NGO NON-PAPER ON AID FOR FLEET RENEWAL

Funding fleet renewal will not address EU overcapacity and overfishing

Thirty years of the Common Fisheries Policy, CFP, has resulted in the serious depletion of fish populations, the degradation of ecosystems, and damage to species and habitats. Thirty-nine per cent of assessed stocks in the Atlantic and 88 per cent in the Mediterranean are overfished[1]. By continuing to overfish, more than €3 billion every year is being wasted which could support more than 100,000 jobs[2]. Overcapacity is one of the main drivers of overfishing and subsidies have been used to increase the EU's fleet capacity by providing aid for the construction of new vessels. So much so, that the EU's fishing fleet is estimated to be two to three times larger than sustainable fisheries would allow. Such direct subsidies have acted as an economic incentive to overfish; reducing them is critical to ending overfishing, rebuilding fish stocks and securing a viable future for the sector.

Funding fleet renewal will be a step back on EU policy

Phasing out aid for the construction of vessels is one of the important successes of the last 2002 CFP reform. The re-introduction of this aid would a major step back. Under the 2000 – 2006 fisheries subsidies mechanism, the FIFG, almost half a billion euro was spent on building new vessels[3]. These subsidies resulted in the construction of 3,000 new vessels, 8,000 vessels modernised and 6,000 vessels (a large proportion of which were small vessels from Greece and Spain) scrapped[4]. It was soon clear that the newly built vessels had greater capacity than the scrapped ones, so halfway through the period of the FIFG funding, aid for fleet renewal was ended.

Funding fleet renewal will harm EU's international commitments

At the Rio+20 Summit on Sustainable Development in June 2012, the EU re-committed to phase out fisheries subsidies that contribute to overfishing. In its 2006 submission to the WTO Doha Round negotiation, the EU already asked to prohibit subsidies for 1) the construction of new fishing vessels, 2) the renovation of existing vessels, and 3) permanent transfer of fishing vessels to other countries including through the creation of joint ventures with partners of those countries[5]. Reintroducing these subsidies in the EMFF would contravene international commitments, and common sense.

Funding for fleet renewal will not benefit artisanal and low impact fishermen

The objective of the proposed aid for construction is to support the small scale fisheries. However; these fishermen will benefit more from allocation of fishing opportunities based on environmental and social criteria as agreed in the CFP basic regulation, which will provide them with a continuing comparative advantage, rather than aid for new boats, which presents a one off support only. The EMFF should rather be used to involve small scale fishermen in the design and implementation of management and conservation measures or to support improvements in gear selectivity.

A proposal in the draft compromise amendments on the EMFF is to introduce fleet renewal subsidies for small-scale and coastal fishing vessels older than 35 years under the condition that engine capacity must be reduced and that the vessel must use more selective gear is extremely risky. This measure will clearly increase fishing capacity, undermine management plans and threaten the recovery of fish stocks.

[1] COM(2013) 319 final Communication from the Commission to the Council concerning a consultation on Fishing Opportunities for 2014
[2] nef (new economics foundation) (2012), Jobs Lost at Sea—London http://www.neweconomics.org/node/1968.
[3] DG MARE (2010) Ex-Post evaluation of the Financial Instrument for Fisheries Guidance (FIFG) 2000 – 2006 Final Report Tome 1 p. 28
[4] Poseidon (2010) FIFG 2000–2006 Shadow Evaluation
[5] TN/RL/GEN/134 24 April 2006

Detailed critique of Compromise Amendment June 4th

Article 32b

Investments for the fleet renewal

1. The EMFF may support investments for the renewal of small-scale and coastal fishing vessels older than 35 years, with due respect to the following conditions:

(i) in fleet segments for which the capacity report referred to in Article 34(1) of the [Regulation on Common Fisheries Policy] has demonstrated that there is no balance between fishing opportunities and fleet capacity, the investment shall reduce the vessel's capacity, fishing effort and energy consumption of at least 40%;

(ii) the investment shall substantially improve the selectivity of the vessel's gear;

(iii) the investment shall respect safety conditions on board;

(iv) the vessel shall have carried out fishing activities during the five previous years.

2. The support referred to in paragraph 1 shall only be granted to vessels' owners and shall only be granted in return for the scrapping of the vessel older than 35 years.

3. The amount of the support referred to in paragraph 1 shall not exceed 15% of the total investment and EUR 80 000.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 150, laying down detailed rules for the application of the criteria set out in this Article.

Paragraph 1

- Limiting payments to <u>"small-scale and coastal fishing vessels"</u>

The proposal intends to limit funding for vessel construction to the small-scale sector. However, the Fisheries committee is still divided on agreeing on a definition of small-scale and coastal vessels, with proposals ranging from 10 to 24 metres for the length of boats. The current definition of small-scale and coastal vessels under 12 metres and without towed gear[6], would include the vast majority of EU vessels. Also with funding limited to vessels that are both, below 12 metres and older than 35 years (see next bullet), more than 20,000 vessels would still be eligible for funding under this measure, which is about a quarter of the current fleet.

- Limiting payments to vessels <u>"older than 35 years"</u>

Whereas the age of a vessel is usually determined by the year of its construction, this stipulation provides no information on its efficiency. A large number of vessels have been modernised in the last decades. For example, a vessel that has been constructed 27 years ago could have had its engine replaced at least twice for a trawler or once for a small-scale vessel (see boxed text below). In certain cases the only original part of the vessel is the hull, with all other parts having been completely modernised.

Most of the vessels that are over 35 years old and eligible to receive funding as proposed above, are currently operating in the Mediterranean. With 88 percent of fish stocks in the Mediterranean currently overfished, we question the prudence of a proposal to invest in new vessels there.

[6] European Fisheries Fund (EC 1198/ 2006 Article 26.1)

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All moving parts of an engine are usually replaced after 30,000 hours at sea. With about 220 days at sea per year (average) this makes about 5,000 hours (full day out) at sea for big trawlers or about 2,200 hours at sea for small scale (10 hour trips). This means that all the moving pieces in the engine are at most 6 year old for trawlers and 12 year old for small scale. E.g. for France, where the average age of ships is 27 years, the engine has been changed at least twice for trawlers and once for small scale.

Assessment of proposed conditions on fleet renewal (paragraph 1 i – iv)

- (i) "in fleet segments for which the capacity report referred to in Article 34(1) of the [Regulation on Common Fisheries Policy] has demonstrated that there is no balance between fishing opportunities and fleet capacity,"

The European Court of Auditors concluded that reporting by Member States on the balance between capacity of the fleet and the fishing opportunities is severely limited and there is no clear overview at the EU level on this assessment[7]. The criterion to only allow new boats for fleet segments that have proven to be operating a balance between capacity of the fleet and fish stocks will therefore be based on incorrect assessments and is not sufficient to prevent EU subsidies from maintaining overcapacity. In fact, from the 2011 reports submitted by 21 Member States, only five received the maximum score for quality of data provided[8].

- (i) "the investment shall reduce the vessel's capacity, fishing effort and energy consumption of at least 40%"

Vessels equipped with engines that consume less fuel and reduce operating costs are able to spend more hours at sea for the same operating cost, and hence catch more fish. This is in particularly true for fisheries that do not operate under the fisheries quota system, as is the case for most fisheries in the Mediterranean. The ECA report states that vessels equipped with so-called 'fuel-efficient' engines have an incentive to increase their fishing effort, for instance by spending more hours at sea[9].

Also, the replacement of engines with identical nominal power is often associated with a greater capacity to catch fish – a phenomenon called 'technological creep'[10]. There are no safeguards with enough legal weight behind them to ensure that these investments in more fuel efficient engines will not increase a vessel's ability to catch fish. Under-declaration of engine power is a common problem in European fleets. Engines can be legally certified with a power much lower than their maximum continuous power. This is done by adjusting the fuel injection settings, which can easily be reversed once the engine has been certified. As a result, the Commission assesses that the real power installed on-board is almost impossible to control[11].

The definition of fishing capacity, currently assessed in gross tonnage (GT) and engine power (kW), is ineffective in measuring vessels' potential for catching fish. Technological improvements have increased the fleets' ability to catch fish, even if other aspects of capacity (i.e. GT and kW) were decreasing. For example, for the period between 1992 and 2008 fleet capacity (i.e. GT and kW)

[7] EU Court of Auditors (2011) Have EU measures contributed to adapting the capacity of the fishing fleet to available fishing opportunities?,
[8] STECF (2013) Review of national reports on Member States efforts to achieve balance between fleet capacity and fishing opportunities
[9] EU Court of Auditors (2011) Have EU measures contributed to adapting the capacity of the fishing fleet to available fishing opportunities?,
[10] J. Fitzpatrick, 'Technology and Fisheries Legislation', in FAO (1996) Precautionary approach to fisheries Part 2, FAO Fisheries Technical Paper 350/2, pp. 191–199.
[11] European Commission (2006) The under-declaration of engine power. Non Paper for the Meeting of DGs for Fisheries of Member States

decreased by 29 percent, but technological improvements are estimated to have increased capacity by 14 percent[12].

- (ii) "the investment shall substantially improve the selectivity of the vessel's gear;"

This criterion aims to ensure that fleet renewal leads to more selective and sustainable fishing practices. However, an increase in selectivity can be best achieved by changing fishing techniques or by applying more selective gears and both measures will be eligible for funding under the EMFF. The criterion on selectivity is very difficult to measure and would require more control, which would increase the administrative burden on Member States. Especially because a majority of the small-scale coastal vessels target multiple species, use several types of gear and are polyvalent.

- (iii) "the investment shall respect safety conditions on board;"

Compliance with existing safety standards is not solely applicable to the amendment above, as all EMFF investments are required to comply with existing laws and meet safety conditions on board. The EMFF will provide funding for safety training or equipment on board that go beyond the required standards, and these investments are not exclusively linked to construction of new vessels.

- (iv) "The vessel shall have carried out fishing activities during the five previous years."

If the fleet renewal proposal aims to ensure that subsidies will not endanger the balance between fleet capacity and the state of the fish stocks, the idea to determine the eligibility of vessels on having 'fished in the five previous years' is extremely risky. In fact, the European Court of Auditors identified the selection of criteria to determine the eligibility of vessels for direct fleet subsidies as a problem; they were not well targeted and had little impact on fish stocks[13]. In some Member States being an 'active' vessel only requires a fishing permit for a certain fishery. Many Member States do not require beneficiaries to disclose how much of a certain stock the vessel actually lands when applying for EU funds.

Paragraph 2

2. "The support referred to in paragraph 1 shall only be granted to vessels' owners and shall only be granted in return for the scrapping of the vessel older than 35 years."

Providing funds to build new vessels in order to replace scrapped ones defeats the objective of reducing capacity. This is further aggravated by the fact that newer boats are often more efficient. A study of the English Channel beam- and otter-trawls found that the capacity of newer vessels was 1.6 percent greater for every additional year of age difference between the vessels[14]. Thus a new vessels had, on average, over 56 percent more fishing capacity than a 35 year old vessel with the same tonnage and engine power; showing that replacing a scrapped vessel with a new vessel almost unequivocally increases capacity.

If decommissioning is reintroduced in the EMFF, it should not be linked to a scheme that allows the building of new vessels. Instead decommissioning should be done with clear safeguards:

[12] EU Court of Auditors (2011) Have EU measures contributed to adapting the capacity of the fishing fleet to available fishing opportunities?,
[13] Idem
[14] S. Pascoe and L. Coglan, (2002) 'The contribution of unmeasurable inputs to fisheries production: an analysis of technical efficiency of fishing vessels in the English Channel', American Journal of Agricultural Economics 84 no3

- Allow applications for scrapping of boats only until end of 2015, this would effectively allow Member States to use the current EFF and future EMFF funding for scrapping until 2017;
- Ensure that those parts of the fishing sector that benefit from a decommissioning scheme contribute to the costs of the scheme (beneficiary-pays principle);
- Remove the fishing license associated with the decommissioned vessel and ensure that beneficiaries of such aid are not allowed to register a new fishing vessel;
- Scrap those fleets that are more environmentally destructive and provide less employment and other social benefits for coastal communities; and
- Make decommissioning schemes part of a fleet management or restructuring plan that has been scientifically assessed and approved by the European Commission and applies the OECD guidelines.

Paragraph 3

3. "The amount of the support referred to in paragraph 1 shall not exceed 15 percent of the total investment and €80,000."

Limiting payments to €80,000 can still divert substantial funding from needed investments in data collection, control and enforcement, research for more selective gear or training. With more than 20,000 vessels eligible for funding, up to €1.6 billion could be diverted into aid for fleet construction.

NGO recommendation:

The proposed measure to re-introduce aid for fleet renewal is high risk. It would: increase fishing capacity; undermine management plans; undermine the EU's international commitments; and impede the recovery of fish stocks. As explained above the proposed 'safeguards', that aim to limit funding for fleet renewal to smaller vessels and only provide it under certain conditions, cannot guarantee that the fishing capacity will not increase, and therefore jeopardises efforts to recover fish stocks. We therefore urge the members of the Fisheries Committee to vote against any amendments which introduce aid for the construction of new vessels.

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