

# COMMISSION WORKING DOCUMENT

**Subject: Reflections on further reform of the Common Fisheries Policy**

## 1. INTRODUCTION

The Common Fisheries Policy (CFP) saw the light of day in 1983 and has since then been reviewed every ten years. The latest reform was agreed in 2002 and will be up for review at the latest in 2012.

The CFP is one of the most integrated EU policies and gives the Community extensive competence to manage marine natural resources. The rationale for that remains that fish populations are a truly international resource as they are mobile across national borders and depend on shared marine ecosystems. The activities of one fishing fleet affect the opportunities for others. It is therefore essential that the CFP remains an integrated Community policy.

Improvements have been made since the last reform in 2002. Many fish resources are now harvested under multiannual plans. The new Regional Advisory Committees allow for far better involvement of stakeholders. We have initiated a policy of sustainable fisheries according to Maximum Sustainable Yield and a new policy to reduce discards in European fisheries. We now have examples of fish stocks where a recovery plan has been effective in restoring the stock to the benefit of both the fishery and the marine ecosystem.

These achievements must be followed through, and more still needs to be done. Fishing fleets are still too large, and as a result, it has not been possible to reduce overfishing to the extent necessary. Most European fish stocks are still overfished. The result is poor economic efficiency, high environmental impact, high fuel burn and low contribution of European fisheries to food supply. This largely explains why the recent fuel crisis has hit the fisheries sector so hard and exacerbated its structural problems.

Action is needed to solve these problems, or else they will worsen. Not only is sustained action needed to implement the 2002 reforms, but action is now needed to prepare for the next reform. The reasons are:

- We are half-way through implementing the 2002 reforms. We have accumulated experience on what has worked and what has not, and it is time to take stock of our successes and failures so as to improve our performance without delay.
- Implementation may in the future move to co-decision. We have to prepare for this.
- The new Integrated Maritime Policy provides an umbrella under which we can strengthen the coherence between the reformed CFP and other Community policies related to the sustainable development of seas, oceans and coastal areas.

- We can already start to define the major structural changes that should be proposed in 2012. These changes are likely to be important, and the preparation for them needs to start with an in-depth analysis followed by a wide consultation process. A long lead-in is necessary.

The conservation and fleet policy pillars of the CFP are subject to mandatory review by 2012 at the latest. These are also the two pillars which have been most critical to the overall performance of the CFP. The present non-paper therefore focuses on these two pillars, also keeping in mind that reforms are already underway in relation to control and IUU fishing. It is however necessary to consider how other pillars, especially the structural funds, can support the conservation and fleet pillars better and how the CFP should be integrated with policies regarding other maritime sectors in the Maritime Policy.

It is also essential to address the external dimension of a reformed CFP. Fishing is a global activity by nature and its interaction with external factors is evidently intense. In a Community that imports 60% of its consumption of fishery products, a dynamic trade policy should take into account the need to satisfy the growing needs of the market as well as the role that imports play in price formation and therefore in the fishermen's income. Conservation policy in the EU should not just drive the EU fleet out of Community waters, nor should it jeopardise unduly the industries' competitiveness. The reformed CFP should therefore continue projecting the Community 'acquis' in multilateral and bilateral arenas, seek to create a level-playing field between fishing nations and develop a strong consensus with international partners to promote global governance of fisheries. Fishing is an important source of proteins and revenues for some developing countries that maintain artisanal fleets but also sell fishing rights to foreign fleets and/or export fishery products to the EU market. The CFP must promote a responsible and equitable use of fishing resources worldwide and assist developing countries in establishing robust, transparent and sustainable fishery policies.

The review should therefore be broad-based so as to be able to undertake a holistic assessment of the Common Fisheries Policy.

## **2. OUTCOMES OF THE CFP**

The objectives of the CFP can be summarised as to 'ensure exploitation of living aquatic resources that provides sustainable economic, environmental and social conditions.'<sup>1</sup>

The policy has progressed towards these objectives since the last reform in 2002. We are, however, still far from achieving the objectives fully. The present situation is that 30% of the stocks for which information exists, are outside safe biological levels. This means that the harvest from 30% of our stocks for many years has been so intense that the future productivity of the stock is threatened because the capacity for reproduction is reduced. 80% of our stocks are fished so intensely - above maximum sustainable yield - that the yield is reduced, even with the high effort required to fish so intensely. This compares to the global average of 25% stocks fished above maximum sustainable yield reported by

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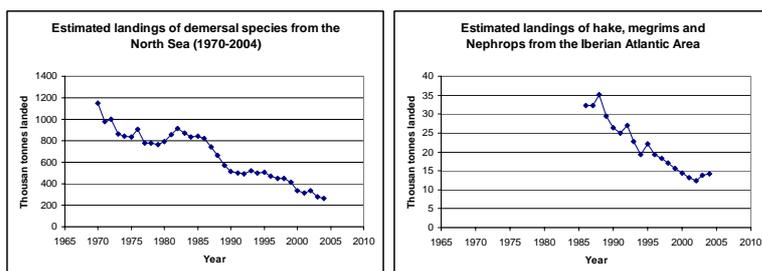
<sup>1</sup> Council Regulation 2371/2002 on the Conservation and Sustainable Exploitation of Fisheries Resources under the Common Fisheries Policy.

FAO. Comparable values in countries which we should be at par with are 25% in the USA, 40% in Australia and 15% in New Zealand.

Fishing above maximum sustainable yield has important negative economic and social impacts. The productivity of fisheries – and thus the economic and social benefits - is reduced because fish are caught before they are allowed to grow and in many cases before they have reproduced. North Sea cod, for instance, can live for more than 20 years and will at that time have a weight of more than 20 kg. Presently, the average age of cod which are caught (those landed and those caught but discarded again) in the North Sea is 1.6 years with a mean weight of less than one kilo. The reason that the age and size of the catch is so low is that the fishing pressure has been very high for a long time and there are therefore very few older and larger fish left in the sea to catch. This also means that most cod are caught before they can contribute to the next generation. North Sea cod must be more than 4 years old before most of the individual fish are mature and can take part in spawning but presently 93 percent of the fish caught are immature.

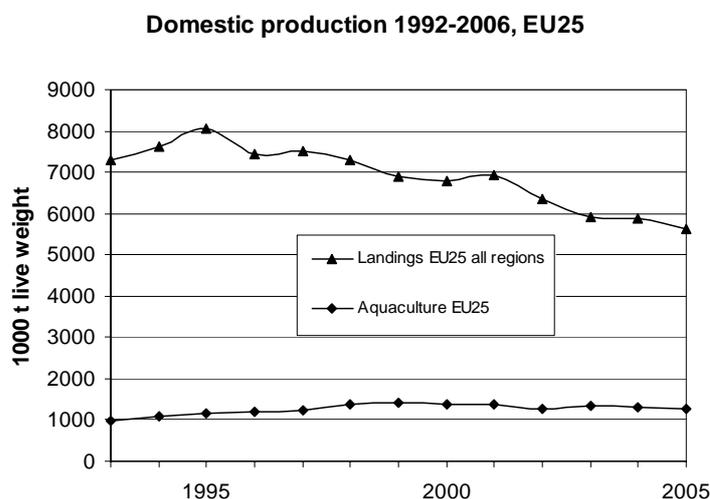
The bottom line is that an excessive fishing pressure has eroded away the present and future productivity of the fish stocks.

This long history of over-fishing has led to lower stocks and reduced harvest opportunities. For some fisheries and areas, this decrease has been quite dramatic as illustrated in Figure 1.



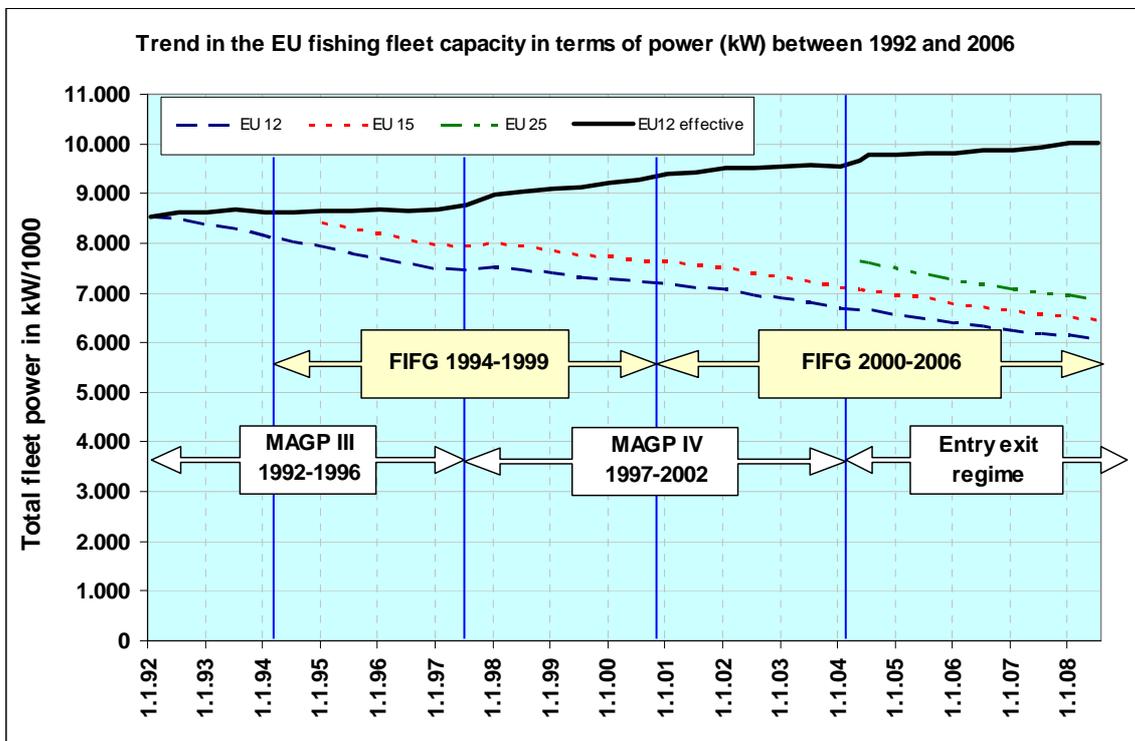
**Figure 1. Landings of demersal fish from two regions – the North Sea and off the Iberian Peninsula. The North Sea data include only species landed for human consumption - cod, haddock, whiting, saithe, plaice and sole. Source: ICES.**

The total landings from EU fisheries in the NE Atlantic and the Mediterranean have decreased by 30% overall over the last decade (see figure 2). The development of aquaculture falls far short of compensating the reduction in landings.



**Figure 2. Production of seafood from domestic sources - landings and aquaculture production from the NE Atlantic (including the Baltic Sea) and the Mediterranean. Source: Eurostat**

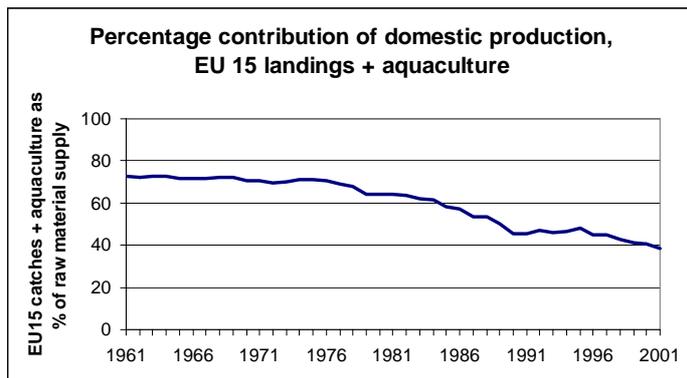
It is an important underlying problem that there is still considerable overcapacity of fishing power in relation to the fish resources available. The European fishing fleets can in many cases exert a fishing pressure on the stocks which is two to three times the sustainable level. Subsidies have contributed to this. Furthermore, the economic incentives for higher efficiency through technological development are the same in fisheries as in other sectors, but the difference between fisheries and most other sectors is that the fisheries sector harvests a resource which is limited by its very nature. Technological development – in the range of 2 to 4% per year in many fisheries - therefore leads to excessive harvest capacity unless the fleet size is reduced proportionally. The effective harvest capacity of European fishing fleets has therefore, in spite of many years of programmes to reduce the capacity, not been reduced as much as necessary to bring the effective capacity in balance with the resources available as illustrated in Figure 3.



**Figure 3 The development of the nominal capacity (kW installed engine power) of European fishing fleets since 1992. The policies relating to capacity which were in place during the period are indicated. A line has been added to indicate the development of the effective harvest capacity of the fleet of EU12 due to an increase in efficiency from technological development, assuming an increase of 3% per year.**

The combination of overcapacity and many stocks being at low levels means that the economic efficiency of the harvest sector is low and the profitability will be low in many fleets, even without external pressures such as high fuel prices.

Reduced fish stocks have also led to a diminishing contribution of raw materials from Community fisheries to the European consumer as illustrated in Figure 4. Worse, major retail chains now believe the fact that fish have been harvested under the CFP, which does not provide their customers with sufficient guarantees of sustainability.



**Figure 4 The relative contribution of domestic production of raw materials to the seafood supply in Europe. Source: Eurostat**

### 3. WHAT ARE THE REASONS FOR THESE OUTCOMES?

The situation with overfished stocks and poor economic performance in the fishing industry has created a momentum for further deterioration, a vicious circle:

- Excessive subsidising, ineffective controls, technological development and also an insufficient political will to introduce effective instruments to adjust fleet capacity and neutralise incentives to overfishing have resulted in overinvestment and thus overcapacity relative to the resource base.
- Such overcapacity has led to political pressures for excessive quotas and to strong economic incentives for fishing practices which are unsustainable. Member States have focused on keeping their fleets busy rather than adopting proposals for sustainable fishing policies. As the Court of Auditors has reported, control and enforcement are inadequate and are insufficient to stop oversized fleets from overfishing the resources and fishing illegally. This enforcement weakness favours the maintenance of overcapacity.
- Many years of fishing at unsustainable rates have led to much reduced fish populations in the sea and thus reduced catch opportunities. This has had negative economic and social impacts and has also led to high discard rates and high and unnecessary environmental impacts.
- The vicious circle is closed when reduced fishing opportunities and poor economic performance lead to even stronger pressures from the industry to let short term concerns compromise the long term sustainability of fisheries even further. It has proven difficult for Member State governments to resist this pressure.

The decisions in the Council over many years were therefore dominated by concerns about the short-term economic and social impact of reducing fishing pressure and fishing capacity. This has led to a preference for short-term solutions over long-term improvements. The long-term ecological sustainability of fisheries has been undermined to such an extent that the economic and social sustainability of the European fisheries sector is now compromised.

This situation has also led to increasingly detailed and costly management. The pressure for higher fishing opportunities has led industry and Member States to ask for many detailed derogations, exceptions and specific measures; the effects of these measures are often neutralised by adaptations in the industry, leading to a need for even more detailed measures. Documenting, deciding, implementing and controlling this is increasingly costly. Furthermore the fishing industry feels that there is a lack of a level playing field, with fishermen in "other" Member States being controlled less rigidly. We are told by some Member States that the cost to their national budget of managing and subsidising fisheries now surpasses the economic value of the catches.

The reasons for these outcomes warrant a detailed analysis, but some key factors can already be highlighted:

- The decision-making framework encourages a short-term focus because decisions on long-term principles and on implementation details are taken at the same level. This is conducive to putting more emphasis on the short-term costs of implementation decisions at the expense of the long-term benefits. This promotes the use of power without responsibility, as it is the Member States that fix fishing opportunities in Council, but it is the Commission that is held responsible for the outcome in the eyes of the public.
- The CFP has too many objectives mixing long-term and short-term concerns and social, economic and environmental factors with no clear order of priority. These objectives partly conflict with each other and generate a bias in the decision-making process.
- Fisheries management systems in Member States remain highly paternalistic and have not given the industry genuine responsibility for sustainable use of a public resource. Access rights have not been conditioned on demonstration of responsible fishing. On the contrary, it pays off to be a "free-rider" focusing on short-term gains at the expense of future fishers and the common good. Often, such behaviour is simply a rational reaction to a failing management system.
- Relative stability (i.e. the principle that the Community catch quota is distributed on Member States according to a fixed key) has encouraged Ministers to focus on 'their' share rather than on the collective long-term benefit.
- The structural funds are not used effectively to help reduce capacity and to mitigate the short-term impacts of conservation measures. There is reluctance to use funds effectively to adapt the size of the fleets and there is a preference to use funds to maintain activity and employment at the cost of sustainability.
- Structural funds alone cannot bring a long-lasting solution to the overcapacity problem. Subsidised decommissioning schemes tend to become excessively expensive and, even when properly designed, they cannot remove the incentives for over-investment (they may actually in themselves contribute to over-investment by reducing the investment risk). There is, in general, no real willingness to introduce other instruments, such as rights-based management approaches, which would be more likely to induce long-lasting fleet adaptation.

These structural failings put the entire policy at risk of becoming politically, economically and environmentally unsustainable.

#### 4. POLICY REFORM

Action is needed to ensure that a future CFP will reach its objectives. If we don't act, we will continue the vicious circle which has led to poor performance in economical, social and ecological terms. Without action we risk the further deterioration of commercially important stocks and a further downturn of our fishing industry.

##### *Medium term options*

In the medium term the present framework needs to be used as efficiently as possible. The previous reform has led to improvements in several areas, particularly concerning the credibility and transparency of the science base, dialogues with stakeholders, and an acceptance of the need for long-term planning. We are now reforming the fisheries control system to eliminate illegal, unreported and unregulated fisheries. We are also introducing a new policy to reduce discards and continuing our efforts to get all stocks under long-term management plans. Last but not least, the far-reaching overhaul of our control policy that the Commission will adopt in November 2008 should substantially improve the efficiency of fisheries management in the EC.

Other possibilities for using the existing framework more effectively include systematic use of sanctions and closure of fisheries. There is still potential for more coherence between the pillars of the CFP such as structural funds, conservation and control. The integration of the CFP with the Maritime Policy also opens new perspectives in relation to better integration with marine environmental management, use of marine space and economic development in coastal areas.

The present CFP framework therefore offers some room for manoeuvre by using present instruments and powers better and by further consolidating dialogue between the parties. However, such measures will not address the fundamental drivers which have led to overfishing and poor economic performance in the industry.

##### *Longer term reform options*

In the longer term, the drivers for short-sightedness, irresponsible decisions and irresponsible industry behaviour need to be addressed. This requires more fundamental changes in the institutional framework and would be the basis for further reform of the policy.

There are several components which need to be combined when considering options for a future policy:

*The policy must be focused with clear and prioritised objectives:* The objectives of the policy have to be focused and prioritised in order to enable accountability and clear guidance. The long term ecological sustainability of fisheries must be the first priority because the past development of the CFP has demonstrated that healthy fish stocks and healthy marine ecosystems are a *sine qua non* for an economically and socially healthy fisheries sector. The objectives must be sufficiently specific to enable accountability and monitoring of performance.

*The institutional framework for decision making and implementation must encourage a long term focus on fulfilling the objectives.* This requires a clear hierarchy in responsibilities for decision making between decisions on principles, community

standards emerging from these principles and technical implementation decisions. The present setup does not provide such clarity.

One option for such a distinction would allow a drastic simplification of the regulation at EC level by recourse to specific regional management solutions implemented by Member States whenever appropriate, subject to Community standards and control. This will require strong powers by the Commission to act against irresponsible decisions and actions. The entry into force of the Marine Strategy Framework Directive, which obliges Member States to ensure the good environmental status of the seas under their jurisdiction until 2020, provides an important orientation in terms of the long-term goal on which we need to align the reformed CFP in a coherent manner.

Other fundamentals of the existing CFP such as relative stability will also need re-examining. Means to reduce the fleet capacity to match the resource base must be at the core of the policy in order to remove one of the strongest drivers against sustainability. Management systems must become more effective and play a stronger role in this regard, including a more effective use of structural funds and access rights which creates incentives for the fleet to tackle overcapacity.

*The industry must be made responsible and accountable* for sustainable use of a public resource: Very little can be achieved if a reform does not include elements which will motivate the industry to support the objectives of the policy and take responsibility for effective implementation. Industry incentives need to be turned around from the present set-up, where it pays to be irresponsible, to a situation where fishermen would be made responsible and accountable for sustainable use of a public resource.

One option is to link incentives such as longer term access rights closely to responsibilities where access to harvest a public resource is contingent on demonstration from industry that exploitation of public resources takes place within the standards set by society.

Properly designed rights-based management systems, linked to responsibilities, can reward good behaviour or penalise bad behaviour, for instance by systems of bonuses or penalties in allocation of access to fishing.

Results-based management, where the industry is made responsible for outcomes rather than means, would be a move in this direction. Results-based management will also relieve both the industry and the legislators of part of the burden of detailed management of technical issues, to which the industry tends to adapt with solutions that are economically ineffective and sometimes even counterproductive i.e. in relation to safety at sea and energy efficiency. Results-based management can be linked to a reversal of the burden of proof whereby it is up to the industry to demonstrate that it operates responsibly in order to get access. This would lead to simplification and reverse the present incentives where it pays to withhold information or even to provide false information.

Coupling of rights and responsibilities raises the issue of costs. Presently the industry is given free access to exploit a public resource while the costs for management are largely carried by the taxpayer. Results-based management, a burden of proof with the industry, cost-sharing and payment for access is the normal situation in nearly all other economic sectors, for instance in relation to access to mineral resources, food safety and other products, emission quotas and environmental regulation. The introduction of these principles would thus lead to a more responsible and accountable industry, a better

balance between private and public costs and an overall normalisation of fisheries management as compared with other extractive economic activities.

Introducing further reform of the CFP will require sensitivity. Fisheries have to be managed in the context of local communities, with adequate fishing opportunities for coastal, artisanal, recreational and semi-professional fishermen alongside larger-scale industries. Onshore and market facilities should come into the scope of the new system too so that policies can be joined together rationally. So far the Commission has mostly considered these issues as internal and for the national level to address, which has not happened in most Member States: this has fuelled an image of social insensitivity from the part of “Brussels” and no doubt undermined our case in favour of long-term sustainability. The Integrated Maritime Policy, with its focus on the sustainable growth in coastal regions, should help to better organise and make more visible the Community contributions to alleviating socio-economic impacts of reforming the CFP. The rescue package that was recently adopted should also help to redress this perception of the European level.

## **5. CONCLUSION**

The rationale for the CFP as a common policy remains, but the policy will fail to deliver economically and environmentally sustainable fisheries if we fail to take action.

The first stage would be a phase of analysis and consultation. Specific proposals for the new system could be put forward by the next Commission.

The sequence of our work could unfold as follows:

- a call by the Council on the Commission to bring forward the reform of the CFP as part of the overarching conclusions on Maritime Policy of the European Council at the end of December of 2008;
- a full discussion document that could be ready in early 2009 at the latest in order to start a broadly-based consultation with Member States and stakeholders and build a political momentum and a constituency in favour of an ambitious reform of the policy.
- a summary of the public debate some time early 2010 and an impact assessment due in 2010, leading to a proposal for a reformed CFP in early 2011 and its adoption in 2012.