



IMSA AMSTERDAM
SUSTAINABILITY & INNOVATION

Draft Framework for a North Sea Fund

Part of Living North Sea Initiative – Intermediate Phase

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Contents

	page
Overall aim and objectives of a North Sea Fund	5
Focus areas	9
Governance structure	12
Appendix: Learnings from other funds.....	19



Overall aim and objectives of a North Sea Fund

Background and case for action

The North Sea: an intensively exploited ecosystem

The North Sea ecosystem is one of the most varied marine ecosystems in the world, and very productive because it is shallow and rich in nutrients. At the same time, the North Sea region is densely populated and one of the most heavily exploited marine ecosystems worldwide. About 200 million people live in the vicinity of the North Sea, with seven countries directly adjacent to it: the UK, Norway, Denmark, Germany, the Netherlands, Belgium and France. Moreover, the North Sea is the most heavily trafficked sea in the world. For centuries, the people of the North Sea have benefited from the services offered by the sea, such as food, energy, transport and a stable and comfortable climate.

However, the growing intensity of human activities has a negative impact on the ecosystem. The current use of the North Sea is not sustainable. For example, fisheries have a significant negative effect on the marine ecosystems by disturbing the seafloor and because of by-catch and discards. The North Sea is polluted with litter, nutrients and hazardous substances. Accidental spills, combined with operational and intentional discharges, have led to pollution of the marine environment by oil and chemicals. Emissions from shipping and fishing vessels affect the air quality, and a lot of the waste that is being produced on board such vessels ends up in the North Sea. In addition, the way in which the North Sea is being used for the production of energy is unsustainable, and the transition to the use of renewable resources is still in an early phase. Finally, the consequences of climate change are expected to increase pressures on the entire North Sea ecosystem and the safety of coastal areas.

The North Sea ecosystem is in a poor state and at risk of further decline

As a result of all these human pressures and impacts, the quality of the North Sea ecosystem has decreased significantly. Biodiversity is changing and the population size and distribution of species and habitats that used to be abundant are now declining. Decades of overfishing have resulted in many commercial fish populations being in dire condition. Long-lived and sensitive species, such as sharks and rays, are under pressure, as many of them are caught before reaching their reproductive age. By-catch, underwater noise and other disturbances greatly affect marine mammals. As major shifts have occurred in marine food webs, the ecosystem is at risk of a sudden regime shift.



Over the past hundred years, human activities have led to a complete transformation of the North Sea seabed. In the past, a lot of variation existed on the seafloor. Only a few centuries ago, the southern North Sea contained significant areas of hard substrate in the shape of boulders from the ice ages, old surfacing peat layers and large oyster banks. This hard substrate provided a rich diversity of habitats and attracted a variety of animals for shelter or food. Since 1880 this situation has dramatically changed, mainly as a result of intensive bottom disturbing fisheries, leading to an increase of instable sandy bottoms. Many benthic and bottom-dwelling species have disappeared along with their habitats, leading to a decrease in biodiversity.

In short, the quality status of the North Sea is not good. Although governments, both at a national and EU level, are working hard to develop policies to improve the situation, there still is not a major transition happening towards a sustainably used, healthy, rich and resilient North Sea ecosystem.

A fund for ecosystem improvement is a core part of the Living North Sea Initiative

Part of the LiNSI proposition is the development of a North Sea Fund to enable measures that:

- have a *significantly positive impact* on the quality status of the North Sea ecosystem by dealing with priority pressures on it;
- result in *sustainable use* and development of specific sectors that have a major impact on the North Sea ecosystem;
- have *added value* in relation to existing government policies, like the implementation of the Marine Strategy Framework Directive, Habitats and Bird Directive, review of the Common Fisheries Policy and the European Maritime Policy.

In the next chapter we describe some focus areas with possible measures that could be implemented through funding from the Fund.

Philosophy

Within LiNSI we recognise that human activities have had a significant global impact – to a point of almost irreversible effect. If we do nothing, pressures will continue to increase and the quality of the North Sea ecosystem will dramatically decline. We have a unique opportunity presented by LiNSI for innovative ways of delivering our shared vision – a robust and resilient North Sea ecosystem, able to provide humans with valuable resources gained through sustainable practices.

It is *not* our aim to restore the North Sea ecosystem to pristine conditions or wilderness nature where no human activities are allowed, but to support the development towards a robust and resilient North Sea ecosystem that is adaptable to climate change and recovers from human impacts. We seek to halt and reverse the current trend of biodiversity loss and ecosystem decline. This diverse ecosystem will continue to



provide valuable services to humans while at the same time supporting a wide variety of marine habitats and fish, marine mammals, seabirds and benthic species.

As humans, we cannot ourselves give shape to the ecosystem and decide which habitats, species and ecological processes are allowed to settle where. However, by minimising negative human pressures and impacts and by exploring opportunities to have a positive impact, we can create the right conditions for the ecosystem to become rich, healthy and resilient again. On the way towards sustainable economic use, which is in balance with the North Sea ecosystem, LiNSI recognizes the need for a step-by-step approach.

It is important here to have a clear vision of a healthy North Sea ecosystem: what do we mean when we talk about a healthy and sustainable North Sea? What is the role of human activities in the Anthropocene of the North Sea? The next step is to develop ecosystem approach-based measures, which are necessary to achieve this healthy ecosystem state.

Priorities

According to many NGOs and scientists, the most urgent measure is the creation of an ecologically coherent network of Marine Protected Areas. These important habitats and areas containing high levels of biodiversity can serve as ecological reserves, where negative human impacts are kept at an absolute minimum. Another key priority is to support the transition of certain human activities, which have a relatively large negative impact on the North Sea ecosystem, into sustainable ways forward. This will be a process of learning by doing. Monitoring and continuously updating our scientific knowledge base of the North Sea marine environment are crucial. A monitoring programme will make it possible to adjust measures and regulations to ecosystem changes.

These objectives cannot all be achieved purely with the help of a North Sea Fund. In particular, a coherent network of MPAs is primarily a matter of regulatory measures. However, ecological reuse of artificial substrate might play a role in restoring hard substrate in or around such MPAs and a fund could contribute to understanding where and why such MPAs would be of value and in designing a strategy for what kind of activities to allow where and under what conditions. Also, a fund might play a role in developing new forms of sustainable enterprise, or compensating users for increased costs, etc. as a result of being excluded from certain areas. There will be no one solution, but rather a combination of programmes addressing environmental, economic and social aspects.

Moreover, a North Sea Fund could support the communication on the uniqueness and intrinsic value of the North Sea ecosystem, the environmental pressures it is facing, and the importance of sustainable use, through the application of various media outlets and the distribution of educational materials. Hereby, the primary aim is to raise awareness of environmental issues and bolster public and political support for protective measures.

Purpose, aim and objectives

The purpose of the North Sea Fund is to improve the North Sea ecosystem. Its aim is to promote a system of adaptive management of protection and sustainability measures moving towards a healthy North Sea ecosystem in 2050.

The North Sea Fund would work towards the following objectives.

- *Protecting* vulnerable key habitats and species
- *Restoring* active habitats
- *Achieving sustainable use*, by promoting and facilitating a transition to a ‘net positive’ benefit of all users
- *Filling knowledge gaps*, by researching and monitoring ecosystem behaviour.

Note: Part of the research objective (4) could be related to monitoring and maintenance of the offshore structures that have been left in place in order to generate cost savings. These structures need to be monitored on safety and environmental issues. Monitoring & researching the ecological benefits of ecological reuse of offshore structures will, however, only be a minor part of funding. This monitoring could be linked to the broader research programme.

The focus of the fund will be to stimulate certain developments through the funding, not about changing government regulations.

Through achieving these objectives, the fund will help to reverse the decline of the quality of the North Sea ecosystem and contribute to long-term sustainable harvesting from the services of this ecosystem, providing food, energy and livelihood to the people surrounding it.

Questions

Q1. Should the decommissioning aim be included, and possibly linked to a broader research programme?

Q2. What is the ecosystem objective? Can this include protection measures or is this only possible as outcome of the negotiation within LiNSI?

Focus areas

Focus areas, indicators and goals

This chapter describes focus areas in which a North Sea Fund may invest. The indicators chosen can be related to both the OSPAR Ecosystem Quality Indicators and to the indicators described for a Good Environmental Status in relation to the EU Marine Strategy Framework. The choice of indicators reflects the top priorities of many green NGOs.

Core to the approach will be to stimulate innovative techniques that are on top of regulatory requirements, supporting pilots and feasibility testing needed to get towards upscaling.

Indicator	Goals	Focus areas/examples
<p><i>Reverse of decline of biodiversity, food webs ensure long-term abundance of species, healthy populations of fish stocks and sea-floor integrity ensures functioning of ecosystems (esp. benthic ecosystem)</i></p>	<ul style="list-style-type: none"> • Restoration of vulnerable habitats and key species • Increased resilience of ecosystem and species to climate change effects • Vulnerable seafloors remain undisturbed of human interference • Selective fisheries with minimal by-catch 	<ul style="list-style-type: none"> • Active creation or maintenance of (artificial) habitats for vulnerable and key species • Fund research identifying key habitats qualifying as Natura 2000 and OSPAR MPAs and other additional protection measures necessary for an ecological coherent network of MPAs. • Promotion of an ecological coherent network of MPAs (with the focus on OSPAR MPAs, and the additional spatial protection measures buffer zones, ship wrecks as biodiversity hotspots, and closed areas around wind, oil and gas platforms. • Fund generic protection plans (esp. internationally coordinated research on habitats, population size, key threats and solutions) for iconic North Sea species like bottle nose dolphins, harbour porpoises, gennets etc. • Tagging of long-lived vulnerable species like rays and sharks • Research on the effects of climate change on vulnerable species • Bird islands

<i>Sustainable protein production</i>	<ul style="list-style-type: none"> • Vulnerable seafloors remain undisturbed of human interference • Selective fisheries with minimal by-catch • Restoration of commercial fish stocks to population levels below Maximum sustainable yield (< Msy) • Reduced energy use/CO2 emissions • High value added • High productivity per m2 of sea • Enhance innovative sustainable methods for food production at sea 	<ul style="list-style-type: none"> • Investment in sustainable low impact fishing practices (passive, selective and without disturbing seabed); pilots & upscaling • Fund educational programmes for fishing sectors raising awareness of low impact fisheries methods • Innovative mariculture (algae, seaweed, shellfish) in multifunctional and sustainably used windparks or in relation to abandoned offshore structures (research and pilots) • Creating gradual transitions between sea and land; tidal marshes, sea grass fields, for mariculture purposes. • Restoration of oyster beds/bringing the flat oyster back
<i>Sustainable energy production (mitigation of climate change and sustainable jobs)</i>	<ul style="list-style-type: none"> • Speed up transition to renewable energy production • Positive ecosystem impact of new energy projects 	<ul style="list-style-type: none"> • Innovative reuse of offshore structures in relation to renewable energy production • Fund R&D on and actual adaptation of renewable energy projects in order to maximise positive effect on ecosystem (and minimize negative ones). • Fund R&D and pilot(s) of new renewable energy in the North Sea: wave energy, tidal energy, osmotic energy etc.
<i>Pollution & litter (hazardous substances other than oil and PAHs, input of heavy metals, oil, PAHs and antifouling, chemicals, chemical ammunition, litter specific to fisheries and recreation)</i>	<ul style="list-style-type: none"> • Reduce pollution risks in North Sea area • Develop integrated approach for resolving problems around marine litter • Identify input of toxic substances in the North Sea and set out ways to reduce these inputs. 	<ul style="list-style-type: none"> • Fund improved navigation aids and educational programmes for shipping and fishing sectors raising environmental awareness • Clean up ship wrecks and other artificial reefs that may gather fishing nets and marine litter • Fund the removal of chemical waste dumps, ammunition and other legacies in North Sea, that form a risk to ecosystem and safety • Support and expand 'fishing for litter' programmes • Fund cheap/free waste disposal facilities in ports • Fund research into improved wastewater treatment techniques, so as to prevent microplastics and other debris from entering the sea through sewage outlets

Coastal protection (climate change adaptation)	<ul style="list-style-type: none"> • Protection and restoration of valuable coastal habitats • Coastal protection against sea level rise, heavier storms and other effects of climate change 	<ul style="list-style-type: none"> • Building and maintaining artificial reefs that provide both ecosystem and coastal protection value (e.g. oyster beds) • Creating gradual transitions between sea and land; tidal marshes, sea grass fields, etc. • Connect nutrient output of land (rivers) to mariculture in salt-sweet transition areas.
Permanent monitoring programme	<ul style="list-style-type: none"> • Filling in ecosystem knowledge gaps • Enables adaptive management of North Sea Fund initiated measures: what effects have the funded measures on the ecosystem goals/North Sea reference situation/ecological horizon, as set by the North Sea Fund/LiNSI? • North Sea international monitoring programme 	<ul style="list-style-type: none"> • Fund research on ecological reference situation for the North Sea (now misses in MSFD implementation) • Fund research on commercial and non commercial fish stocks not yet researched • Fund research on population size, habitats and threats to marine mammals and sea birds in the North Sea • Re-use of a near coastal oil or gas platform as the North Sea Research and Monitoring Centre.



Governance structure

First ideas regarding fund structure

This chapter discusses first ideas about the potential governance structure of a North Sea Fund. At this stage, it is too early to make definitive choices. Yet, we would like to set out some basics, which we believe would be necessary for the fund to be as effective as possible in contributing to a sustainably used, healthy North Sea in 2050. We aim to describe the dilemmas that are related to some of the choices that will be made in the future.

Governance of the fund should be set up in such a way that the available assets are spent most effectively on the realisation of the aim and objectives of the fund.

On every theme questions are formulated that need to be answered at a later stage regarding the objective(s) of a North Sea Fund.

NB. When speaking about a fund, we mean a financial vehicle that transfers realised cost savings from a new decommissioning approach towards the improvement of the North Sea ecosystem.

Resources

The input side of the fund, the resources, deals with issues of where the contributions come from as well as how to match the timelines of incoming resources with the need for speedy actions in order to achieve ecosystem improvement before 2050.

Contributions

Contributions to the fund come, in the first place, from decommissioning cost savings. In this case funding comes from operators that can leave certain structures in place due to a new approach. The percentage of cost savings that operators will contribute to a North Sea Fund is a matter of negotiations.

In order to secure (indirect) government contributions to the fund, one might work to ensure that operators' contributions are counted as part of decommissioning costs, i.e. subject to the same fiscal regime as current decommissioning costs. Alternatively, governments could be asked to contribute by making all fund contributions tax deductible (using the Dutch example of Green Funds). Other sectors may at a later stage be interested in contributing to the fund for various reasons. Moreover, it may be attractive for the fund to attract other (voluntary) contributions, as this may increase public support and transparency and reduce the fund's vulnerability to misuse by sectoral contributors or governments.

**Timeline**

Contributions are irregular and long-term because decommissioning is stretched over the coming decades and regularly postponed. Ideally, funds would become available at an earlier stage than envisaged in the (insecure) decommissioning timeline. The measures that need to be taken in the North Sea are urgent and cannot wait for decades.

Depending on the type of fund, different options could be explored for pre-financing, such as investments by ‘impact investors’ and financial institutions or up-front contributions directly from operators that have the opportunity to leave platforms in place.

Questions

Q1. Do contributions come from oil & gas operators only? Or also governments?
Q2. Should other sectors (be able to) contribute?
Q3. How to solve the irregular availability of resources? See also under ‘most important dilemmas’.

Management & organisation

The organisational structure is partly dependent on the legal form of the fund (profit or non-profit; see further below). Key factors in its design will be to avoid the fund criteria being misused by any one stakeholder group.

Governing Council

The Governing Council (comparable to a Board of Commissioners) could be composed of (key) stakeholders and experts (e.g. sector experts, ecosystem experts and policy experts). The governing council holds final responsibility over the fund.

Management bureau (manager & staff)

The daily management and operations of the fund lie with a manager (Fund Manager or Managing Director of a Bureau, supported by staff if needed) who reports to the Governing Council.

Part of the daily management is the development and implementation of an x-yearly programme of measures (‘agenda’) plus a monitoring plan, on the basis of which the agenda of the North Sea Fund will be periodically reviewed and adjusted (adaptive management strategy).

Questions

Q4. Is representation of all countries and sectors needed?
Q5. How to secure stakeholder input in programme of measures? Should an Advisory Council be added or is the GC sufficient?



Use of resources The use of resources of the fund should consider the following. Who will be able to acquire funding (i.e. what are beneficiaries' requirements)? What will be funded (this should be derived from programme of measures)? How will funding take place (i.e. which instruments will be used)? And how will monitoring of measures be done (there should be a feedback loop to x-yearly programme/ adaptive management)?

Questions

Q6. What criteria are set for the expenditures of the fund?
Q7. Which instruments can be used (subsidies, (interest-free?) Loans, guarantees, investments)?

Most important dilemmas

The most important dilemmas in designing the governance structure of a North Sea Fund are listed below.

Liability

A North Sea Fund might play the role of decommissioning agency, taking over offshore structures, including liabilities for structures that are ecologically reused. Similar agencies have been formed in the UK and the Netherlands in relation to decommissioning of nuclear power plants. However, this will be politically complicated and blur the objectives of the fund.

Question

Q8. Will the fund take over liability for offshore structures left in place?

North sea wide

In order to be effective at an ecosystem level, a North Sea Fund should be an *international* fund. This does not exclude that measures can be allocated on specific national levels where they are most effective.

Question

Q9. How will the fund be able to invest North Sea-wide?

Legal form

A North Sea Fund should be able to operate independent from governments or any other possibly dominant stakeholder group in order not to compromise the added value of a North Sea Fund and make sure the funds are spent in the most effective manner at the objective agreed within a LiNSI deal.

To guarantee continuity of funds and a relative independence of funds from the decommissioning timeline, pre-financing is needed.

A commercial fund is able to acquire pre-financing from banks/financial institutions or (private) equity ('impact investors'). Herewith the timeline issue could be resolved. But this type of fund needs return on investment and thus cannot be a subsidising fund.

If the North Sea Fund would be of the type that primarily funds research or subsidises projects (charity-like), pre-financing by banks or equity is probably not an option. In this case the funds would have to be made available by operators or governments upfront.

The fund should have a clear percentage allocation of funds for research and a monitoring programme, which periodically monitors the effects of the funded measures on the marine ecosystem. On the basis of this monitoring programme the adaptive management strategy of the North Sea Fund is executed. I.e. measures are allocated in such a way that they score relatively high in terms of ecological impacts.

The fund could also be structured partly as a commercial investment fund (with a Fund Manager taking decisions) and partly as a charity-like foundation.

Question

Q10. What organisation type will the fund have? Not for profit or for profit? A combination?

Learnings from other funds

In this early stage of drafting the framework for a North Sea Fund, it can be helpful to learn from the experiences of other, already existing funds. How are they organised and financed, and what learnings are there for us to take?

SET Fund

In 2004, Dutch nuclear reactor Borssele was allowed to stay into function for several extra years. As compensation, a successful for-profit fund of 50 million euros was created (financed by the two electricity companies running the reactor) which invests money in companies supplying clean-energy, CO₂ reduction and such.

Learnings

- The scope of the fund should not be too broad, or alternatively, sub-funds may have to be created (e.g. one for-profit/private and one non-profit/public). There is a large difference between investments in research and investments in technology development or changes in governance. These require different types of financing and, therefore, may require different fund organisation. It is crucial to

first decide (in more detail) on the scope of the fund and the type of activities, and only thereafter to decide on the type of fund (for-profit or not).

- Setting up a fund requires a lot of time and money (for legal matters). During the lifetime of the fund, a management fee is also necessary to pay for the management of the fund. In the case of the for-profit SET Fund this was 2% of the fund.

Wadden Sea Fund

The Dutch Wadden Fund came into being in 2007 as a compensation for the fact that natural gas was allowed to be extracted from below the Wadden Sea nature area. The fund (800 million euros) was mainly filled by annual gas revenues. In a time span of 20 years, the money was to be invested in projects in the categories 1) nature restoration and development, 2) decrease of threats (e.g. from shipping incidents, exotic species etc.), 3) sustainable economic development and 4) knowledge infrastructure (plus management of the fund). Part of the money (122 million euros) was used to financially compensate the cockle fishers that were banned from the Wadden Sea. Management of the fund and the task to decide upon subsidies was given to the minister of VROM (Transport, Spatial Planning and Environment). The original set-up of the fund was not a success: many projects got delayed and there was no monitoring. For more information see appendix.

Learnings

- The money must be exclusively reserved for the goals of the fund. In the case of the Wadden Sea it proved to be too easy to use the money for general government expenditures.
- The activities should always be monitored to ensure the effectiveness of projects.
- If money is used to buy out a sector, it should be made sure this sector does not move elsewhere. In the case of the Wadden Sea, cockle fishers kept their ships and had the opportunity to move to other seas.
- A system of tendering may cause delay. In the case of the Wadden Sea Fund, the tender system was later replaced by a system of Theme Directors who select and connect initiatives.



*Texas and Louisiana
Artificial Reef
Programme (ARP)*

In the Gulf of Mexico, oil and gas companies have the option to donate their obsolete platforms to the Rigs-to-Reefs programmes. This started as a means to support recreational fisheries. The programmes are developed to promote, develop, maintain, monitor and enhance the artificial reef potential. ARP reserves 50% of a company's savings from not having to take the structure ashore. The liability is transferred to the state. Received funds are used to finance research, administration, maintenance, liability and construction of new artificial reefs.

Learnings

- This fund has multiple goals but still the scope is quite narrow (not: 'increasing fish stocks in the GOM'); goals are clearly defined and limited.
- Oil companies find the foundation attractive for their public reputation and for personal satisfaction: they 'want to do the right thing'.
- Since the Macondo oil spill, the interest in Rigs-to-Reefs is decreasing. Next to distrust towards the oil and gas industry, lack of knowledge of the dynamics of the ecosystem and the continued debate on whether platforms 'produce' or merely attract fish also increases NGOs' scepticism.

Mr Q. Dokken of the GOM Foundation advises to:

- focus a North Sea Fund on ecosystem restoration and scientific research, and the communication of this;
- set up a structure that is independent of government and policy changes, preferably a private fund with an independent board. A good example is the BP Research Fund.

*U.K. Fisheries
OFFSHORE OIL and
GAS Legacy Trust
Fund (FLTC)*

This fund was established in 2007 to enhance the safety of fishermen by providing information about oil and gas related seabed structures that might affect fishing (pipelines and other structures can cause damage), and manage inter-industry issues into the long-term. It was necessary because it was unclear who was going to compensate lost or damaged fishing vessels in coming decennia, when the oil and gas companies may have disappeared from the North Sea. Operating companies have made a one-time contribution of 50 million pounds in total to the fund. Oil and Gas UK also makes an (ongoing) contribution to the fund.

Members of the fund are the Scottish Fishermen Federation, Oil and Gas UK and the National Federation of Fishermen's Organisations. The interest on the money in the fund is used to finance the various projects.

Learnings



- It is not unusual for oil and gas companies to pay an amount into a fund before the company has ended its activities in the North Sea.
- In the UK, there are tax benefits for money in trust funds.
- The FLTC's rules for what the fund may be used for are very tight. This has positive aspects (money cannot be abused) but also perhaps negative ones: it may be difficult to add goals or activities in a later stage.¹

For a more extensive description of learnings, see the appendix.

¹ Source: interview with Michael Sutherland, SFF on 11 May 2011, and website FLTC.

Appendix: Learnings from other funds

Waddenfonds

The original set-up

The Waddenfonds was set up in 2007 after an advice of the Adviesgroep Waddenzeebeleid (AGW, Advisory Group Wadden Sea Policy). The AGW had signalled (among other things) ecological deterioration and a too complicated administration of the area (many different management parties: national, regional and local government bodies). The fund (800 million euro) was a compensation for the fact that natural gas was to be extracted from the Wadden Sea area, an important nature area. The goal was to reinforce the ecology and economy in the region. The fund was filled mostly by money from natural gas revenues, by yearly amounts, and partly by the government from general resources. In a time span of 20 years, the money was to be invested into projects falling in the categories 1) nature restoration and development, 2) decrease of threats (e.g. from shipping incidents, exotic species etc.), 3) sustainable economic development and 4) knowledge infrastructure (plus management of the fund). Part of the money (122 million euros) was used to financially compensate the cockle fishers that were banned from the Wadden Sea.

The AGW wanted 64% of the money to go to category 1 (nature) and 24% to category 3 (economic development). However, the government (in reaction to questions from the liberal party) decided upon a distribution of the money that gave priority to projects from which both nature and economy would benefit, while 50% of the fund should go to the ‘sustainable economy and energy’ category. It was also stressed that the rules should not be too rigid. The fund was also to be used for ‘additional’, non-regular activities.

Management of the fund and the task to decide upon subsidies was given to the minister of VROM (Transport, Spatial Planning and Environment). The RCW (Regional Board of the Wadden Area) was appointed to advise on priorities in projects to be subsidised, in order to give the region large influence. To make the Waddenfonds possible, a new law was made. Steps for acceptance of a project were: 1) does the project fit the criteria for financing from this fund?, 2) a proposition to the Advisory Commission for the fund that does a binding proposition to VROM, and 3) a formal ‘yes’ from VROM.

There has been quite a struggle to create the right format for the fund. It was decided that projects should not be fully financed from it (reason: the ecological or economic problems should be large enough and in that case it should be possible to find part of the money elsewhere). For ecological projects, 10% non-Wadden Sea Fund money was required; for economic projects 50%.



Original set-up failed; changes per 2012 In 2012, the Waddenfonds was transferred from the national government to the three provinces Fryslan, Groningen and Noord-Holland. The budget is now 28 million euro per year. The four categories remain the same. Also in 2012, the Court of Audit evaluated the Waddenfonds and concluded that the fund had not been properly managed: more than 50% of the projects gets delayed; there was no monitoring or evaluation system in place, and there was an end goal formulated for the fund as a whole, but not for individual projects. After the Court of Audit's criticism the practical implementation was changed in order to have more efficiency and effectiveness: there will be no more tendering, but Theme Directors will select and connect initiatives. The Waddenfonds mentioned in 2012 that it aims to realise a 50/50 distribution between investments in ecology and economy.

In the period 2007-2012 there has also been criticism from NGOs who thought that economic development was given too much priority over ecological development. Some regarded the fund as a failure, especially because the money had not been sufficiently secured for the Wadden Sea; it was too easy for government to decide to use the money to fill up general budget gaps.

The original plans can be read here (in Dutch):

http://www.waddenzee.nl/fileadmin/content/Dossiers/Overheid/pdf/200512_kamerbriefwaddenfonds_1_.pdf

More about the new management can be read here:

<http://ameland.wordpress.com/2012/08/31/nieuw-bestuur-waddenfonds-wil-wat-met-kritiek-doen/>

U.K. Fisheries OFFSHORE OIL and GAS Legacy Trust Fund Ltd.

Objective The Fisheries OFFSHORE OIL and GAS Legacy Trust Fund (FLTC) was established to be a credible entity that promotes and enhances the safety of fishermen in UK waters by providing information about oil and gas-related seabed structures which might affect fishing, and managing inter-industry issues into the long term.

- The primary objectives of the FLTC are to promote and enhance safety of fishermen by taking steps to reduce the risk of loss of life or injury to people, or damage to property, by reason of debris (incl. structures and pipelines left in place, allowed by government) following decommissioning of oil related materials. One of the measures is that FLTC set up a database, fishSAFE. This system gives a warning if a ship approaches a platform or pipeline.
- In so far as there remains any surplus money not required for those primary objects, secondary objects may be pursued by the FLTC including the advancement and support of safety initiatives, education, science and environmental protection. This may be for example projects that help preserve the UK fishery or help manage issues relating to oil and gas infrastructure after decommissioning or cessation of activities.
- This fund was established in 2007 to enhance the safety of fishermen by providing information about oil and gas-related seabed structures that might



affect fishing (pipelines and other structures can cause damage), and manage inter-industry issues into the long term. It was necessary because it was unclear who was going to compensate lost or damaged fishing vessels in coming decennia, when the oil and gas companies may have disappeared from the North Sea.²

Funding Operating companies are expected to make a contribution to the endowment fund in respect of the individual assets, the investment revenue of which will cover the costs of the FLTC's activities. The intent is to be consistent for all installations/pipelines, i.e. the amount contributed would be constant, in real terms, adjusted from the quoted number in line with RPI. Once the payment is made, the FLTC will not approach that co-venture group for a further contribution for the same legacy issue. Next to these one-off contributions to the endowment fund, there is an ongoing contribution from Oil & Gas UK to FLTC.

FLTC manages the resulting endowment fund. FLTC has formed a wholly owned subsidiary company, FLTC Services Limited, whose role is to promote or supply information systems and devices that enhance safety in connection with oil and gas infrastructure in UK waters.

Operating companies have made a one-time contribution of 50 million pounds in total to the fund. Oil and Gas UK also makes an (ongoing) contribution to the fund. The interest on the money in the fund is used to finance the various projects.³

Governance The FLTC is registered in Scotland and has charitable status. Members/shareholders are the Scottish Fishermen Federation, OGUK and the National Federation of Fishermen's organisations. It has an independent chairman, two members from fisheries, two from oil and gas, and the government as an observer. Two committees were formed:

- The Technical Committee, to manage seabed information and dissemination systems and develop technological innovations when appropriate
- The Investment Committee, to advise the Board of FLTC on endowment fund investments to generate revenue for company activities.

It is the intention that the FLTC will in perpetuity extend and make available the seabed monitoring and communication service that provides information about installations and pipelines that will be allowed to remain on the seabed after decommissioning.

² Source of this chapter: www.fltc.co.uk, but source for this bullet point is an interview with Michael Sutherland (SFF) in 2011.

³ Source of this chapter: www.fltc.co.uk, but source for these 3 sentences is an interview with Michael Sutherland (SFF) in 2011.



- Learnings**
- It is not unusual for oil and gas companies to pay an amount into a fund before the company has ended its activities in the North Sea.
 - In the UK, there are tax benefits for money in trust funds.
 - The FLTC's rules for what the fund may be used for are very tight. This has positive aspects (money cannot be abused) but also perhaps negative ones: it may be difficult to add goals or activities in a later stage.⁴

Texas and Louisiana Artificial Reef Programs (ARP) / Gulf of Mexico Foundation

Objective The Texas and Louisiana Artificial Reef Programs are developed to promote, develop, maintain, monitor and enhance the artificial reef potential in state waters and federal waters adjacent to Texas and Louisiana. Artificial reefs not only enhance fishery resources, but also fishing and diving opportunities off the coast. Rigs-to-Reefs is the heart of the Artificial Reef Programs. It primarily involves the recycling of obsolete petroleum platforms into permanent artificial reefs rather than allowing them to be taken ashore as scrap. The Rigs-to-Reefs programmes include fisheries conservation, research and management.

Funding To date, cooperating oil and gas companies have donated more than 165 offshore petroleum structures in Texas and Louisiana. Currently, the Artificial Reef Programs receive 50% of an oil company's savings from converting the jacket to a reef instead of taking the structure to shore where it is cleaned and treated as waste. The liability is transferred to the state.

The funds received are used to finance research, administration, maintenance, liability and construction of new artificial reefs. The funds also make the Texas Artificial Reef Program self-sufficient, with no need for taxpayer dollars.

Set-up The programmes and associated funds are governed solely by the States of Texas and Louisiana.

- Learnings**
- This fund has multiple goals but still the scope is quite narrow (not: 'increasing fish stocks in the GOM'); goals are clearly defined and limited.
 - Oil companies find the foundation attractive for their public reputation, and for personal satisfaction: they 'want to do the right thing'.
 - Since the Macondo oil spill, the interest in Rigs-to-Reefs is decreasing. Next to distrust towards the oil and gas industry, lack of knowledge of the dynamics of the ecosystem and the continued debate on whether platforms 'produce' or merely attract fish also increases NGOs' scepticism.

⁴ Source: interview with Michael Sutherland, SFF on 11 May 2011, and website FLTC.

Mr Q. Dokken of the GOM Foundation advises to⁵:

- focus a North Sea Fund on ecosystem restoration and scientific research, and the communication of this;
- set up a structure that is independent of government and policy changes, preferably a private fund with an independent board. A good example is the BP Research Fund. This has a board with half BP people and half representatives from state governments etc. There is an independent chair and organiser of board meetings. The board allocates the money. Mr Dokken agrees that NGOs could still question the independence of research funded by such a fund (with people of the oil and gas industry in the board), but argues that the only solution would then be for governments to greatly increase their scientific research funding, which they won't.

Borssele Deal and SET Fund

Objective To invest in the development of renewable energy: the Dutch cabinet and energy companies Essent and Delta are keeping the Borssele nuclear power plant open for a longer period of time than was originally planned. In return, the government and companies will invest € 500 million in the development of renewable energy. This is called the Borssele Deal.

The government will invest € 250 million via the Fonds Economische Structuurversterking (FES), the government fund for strengthening the Dutch economic structure.

The companies will invest € 250 million: € 200 million in internal sustainable energy innovation projects that otherwise would not be funded; € 50 million (of the total € 500 million) will be invested via the Sustainable Energy Technology (SET) Fund. The SET Fund's key objective is to invest in early-stage technology companies, headquartered in Europe, in the areas of energy production and energy efficiency.

Funding SET Fund started in 2007 with € 50 million. Essent N.V (today Energy Resources Holding BV) and Delta N.V. - two major utility companies in the Netherlands - are the cornerstone investors in SET Fund. SET Venture Partners (SET VP) is the management company of the SET Fund.

Today, SET Venture Partners is considered one of Europe's leading cleantech venture capital investors, as evidenced by their top 10 ranking in Bloomberg New Energy Finance's 2010 League Tables.

Set-up SET VP independently manages the SET Fund.

⁵ Source: interview report LNSF232 and personal communication at Shell meeting with Q. Dokken.

An external independent commission with representatives from government and companies has been set up to monitor the investments.

- Learnings**
- The scope of the fund should not be too broad, or alternatively, sub-funds may have to be created (e.g. one for-profit/private and one non-profit/ public). There is a huge difference between investments in research and investments in technology development or changes in governance. These require different types of financing and, therefore, may require different fund organisation. It may be wise to first decide (in more detail) on the scope of the fund and the type of activities, and only thereafter to decide on the type of fund (for-profit or not).
 - It is often so that, in the beginning phase, companies take a long time to decide on taking part in the fund, because they fear the risks.
 - Setting up a fund requires a lot of time and money (for legal matters). During the lifetime of the fund, a management fee is necessary to pay for the management of the fund. In the case of the for-profit SET Fund this was 2% of the fund.

Common Fund for Commodities

The Common Fund for Commodities (CFC) is an autonomous intergovernmental financial institution established (in 1989) within the framework of the United Nations, with its headquarters in Amsterdam. It is a partnership of 105 member states plus nine institutional members such as the European Community, the Caribbean Community (CARICOM) and the African Union. The Common Fund's mandate is to enhance the socio-economic development of commodity producers and contribute to the development of society as a whole. Its resources consist of voluntary contributions, capital subscriptions by member countries and interest earned. Special is the commodity focus, instead of the traditional country focus. The activities of the fund include improving access to markets and expanding processing of primary products in developing countries with a view to promoting their industrialisation.

The governing bodies of the fund are its Governing Council (meeting once a year) and the Executive Board. The Managing Director is the Chief Executive Officer of the fund and, at the same time, Chairman of the Executive Board. The Executive Board is advised by a Consultative Committee, composed of thirteen independent experts, on technical and economic aspects of projects submitted to the fund.

Annual report with more details to be read here:

http://www.common-fund.org/fileadmin/user_upload/Publications/Annual_report/ANRPT_2011.pdf

Criteria for project approval here:

http://www.common-fund.org/uploads/tx_cfc/CFC-Manual_projects.pdf

Albert Heijn Foundation

Part of the earnings of Albert Heijn supermarket and its suppliers are transferred into this fund, which was founded in 2007. The money is invested in projects in Africa, e.g. for housing, education and medical care. Goal: to guarantee living conditions and prospects for the employees, and guarantee the supply of fruits and vegetables on the long term, working towards a more social and sustainable nature of the supply chain. Partners are ICCO and Fair Match Support. An African supplier and its employees propose a project; this is analysed by ICCO/FairMatch Support and, if accepted, also monitored and evaluated. Projects are managed by the employees. In 2010, approximately 20 projects were developed.

Sources for this appendix

Some sources are already mentioned in the text. Additional sources used:

- <http://www.rijksoverheid.nl/onderwerpen/waddenzee/subsidie-waddenfonds>
- <http://ameland.wordpress.com/2012/09/25/wadden-fonds-heeft-direkteur/>
- http://www.st-ab.nl/wetten/1077_Wet_op_het_Waddenfonds.htm
- <http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2010/12/17/zoden-aan-de-dijk.html>
- <http://www.ukfltc.com/>
- Memo LNSF112