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FINANCING THE NEXT GENERATION OF GREENER YACHTS

For years, buying or building a superyacht was largely a question of taste, budget and timing. The conversation revolved around size, brand, design pedigree, cruising range and onboard amenities. Environmental performance, if mentioned at all, sat in the background as a "nice to have".

THAT ERA IS ENDING

Across the yacht sector, sustainability is shifting from a branding choice to a financial and operational necessity. Regulations are tightening, charter clients are asking harder questions, lenders are reshaping their credit policies and technology choices are becoming more complex. As a result, the future value and usability of many yachts will depend as much on their environmental profile as on their aesthetics and performance.

For owners, shipyards and financiers, this is changing how transactions are structured - and how risk is assessed - particularly in the growing area of "green" yacht financing.

ENVIRONMENTAL PERFORMANCE AS A FINANCIAL QUESTION

Historically, yacht finance was straightforward asset-backed lending: a bank assessed the vessel, the owner, and a likely resale value, then advanced funds accordingly. Environmental considerations were rarely central to credit risk.

That is no longer sustainable. Three trends are pushing environmental factors into the heart of yacht finance:

Regulation is expanding and becoming more granular

Larger vessels calling at EU ports are being brought into the EU Emissions Trading System, FuelEU Maritime and other reporting regimes. At international level, the IMO's greenhouse gas strategy sets a net zero trajectory towards 2050, with interim checkpoints. Even where private yachts fall outside the strictest rules, the direction is clear: emissions will be measured, fuels will be scrutinised and non-compliance will become more expensive.

Asset value now depends on future environmental compatibility

A yacht ordered today could still be cruising in the 2040s or 2050s. If it is built around conventional diesel, with limited scope for upgrade, its operating costs, destination access and charter appeal may deteriorate as rules tighten. In contrast, vessels designed with flexible propulsion, lower emissions and credible data are likely to find broader market support.

The owner and charter base is changing

Younger high net worth individuals and corporate charter clients increasingly view environmental impact as part of their public and investment identity. They are not necessarily looking for

austerity; they are looking for luxury that sits comfortably alongside genuine sustainability. That reality is beginning to influence which yachts are easier to finance, insure and charter.

In other words, sustainability is now directly linked to collateral value, liquidity and long term credit quality - core concerns for any lender.

REGULATORY PRESSURE: PLANNING FOR A LONG SERVICE LIFE

One of the central challenges is time. A diesel yacht ordered today might still be in service when the IMO's 2050 net zero milestone arrives. Over that period, several regulatory layers will mature:

Emission Control Areas and fuel restrictions

The Mediterranean ECA already imposes stricter sulphur limits, with enforcement in key charter destinations. Additional regional controls are likely to follow.

European climate frameworks

Larger yachts visiting EU ports can fall within the scope of the EU ETS and FuelEU Maritime. These regimes steadily reduce acceptable greenhouse gas intensity and increase the cost of carbon over time.

Global decarbonisation pathways

The IMO's net zero strategy signals that even currently lightly regulated segments – including some yachts – may face tighter scrutiny in future greenhouse gas assessments.

Designing and financing a yacht without considering this landscape creates planning risk. Owners may find that a vessel is technically compliant at delivery but progressively out of step with evolving expectations. Shipyards and lenders are, therefore, paying far closer attention to how easy a yacht will be to adapt – in terms of propulsion, energy systems and documentation – over its life.

FROM "NICE FEATURE" TO CORE ELEMENT OF VALUE

Traditional yacht valuation models have centred on:

- Brand and shipyard reputation
- Size, age and technical specification
- Design, layout and interior quality
- Maintenance history and charter track record

Those factors remain fundamental. What has changed is that environmental performance is starting to sit alongside them as a value driver. In practice, this can mean:

Higher demand for efficient, hybrid or alternative fuel capable yachts

New builds and refits that incorporate hybrid diesel electric systems, battery capacity, shore power readiness and energy saving design features are often attracting broader interest from buyers and charter clients.

Potential value discounts for inefficient vessels

Yachts that are costly to fuel, difficult to access certain destinations with, or lacking credible environmental documentation may experience downward pressure on resale prices.

Increased focus on verifiable data

Corporate charter clients, in particular, often need reliable environmental information for their own ESG reporting. Vessels without validated performance data may be passed over in favour of those with independent assessments.

For lenders, this translates into a very practical concern: whether the yacht they are financing is likely to remain usable, attractive and refinanceable in a more demanding regulatory and market environment.

THE MEASUREMENT CHALLENGE: AVOIDING GREENWASHING

One obstacle to scaling green yacht finance is measurement. Commercial shipping has long used IMO metrics such as EEXI, EEDI and CII to quantify design and operational efficiency. The yacht sector, by contrast, has developed multiple parallel initiatives:

- **SEA Index**, launched by the Yacht Club de Monaco and Credit Suisse, compares the carbon impact of larger yachts, with classification society validation.
- **YETI (Yacht Environmental Transparency Index)**, developed by the Water Revolution Foundation, takes a broader view by assessing lifecycle impacts, fuel use, shore power and operational energy demand.
- **Blue ESG SCII and other operational indicators**, which aim to track annual

carbon intensity for yachts over certain size thresholds.

These tools mark genuine progress, but they also create fragmentation. Without a single, widely accepted standard, it can be difficult for banks, insurers and charter platforms to compare assets consistently.

As environmental scrutiny increases, the risk is that unverified marketing claims outpace robust data – the classic greenwashing problem. To avoid this, the industry is moving towards:

- **Independent, third party verification** of environmental claims;
- **ISO recognised frameworks** for assessment and reporting; and
- **Integration of data into financing documentation**, through covenants, reporting obligations and margin adjustments.

The more credible and comparable the data, the easier it becomes to design green or sustainability linked financing structures that stand up to regulatory and market scrutiny.

TECHNOLOGY CHOICES AMID FUEL UNCERTAINTY

The propulsion and fuel landscape for yachts is evolving rapidly. Shipyards and designers are experimenting with:

- Hybrid diesel electric systems and large battery banks
- Hydrogen fuel cells and methanol ready engines
- Solar integration, improved hull designs and lighter materials
- Advanced energy management and hotel load optimisation
- Shore power capability and alternative fuel bunkering strategies

There is, however, no single agreed pathway. Alternative fuels are at different stages of availability, cost and safety assessment. Ports and marinas vary in their infrastructure and regulatory readiness.

Against this backdrop, **flexibility** is becoming the key design and financing principle:

- Yachts that are efficient on conventional fuels today, but structurally prepared for alternative fuels tomorrow, are likely to be more resilient.
- Modular systems, clear upgrade options and documented energy performance provide owners and lenders with a realistic transition plan instead of a static design.

Financing structures can support this by recognising future proofing measures – for example, linking pricing or covenants to the installation of hybrid systems, shore power connections or fuel ready configurations.

THE EXISTING FLEET: WHERE TRANSITION REALLY HAPPENS

Newbuilds attract much of the attention, but they represent only a portion of the market. Many yachts already in service will remain operational for decades. Their environmental profile will need to improve through:

- Refits and retrofits (propulsion upgrades, batteries, shore power, hull optimisation)
- Operational changes (speed management, routing, hotel load efficiency)
- Fuel strategies (use of lower carbon fuels where available)
- Enhanced waste and water management systems

This reality creates a significant financing opportunity. Green yacht finance does not need to be limited to brand new vessels that meet narrow "taxonomy compliant" criteria. It can also take the form of:

- **Refit loans** targeting specific environmental upgrades;
- **Sustainability linked refinancing** where margin reductions are tied to verified performance improvements;
- **Export credit or shipyard supported packages** for substantial modernisation programmes.

For lenders, supporting the transition of the existing fleet can deepen client relationships, mitigate future impairment risk and demonstrate portfolio alignment with wider decarbonisation goals.

HOW FINANCE IS CHANGING: FROM GREEN LABELS TO STRUCTURED INCENTIVES

The broader maritime finance world has already begun to embed climate considerations. The Poseidon Principles, for example, ask participating banks to measure and disclose how their shipping

portfolios align with IMO decarbonisation trajectories. While yachts have their own characteristics, the underlying logic is spreading:

- Institutions are expected to understand the emissions profile of the assets they finance.
- Public and regulatory pressure encourages transparent reporting and continuous improvement.
- Portfolios that remain heavily exposed to inefficient vessels may face reputational or regulatory risk.

In the yacht space, this is likely to manifest through **sustainability linked loans** rather than purely "use of proceeds" green loans. Key features typically include:

- Clear baselines: documenting the yacht's current environmental performance.
- Measurable targets: such as emissions reduction, verified use of shore power, installation of specific technologies or achievement of an independent rating.
- Independent verification: avoiding reliance on self reported data.
- Meaningful economic consequences: margin reductions for meeting targets and potentially step ups or other consequences if targets are missed.

Well structured, these arrangements align the interests of owners and lenders. They reward proactive investment in efficiency and resilience while supporting long term collateral protection.

REPUTATION, ACCESS AND ADJACENT MARKET PRESSURES

Yachts occupy a visible niche. They cruise in sensitive marine environments, frequently appear in media coverage, and are often associated with high profile individuals and companies. These characteristics attract attention from:

- **Insurers**, who may differentiate premiums or coverage based on technology, safety and environmental risk.
- **Ports and marinas**, which can offer incentives for cleaner vessels or impose tighter restrictions on emissions, anchoring and waste in fragile areas.
- **Regulators and policymakers**, keen to ensure luxury segments contribute to broader environmental goals.
- **Public and media audiences**, increasingly alert to inconsistencies between public ESG narratives and private asset choices.

For owners, this means that the yacht's environmental profile is no longer purely private. For banks, it means that supporting credible, well documented sustainability efforts can be part of a broader risk and reputation management strategy.

PRACTICAL IMPLICATIONS FOR OWNERS AND PROJECT TEAMS

In this changing environment, owners contemplating a new build, acquisition or significant refit may wish to:

Engage with sustainability early in the project

Integrate environmental objectives at the concept and design stage rather than as late stage add ons. This helps balance aesthetics, performance and future regulatory resilience.

Select partners with credible sustainability expertise

Work with shipyards, designers, managers and technical advisors who understand emerging standards, verification frameworks and practical implementation.

Align ownership, flagging and financing structures with long term plans

Flag choice, charter strategy, management arrangements and financing terms should be coordinated so that regulatory, tax and environmental considerations support rather than conflict with each other.

Insist on robust, verifiable data

Whether for financing, charter marketing or internal reporting, reliable performance metrics – validated by recognised frameworks – will increasingly differentiate yachts in a crowded market.

Legal and financial advisors play a central role in this process. They help navigate emerging regulations, design appropriate financing structures, coordinate documentation and manage the interface between environmental objectives and traditional concerns such as security, tax and operational flexibility.

CONCLUSION: SUSTAINABILITY AS A FOUNDATION OF ENDURING YACHT VALUE

The shift towards greener yacht financing is not about diluting the essence of yachting. Owners still expect comfort, privacy, performance and unique experiences. What is changing is the context in which those expectations must be delivered.

In the coming years, the yachts that retain value, enjoy broad destination access and attract premium charter clients are likely to share certain features:

- Efficient, flexible propulsion and energy systems
- Thought through pathways for future technological upgrades
- Credible, independently verified environmental performance data
- Financing and ownership structures aligned with long term regulatory and market realities

Rather than treating sustainability as an external constraint, the most resilient projects will treat it as a design principle and a financial safeguard. Green yacht financing is one strand of that shift – a mechanism through which banks and owners can invest in yachts that remain not only beautiful and enjoyable, but also viable, valuable and welcome in the evolving maritime landscape.

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