justifying conservation finance: the bio-diversity funding gap

The financialization of conservation is now supported by the big international environmental NGOs, the UN, the World Bank and the EU, as well as the world's largest investment banks, hedge funds and business consulting firms. They all promote the same message; bringing private finance into conservation is the only way to save the planet.

Justifying this view is the idea that climate change and protecting biodiversity requires a massive increase in spending, which governments seem incapable and unwilling to do. In this vision, the challenge of averting the climate emergency and saving biodiversity is all about money.

This is therefore the "holy grail" of contemporary conservation. According to its advocates, conservation needs to be re-conceptualised into a financial asset that attracts private investment, providing investors a healthy income in return. No one sums up this belief more clearly than Henry Paulson, who left his position in the US government to establish a leading think-tank on conservation finance; the Paulson Institute. Writing in the forward of a report entitled "financing nature: Closing the biodiversity funding gap", which was presented at the 8th annual conservation finance conference, hosted behind closed doors by Credit Suisse in New York, Paulson explains:

> *"I've always believed that a healthy planet is good for business; it's far cheaper to prevent environmental damage than to clean it up afterward. For much of my career, this was a lonely position in the corporate world. But in recent years, something has changed. I've seen a new sense of urgency around nature conservation issues, a rapidly growing interest in the field of green and sustainable finance, and a renewed sense that collective effort can make a difference. Hopefully, investing in nature will move into the mainstream of the financial world soon enough to arrest the alarming decline of our biodiversity."*[9]

Arguments for conservation finance therefore take, as "matter of fact", that traditional sources of finance for conservation are inadequate. To make this argument more persuasive, supporters of conservation finance have estimated the amounts of funding that are needed. An influential study was published by Credit Suisse, WWF and McKinsey & Company in 2014, which established the total flow of funds to conservation efforts in the world was about $50 billion a year.[10] They estimated that in order to reverse climate change and save nature, the world should

[9] The Paulson Institute, The Nature Conservancy & Cornell Aktkinson Center for Sustianability, "Financing nature", 2020, available at: https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf
[10] HUWYLER, F., *et al., Ibid*.

be investing closer to $400 billion a year. The amount needed to transfer fisheries into a sustainable industry is estimated at roughly 47 billion.

Although this shortfall in capital needed to save nature involves a daunting amount of money, McKinsey & Company, WWF and Credit Suisse pointed out that this is "only 1% of the world's total financial assets". Saving the planet is therefore small change for the financial sector. The only way to get the necessary billions of dollars into conservation is to offer the owners of the trillions of dollars a financial incentive—making conservation profitable.

FROM CORPORATE PARTNERS TO FINANCIAL SERVICE PROVIDERS

Since the late 1980s, international efforts for conservation promoted collaboration with multinational corporations. At the first Earth Summit in 1992, UNEP—led by former oil magnate Maurice Strong—established the World Business Council for Sustainable Development—a council made up of the world's largest polluting corporations from the energy, food and agriculture sector. This council played a prominent role in influencing the final agreement from the Earth Summit, which was notable for being devoid of criticisms about the role of multinational corporations in destroying biodiversity and contributing to climate change.[11] The Business Council were also allowed to fund the expense of the UN in organising this event, which was the largest international conference staged by the UN at that time.

The period after the Earth Summit was characterized by conservation organisations forming 'partnerships' with the many of the world's largest polluting corporations, based on the argument that saving nature had to work with business and not against it. Organisations such as WWF and TNC developed projects with companies including McDonalds, Disney, Coca-Cola, Shell and British Petroleum to help them green their businesses practices and mitigate environmental impacts, such as funding the purchase of private nature reserves, to be presented as compensation for their destruction of other ecosystems.

In this era, the governing boards of the big US conservation groups started to be filled with CEOs of companies in fossil fuels, industrial food production and agriculture. This was the 'corporatisation' of the conservation movement.[12] The culture of big business also permeated conservation organisations, making them more bureaucratic, expansionist and competitive. The language and concepts of conservation also changed. Nature was depicted as being a giant corporation, requiring careful management to ensure it increased its valuable ecosystem services to the economy. This is what Maurice Strong famously called 'Earth Inc'. From the late 1980s onwards, saving the planet was considered vital for sustaining economic growth and therefore the international conservation movement was considered like a co-worker to contemporary capitalism, not an adversary.

The business case for saving nature remains powerful in international conservation and is the defining motif of the green and blue economy concepts. However, the

[11] Brilliantly described in CHATTERJEE, P., FINGER, M., "The Earth Brokers: Power, Politics and World Development", Routledge, 1994.
[12] See for example, DAUVERGNE, P, LEBARON, P., "PROTEST INC - The corporatization of activism", Cambridge: Polity, 2014.

financial crash of 2008 radicalised conservation and marked a distinct change in strategies.

This happened predominantly in US, but was a trend that extended to Europe, particularly in the UK. From playing the role of corporate partners and adopting corporate sector characteristics, prominent organisations in conservation morphed into "financial service providers". Instead of asking for money from corporations to help fund mutually beneficial conservation projects, conservation organisations moved towards designing projects for private investors that would generate profitable returns. This is a logical progression. If saving nature was good for business and economic growth, then conservation must surely demonstrate its "shareholder value".

This move towards financialisation changed the people and institutions in charge, with greater influence towards the finance industry. It was not simply that conservation organisations established partnerships with financial institutions—investment banks and hedge funds—they actively encouraged the sector to take over their management.

THE CASE OF TNC

The clearest example of this transformation is TNC. It began in the 1950s as a voluntary of group of scientists and environmentalists who called themselves the "Ecologist's Union". They came together to protest at plans to demolish a small forest on the edges of New York. Rebranded as The Nature Conservancy in 1960s, it developed an approach of direct conservation by acquiring private lands that were then declared as nature reserves. In the 1990s TNC's success grew rapidly, led by the ambitious work of John Sawhill, a former director of McKinsey & Company who took over as TNC's CEO. Sawhill was instrumental in affecting land laws in the US to facilitate landowners in being able to transfer land for protection by TNC in return for tax breaks.[13] This brought TNC into partnerships with big private landowners such as industrial farmers, mining companies and Disney. By the turn of the century, it had become the world's largest international conservation organisation and one of America's biggest private land managers.

Despite having such huge assets, after the financial crisis in 2008, the governing board of TNC recognised funding sources were stagnating. This was an era of austerity and cuts in public funding for NGOs and development aid. TNC decided a new strategy was needed and this required a new breed of leadership. They head-hunted a new Executive Director, Mark Tercek, who had been a senior investment banker in Goldman Sachs. Alongside Tercek, TNC also appointed Brian McPeek as their Vice President—previously working for McKinsey & Company and with a history of serving clients in investment banks and hedge funds. Their primary task was to revamp the finances of TNC and vastly expand revenue streams from private financial investors.

One of the TNC's first projects implemented by the new management was to work with their colleagues from commercial banks such as Goldman Sachs and J. P. Morgan to create a sister organisation known as "NatureVest". This has a specific

[13] For an insight see, HOWARD A., MAGRETTA, J., "Surviving Success: An Interview with the Nature Conservancy's John Sawhill", *Harvard Review*, September 1995. Available at: https://hbr.org/1995/09/surviving-success-an-interview-with-the-nature-conservancys-john-sawhill

objective to collaborate with banks to develop profitable conservation deals marketed to hedge funds and “ultra-high net worth people”. Since 2014 it reports raising $1.3 billion for conservation initiatives.[14] One of its main programmes is entitled “Sustainable Debt”, which focuses on leveraging the debt of developing countries to raise capital for conservation projects. A breakthrough deal for NatureVest was a debt for nature swap valued at $21 million, which was finalised with the Republic of Seychelles in 2015.

By recruiting highflyers from the financial sector, TNC overhauled their staff salary structures. It has been reported that they were to pay this new management team annual salaries that reached over $800,000 each.[15] This astonishing amount is a big salary anywhere, but particularly in the so-called not-for-profit world of nature conservation. The relevance of this massive hike in the executive pay of conservation organisations is profound; not only does it signal a cultural change to these organisations, it also puts them on a path where revenue streams have to be exceedingly high and the performance of conservation projects is increasingly dependent on their bottom line; how much profit they generate.

This decision to appoint highflyers and pay them huge salaries worked. A few years after the new appointments, annual income to TNC doubled to $1 billion, and the organisation was reporting its net worth as being over $6 billion.[16] It increased its global operations from 39 countries to over 70. This income is larger than many developing countries where organisations like TNC now work.

The process of financialistion in TNC extended to the Board. After 2008, Mercek brought in Larry Fink, the CEO of Black Rock. TNC also recruited one of China’s most wealthy businessmen, Jack Ma, reckoned to be worth $50 billion. Others appointed to the board at the time included Andrew Liveris, the CEO of DOW inc, one of the US’s largest chemical financing companies; Douglas Petno the CEO of commercial banking at J. P. Morgan, and also Meg Whitman, who was then on the governing board of Goldman Sachs and running as the Republican candidate for the governorship of California. Strangely absent from this list is anyone with a history of working in conservation.

4. The creation of a global conservation finance industry

TNC remains the trend setter in this move towards financialisation among conservation organisations. But it is a trend that most of the others have followed. Today, ecologists and biologists, who were the creators of the conservation movement, make up a minority of the senior positions. More numerous are those with an M.B.A and years of managing multi-billion-dollar hedge funds.

But it is not simply the changes to the established conservation organisations that is significant. International organisations, such as the UN and the World Bank, have

[14] From the Annual report of TNC, available at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_2020AnnualReport_Eng.pdf
[15] COLEMAN, Z., "'The system was broken': How The Nature Conservancy prospered but ran aground", *Politico,* 7 July, 2019: https://www.politico.com/story/2019/07/07/nature-conservancy-discrimination-leadership-turnover-1399149
[16] See note 14.

created new programmes and departments for nature finance. This channels development aid funding to the financialised environmental NGOs, typically justified to facilitate blended finance; where public funds are used as catalytic for raising private finance for development projects.[17]

The idea of nature as a new financial "asset class" has caused a proliferation of conservation finance start-ups. Scanning publications and websites on conservation finance will throw up enormous numbers of these types of companies, such as "EKO Finance Asset Mangers", "Nature Capitalism", "Conservation Capital", "Environmental Finance", "Wilderness Markets", "Terra Natural Capital", "Amazonia Impact Investors" and so on.

It is impossible to know how many there are. Many appear for a short while, and then disappear, which merely reflects the world of finance in general, where every year a third of hedge funds and venture capital groups fail, and the average life span of a hedge fund is less than 5 years.[18]

This exponential rise of conservation finance has led to numerous associations and networks, set up by organisations like the UN, the World Bank and IUCN. This includes, for example: "The Coalition for Private Investments in Conservation", "The World Forum on Natural Capital", "The Conservation Finance Alliance" and "The Conservation Finance Network". There are now accredited training courses in conservation finance, offered by leading universities and business management schools, such as Yale and Cornell University. Blue Solutions, created by IUCN, UNDP, and Germany's overseas development aid organisation, GIZ, now offer a training course in conservation finance for the oceans. Conservation finance has, within a few years, evolved from being an aspirational concept, to a thriving global industry.

There are numerous international events that bring this industry together, such as the exclusive annual conferences organised by Credit Suisse in New York and regional initiatives such as the Caribbean Conservation Finance Congress. The most prestigious and exclusive event for the blue economy is the annual World Ocean Summit & Expo, hosted by the Economist Intelligence Unit, which resembles "Davos for the oceans".

The conservation finance industry is also now maturing to have its own specializations, such as on climate finance or tropical forests. The Blue world is carving its niche. There are numerous companies specialising on eco-investing for the oceans, such as "Blue Finance", "Sustainable Marine Financing", the "Blue Marine Foundation" and "Ocean 14 Capital". Looking at the founders of these organisations one can see a new form of collaboration; a marriage between some of the most distinguished ocean biologists in the world, and elites of the private financial sector.

Consider the case of "Ocean 14 Capital"—a name that plays on SDG 14 "Life below the waters". This was established by the super wealthy Gottshalk family from Switzerland, who founded a number of large venture capital and hedge funds, including Gottex Fund Management with assets of over $16 billion. Working as an

[17] On the World Bank's work to support conservation finance see: WORLD BANK, "Mobilizing private finance for nature", 2020. Available at: https://thedocs.worldbank.org/en/doc/916781601304630850-0120022020/original/FinanceforNature28Sepwebversion.pdf
[18] TUCHMAN, M., "Warren Buffet: Why hedge funds fail", *Market Watch,* 16 October, 2015. Available at: https://www.marketwatch.com/story/warren-buffett-why-hedge-funds-fail-2015-10-16

advisor to the Gottshalk family on Ocean 14 Capital is Peter Wheeler, the Executive Vice President of TNC in London, who was also a Goldman Sachs banker for 16 years and Vice Chairman of the Rothschild Group, with assets reported to be in the region of $15 billion. Also a senior advisor to the Ocean Capital 14 is Professor Callum Roberts, regarded as one of Europe's leading marine biologist.

Another one of the emerging eco-investment firms in blue finance is called the "Blue Marine Yacht Club", established by Prince Albert of Monaco. This channels funds from the world of super yacht owners towards conservation finance projects implemented by the Blue Marine Foundation, established by Charles Glover, the journalist who wrote the award-winning book in 2004 "end of the line".

5. The role of the business consulting firm

The rise of the conservation finance industry has been accompanied by the growing influence of business consulting firms. Their role is critical in fully understanding how this industry works.

Consulting firms do not produce anything, other than providing their clients advice on how to improve the efficiency and profitability of their organisations. What is a perplexing feature of the global economy is that so many top corporations, governments and international organisations spend billions every year in hiring expensive private consultants to tell them how to do their jobs. It is particularly problematic for governments and intergovernmental organisations who have cut spending and full-time jobs within their civil service due to austerity, but then pay such vast amounts for consulting firms to do what the civil service ought to be doing. It is even more perplexing as consulting firms regularly provide advice that is of poor quality written by people who seem unqualified to offer an expert opinion.[19] This is a systemic problem found all over the world, including in developing countries.

The biggest global consulting firms in the World originate from America including McKinsey & Company, the Boston Consulting Group, Bain & Company and Deloitte. These are secretive firms (they tend not to reveal their clients) and are found working with almost all the world's largest corporations and governments. In Africa, for example, McKinsey has cornered the market in writing strategic vision plans for African governments; the ubiquitous and largely ignored 'Vision 2030' or 'Vision 2050' documents.

McKinsey is regarded as the most successful consulting firm in the world. Part of its winning formular is to recruit a high number of the top graduates of the world's best business schools, including those who have influential parents such as the Clintons in America and the relatives of the Saudi Royal family.

What characterizes all of these business consulting firms are that they are unquestioning champions of free-market ideology. Their advice over the decades has been a major contributing force to the financialization in the global economy.

[19] Reports on conservation finance, authored by consulting firms such as McKinsey and Boston Consulting, include glaring flaws in their research methodologies. This is particularly evident in their crude calculations on the value of ecosystem services. But there is a wealth of criticism on shoddy research and policy advice in other fields. See for example, 'The many times McKinsey has been embroiled in scandals', *TRT World,* 8 February 2012. Available at: https://www.trtworld.com/magazine/the-many-times-mckinsey-has-been-embroiled-in-scandals-43996

McKinsey advised all of the investment banks on how to "securitise mortgage debts", which caused the financial crash in 2008. Their advice to corporate clients consistently involves hiking CEO renumeration, cutting labour costs and downsizing, while their starting point in advising governments is one of deregulation and privatization.[20] But it is not simply the ethics of their consulting advice that makes them so controversial. It is the fact that so many of their former employees go on to take up positions at the apex of the corporate world and in top leadership roles of governments and intergovernmental organisations, including the World Bank, the IMF and the EU. Some refer to them as the "Consultocracy".[21]

Consequently, business consulting firms are enmeshed in far reaching networks with deep conflicts of interests. They advise corporations on how to ruthlessly make more money; they advise governments on how to regulate sectors where their corporate clients operate, and their employees take up leading positions on both companies and governments, who then go on to pay for their consulting services. For example, McKinsey have been employed throughout the world to advise governments on how to organize responses to the COVID pandemic, which includes millions of dollars' worth of consulting contracts issued by the World Health Organization as well.[22] Yet during the pandemic Pfizer recruited a senior partner of McKinsey to be their new chief business innovation officer. He has the responsibility to broker deals with governments on purchasing COVID vaccines.[23]

The Conservation Financing Industry has become another sphere captured by the consultocracy. Throughout the industry, not only are there former employees of investment banks like Goldman Sachs, but also large numbers of former business consultants. The following people were all once employed by McKinsey:

- Henry Paulson, formerly of Goldman Sachs and the US government who now heads the Paulson Institute on conservation finance.
- Tidjane Thiam the former CEO of Credit Suisse quoted at the beginning of this paper
- Several senior people at TNC, including the sole representative of TNC's board from Africa, Edwin Macharia, currently a senior associate at Dalberg Advocates specializing in consulting advice to clients in agriculture and pharmaceuticals in Africa.
- Senior Vice President of WWF, Sheila Bonini, who previously worked for Merrill Lynch and Goldman Sachs.
- The Vice President of the Environmental Defense Fund, Ben Ratner.
- Manish Bapna, the Managing Director of the World Resource Institute, one the most influential research organisation promoting market-based solutions for saving nature.

[20] Essential reading on the impact of McKinsey is an essay by Daniel Markovits "How McKinsey Destroyed the Middle Class", *The Atlantic,* 3 February 2020. Available at: https://www.theatlantic.com/ideas/archive/2020/02/how-mckinsey-destroyed-middle-class/605878/

[21] HODGE, G., "Privatisation and market development: Global movement in public policy ideas", Edward Elgar Publishing, 2006.

[22] A google search on McKinsey and COVID-19 responses shows they have been employed at the forefront of pandemic responses in the US, Britain, France, Australia, Italy and by the EU, for example. On the WHO see BELLUZ, J., BUISONNERE, M., "How McKinsey infiltrated the world of global public health", *Vox*, 13 December, 2019. Available at: https://www.vox.com/science-and-health/2019/12/13/21004456/bill-gates-mckinsey-global-public-health-bcg

[23] LIU. A., "Pfizer taps McKinsey veteran Malik as its new dealmaking czar", *Fiercepharma News,* 26 August, 2021. Available at: https://www.fiercepharma.com/pharma/pfizer-taps-mckinsey-veteran-malik-to-succeed-biontech-covid-19-vaccine-dealmaker-young-as

- Nishan Degnarian, who worked for the government of Mauritius and the UK, was formerly the lead advisor to World Economic Forum on ocean policies and now special advisor on ocean policy for China's government.

The list can be expanded considerably, including senior people in conservation finance from other consulting firms such as the Boston Consulting Group and Bain, and then also including the many McKinsey alumni working at the top of UN agencies and multi-lateral development banks, as well as the IMF.

Having been recruited into senior positions of the world's largest conservation organisations, these consulting firms then appear as the authors on most of the major international studies and publications on conservation finance. WWF, for instance hired the Boston Consulting Group to conduct their influential study on the economic value of the blue economy, while it also worked with McKinsey and Credit Suisse to conduct a series of studies on the bio-diversity funding gap and strategies to target the investments of the ultra-high net-worth investors.[24] TNC's reports on the bio-diversity funding gap are co-authored by McKinsey and J. P. Morgan, while IUCN has chosen McKinsey and Credit Suisse to write their flagship reports.

Another high-profile initiative in the blue economy is the Blue Nature Alliance, formed by Conservation International, Pew Charitable Trust and the Global Environment Facility. This is also supported by advisory services provided by McKinsey. The business consulting firms are therefore not just a conveyor belt for senior executives in the conservation finance industry, but also widely regarded as the intellectual leaders and the most effective research institutes on the subject.

The implications of all this are exemplified through the UN's approach to the climate emergency. The UN's Special Envoy for financing climate change is Mark Carney. He was formerly of Goldman Sachs and was heavily criticized for spending millions on McKinsey consultants to review the reforms of the Bank of England when he was its first Governor after it was privatised, then appointing a McKinsey consultant to be his Chief Operating Officer, who later resigned due to allegations of conflicts of interests.[25] Mark Carney has established a Taskforce on Climate Finance, which includes investors such as Black Rock and banks such as Goldman Sachs. The organisation employed to provide research and support to this task force is, of course, McKinsey.[26]

A former and disillusioned head of IUCN in America argues that the conservation finance industry is really the "McKinseyisation of environmentalism".[27]

[24] See WWF, "Reviving the Oceans Economy: The Case for Action—2015", 2015. Available at: https://www.worldwildlife.org/publications/reviving-the-oceans-economy-the-case-for-action-2015
[25] STEWART, H., ALLEN, R., "Mark Carney calls in McKinsey to review Bank of England strategy", *The Guardian*, 22 October 2013. Available at: https://www.theguardian.com/business/2013/oct/22/mark-carney-mckinsey-review-bank-england . The Chief Operating Officer was Charlotte Hogg, daughter of Baroness and Viscount Hogg.
[26] "Mark Carney spearheads new taskforce to scale up carbon offsetting markets", *IMS News,* 3 September 2020. Available at: https://ims-carbon.com/mark-carney-spearheads-new-taskforce-to-scale-up-carbon-offsetting-markets/
[27] Personal communication with the author.

6. Conclusion: The implications of the conservation finance industry

The rise of the conservation finance industry represents a radical movement that has profound implications to how the crisis of biodiversity loss and the climate crisis are handled. The ideological conflicts it poses to other movements in conservation are stark. At a fundamental level this industry presents saving the planet as an important opportunity for profit and economic growth. It is therefore in direct opposition to the mounting evidence that economic growth is incompatible with sustainable ecosystems. While conservation finance relies on the idea of a "funding gap for biodiversity", it subtly moves the focus away from the central role of affluence and overconsumption. It is alarming that so many powerful conservation organisations now embrace this view as well—despite all the evidence against it—with the distinct possibility they do so to help raise finance for their conservation projects and to maintain outsized staff salaries.

The concept of the "funding gap for biodiversity" is dangerous. It distorts thinking about the causes of pollution and the destruction of ecosystems. The idea presented by TNC and people such as Henry Paulson that making fisheries sustainable will cost $47 billion is ludicrous. It is not a lack of finance that caused unsustainable fishing, rather many problems have stemmed from too much finance. This highlights the fundamental error in thinking saving the planet is an investment challenge. And to imagine this gap can only be filled by private capital—because public financing is too small—conveniently overlooks how the financial industry has decreased government funding for environmental and social spending. It is not inevitable that the 1% have to save the planet by investing their wealth with the promise of a profitable return. There are much better mechanisms that can re-allocate resources.

The conservation finance industry needs to be vigorously challenged. In doing so, five tasks stand out to critically monitor what it is doing:

1. OVERSIGHT & ACCOUNTABILITY

Perhaps the most obvious concern about the conservation finance industry is greenwashing. This can be understood on two levels. The first is that it may fund projects and initiatives that succeed in generating profits for investors, but without really achieving very much for the environment.

The second is that conservation finance is an activity that is supported by organisations and people that continue with investments—and at a much larger scale—that destroy the planet. This is of course happening now, as demonstrated by numerous reports on how much the banks supporting conservation finance invest in fossil fuels, industrial agriculture and companies destroying tropical forests. It is also a problem found in governments and intergovernmental organisations; a few million dollars may be raised through a "green bond", while a few billion dollars are raised through another bond to finance oil exploration, for example.

The problems of greenwashing in conservation finance are made worse because the financial industry is well-known for its aversion to regulations and external oversight, preferring more voluntary arrangements and third-party industry assessments, usually conducted by business consulting firms. Their usual refrain is that mandatory regulations inhibit innovations. Unfortunately, one of the most important avenues of external oversight of the conservation finance industry is withering; the work of environmental NGOs, and increasingly academia. Indeed, one of the major threats caused by the process of financialisation is the conflicts of interests it creates. Can we expect TNC or WWF to denounce the investments of Goldman Sachs or Credit Suisse when it is found investing in industries that destroy ecosystems? Thankfully others do, but they do not have the public profile or political clout of these large environmental organisations.

2. DEMOCRACY AND PARTICIPATION

Another fundamental concern over the process of financialisation is its erosion of democracy. Financial elites have gained unprecedented power over decision-making processes. This has taken hold of global process to address climate change, clearly evident in the idea that the UN task force on financing climate action is best advised by investment banks, hedge funds and business consulting firms.

Issues of democratic accountability are equally important at lower levels; this is with the various financial deals and instruments that the conservation finance industry is developing at national and sub-national scales. One of these, for example, is leveraging debts of developing countries to pay for conservation projects, such as creating marine protected areas. A problem when conservation initiatives become dependent on private finance is that it elevates the power of financial intermediaries and bankers. It is only those with contacts in big finance that can operate at this level.

Conservation finance speaks of the need to develop projects and initiatives with the "prior, informed consent" of marginalised groups, such a small-scale fisheries. Yet the new breed of leaders in conservation come from backgrounds of finance and business consulting, where the ideals of democracy and deliberation are counter intuitive. This is a fast-paced world of winning that values secrecy, cunning and competition.

Such dangers are increased due to the exclusionary vocabulary of the finance industry. Throughout the troubled history of international finance, its colourful jargon has confused and tricked outsiders. Most of us will not know what the conservation finance industry is doing because we do not speak their language. This is particularly important when it comes to gaining the consent of poorer countries and poor communities, who may be particularly vulnerable to snazzy presentations that promise millions of dollars.

3. CRIME AND CORRUPTION

The financialisation of the world, and the rise of "casino capitalism", has been criminogenic. Highly unethical, and often criminal and corrupt behaviours are so common to the functioning of financial markets they are normal to its functioning. The leaders of the conservation finance world are the same bankers, hedge-fund managers and business consultants that have been guilty of a vast number of frauds. It is therefore disturbing that while Credit Suisse—to take just one example—is hosting its annual conservation financing conferences to save the oceans—it is, at the same time, centre stage in one of Africa's largest ever corruption scandals. Fittingly, this is based on billions of dollars that were looted in the creation of a bogus tuna fishing company. Likewise, while McKinsey & Company are the leading intellects of the conservation finance industry, the list of scandals implicating McKinsey consultants is enormous; this includes its central role in the fraudulent collapse of

Enron, its role in the opioid crisis in America and its dominant responsibility in the financial crash of 2008. More recently McKinsey is found at the centre of multi-million-dollar corruption scandals in countries such as Mongolia and South Africa, while it gladly accepted a contract to advise the government of Saudi Arabia on how to more effectively identify political dissidents.

Conservation finance suggests bringing an environmental ethos to financial markets. Instead, it may bring to the world of nature conservation a deeply immoral and corrupt industry. There must be concern that the innovative financial instruments designed to save the planet, many of which are negotiated without a great deal of transparency, are themselves opportunities for personal enrichment and financial frauds.

4. ADDING TO INVESTMENT FLOWS OR DIVERTING THEM

The basic story told by advocates of conservation finance is that traditional sources of money to fund conservation are inadequate. Private capital is therefore needed to make up the shortfall. In this view private finance works as an addition to other financing streams, such as public and philanthropic funding. But financial markets do not have such a straightforward relationship with other parts of the economy. The history of financialisation has shown that the private financial sector disrupts and depletes other parts of the economy.

This is a complex issue that may be easy to overlook. However, there are already several conservation finance deals that are based on blending development aid or that use development aid as catalytic for raising private finance. In these cases, it can be easy to assume that public aid has a multiplying effect; releasing more private finance for conservation. But from a wider perspective, development aid and public funding may work as a subsidy to the conservation finance industry, reducing money that would have otherwise been distributed to other people and projects. It is therefore important not to mistake the face value of money raised through conservation finance as being the net benefits for conservation. A great deal of research has already revealed that "public-private partnerships" for development can create a mirage, concealing the fact that they have ended up reducing aid disbursements not increasing them, while shifting the benefactors of aid towards wealthier individuals and companies.[28] In analysing these deals, there are important questions to ask on how much have investors made in these transactions, to whom does the money flow, and what has been forfeited as a result.

5. MAKING CONSERVATION WORK FOR THE RICH

The financialistion of everything correlates with rising inequality. If the business of saving the planet is treated like a project for McKinsey it should come as no surprise that it will channel the lion's share of gains to a minority. Poorer communities may be left out in their quest for efficiency gains. To illustrate this risk, in May 2019, the World Bank co-hosted a conference with the US NGO Rare and the Inter-American Development Bank, entitled "Mobilising capital for the oceans: The new frontier in natural infrastructure investment". A summary of the outcomes stated: "Communities must be able to absorb capital and deliver on the impact in marine

[28] ROMERO, M., "Opinion: Public-private partnerships don't work. It's time for the World Bank to take action". *Devex,* 19 April, 2018. Available at: https://www.devex.com/news/opinion-public-private-partnerships-don-t-work-it-s-time-for-the-world-bank-to-take-action-92585

resources, and simultaneously generate revenue that provides the investment returns." We see here how coastal communities are depicted less as potential beneficiaries than as potential risks for private investment.[29]

Therefore, one of the main concerns about the turn to conservation finance is that for nature to be a valuable asset, it has to be commodified. If nature is to produce returns on investment, then it must be "squeezed" to be made more efficient and profitable. This is of great importance for the oceans and sectors like fisheries, which are, in so many places, valuable precisely because they do not produce surplus profits. Henry Paulson ended his forward in his report on "closing the bio-diversity finance gap" by saying:

> *"The economic case for protecting nature is compelling. However, we should keep in mind that there is an overwhelming case for preserving nature for its own sake. Nature is the greatest source of beauty, inspiration, innovation, and intellectual interest—indeed of everything that is good about life. In that sense, it is priceless."*[30]

Yet as Paulson must know, probably the least qualified people on the planet to ensure nature remains priceless and protected from the vagaries of capitalism are those that come from McKinsey and Goldman Sachs.

Kenya, 8 November 2021

[29] Blended Finance Taskforce, 'Mobilising capital for the oceans: Investor round-table at the WB/IMF Spring Meetings with Rare and the IDB', May 2019, available at: https://www.blendedfinance.earth/news/2019/5/21/mobilising-capital-for-the-oceans-investor-roundtable-at-the-wb-imf-spring-meetings-with-rare-and-the-idb
[30] See footnote 9.