

# REFORMING EU FISHERIES SUBSIDIES

## Executive Summary

October 2011

### **The cost of fisheries to marine ecosystems**

Despite the European Union's (EU) target of halting biodiversity loss by 2020, the marine environment in Europe is deteriorating, with only 10 percent of assessed habitats and 2 percent of species in good condition. In terms of fish stocks, 30 percent of commercial fish stocks are below biologically safe limits<sup>1</sup>.

Widespread overcapacity in the EU fishing fleet has led to 70 percent of European fish stocks being fished above maximum sustainable yield<sup>2</sup>, with untold damage done to global fish stocks where the EU is also active. Without urgent change, only eight of 136 northern European stocks will be healthy by 2022. Increases in aquaculture production are contributing further to environmental damage, and may undermine fish stock health as demand for fishmeal rises.

EU citizens are paying the price several times over. Excess fishing pressure has already cost billions of Euro per year in lost potential income and tax exemptions. EU taxpayers are additionally paying around 1.9 billion Euro in EU and national aid each year, which is fuelling overcapacity and overfishing and thus bringing us closer to marine ecosystem collapse with serious negative effects for the livelihoods of fishermen and coastal communities dependent on fishing as a major source of income and employment

### **EU subsidies and the role of the European Fisheries Fund**

Of the approximately 3.4 billion Euro of annual subsidies to the EU fisheries sector, nearly 1 billion Euro comes from the EU budget, notably in the form of structural aid but also fisheries partnership agreements and market support. National-level aid – which is also regulated at EU level – is estimated at 973 million Euro per year, and this is in addition to lost revenue resulting from fuel tax exemptions (approximately 1.5 billion Euro per year).

Few EU fleets are profitable with no public support; most are either running losses or returning low profits. In several Member States the cost of fishing to the public purse is now greater than the value of catches, even ignoring the billions of Euro lost in potential revenue due to overfishing. Overall, the fisheries sector receives more than its fair share of the EU budget when compared to its contribution to gross domestic product (GDP).

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<sup>1</sup> The fish stocks reproductive ability is threatened.

<sup>2</sup> Maximum sustainable yield refers to the largest catch that can be taken from a species' stock over an indefinite period.

## EU aid to the fisheries sector

EU and national fisheries subsidies (2009)	
	2009 – payments (commitments) € million
<b>National sources</b>	
- State aid	200
- <i>De minimis</i> (potential)	240
- Block exemption	8
- Data collection and control (matched funding)	104
- Matched FIFG/EFF funding	193 (421) <sup>1</sup>
<i>Total national sources</i>	745 (973)
<b>EU budget</b>	
Structural policy (FIFG/EFF)	290 (631)
Fisheries partnership agreements	143 (148)
Market support	24 (33)
Admin <sup>3</sup> , control and enforcement, management, international fisheries and law of the sea	104 (138)
<i>Total EU budget</i>	561 (950)
<i>Total EU budget and national sources</i>	1306 (1923)
<i>Fuel tax exemption</i>	1493

Sources: (European Union, 2011) (European Union, 2007) (Ortega Cerda, 2011) (European Commission, accessed 2011) (Oceana, 2011).

### The EFF – meeting the promises?

The European Fisheries Fund (EFF) (2007–2013) sets the rules for EU structural aid but also frames national aid provisions. The initial focus of the EFF was on social, economic and environmental sustainability, including achieving a balance between stocks and fleet capacity. This focus was weakened by the emergency fuel package, as well as by the existence of *de minimis* rules<sup>3</sup> and other subsidies. In practice, the EFF has not tackled the most critical issue of overcapacity. Less than one-quarter of the Fund has been directed at capacity reduction, and the funds that have been available have rarely been used for rebuilding fish stocks nor for reducing pressure in critical areas. Instead, funds have mostly been used to help vessel owners overcome economic problems.

Aid for vessel ‘improvements’ is formally not allowed to increase the ability to fish. However, the rather basic nature of safeguards means that aid can be expected to increase capacity, or at least not help reduce it. Meanwhile, funding for environmental management and marine ecosystems restoration remains minimal, despite EU commitments that the Natura 2000 network would be financed in part through the EFF. Here as elsewhere, weak safeguards mean that funding may be diverted to less neutral uses.

In addition to poorly managed aid for vessel modernisation and fleet adjustment, nearly 40 percent of the EFF was committed to expanding port infrastructure, processing, and aquaculture by October 2010, representing an incoherent and contradictory set of measures that together significantly increase economic returns to enterprises and thus encourage increased production irrespective of environmental carrying capacity.

All this is taking place against the background of often very weak fisheries management systems and in the absence of clear strategic contexts. Thus aid is often being allocated on an ad hoc vessel-by-vessel basis, rather than being used as a strategic tool to bring production in line with environmental limits. The reduced role of environmental partners, as well as a lack of transparency over how aid is used, has contributed to implementation failures and reduced citizen oversight.

<sup>3</sup> Aid that can be provided by Member States to fishing firms and companies engaged in fish processing, trade, and aquaculture, as in the case of economic difficulties faced by the EU fisheries sector as a result of high fuel prices and in, some cases, failing catches and fish prices in early 2000 and again in 2007.

## Moving beyond the EFF to 2014–2020

In times of financial austerity, the inefficiencies of European fisheries aid are brought into sharp focus, as is the overall cost to society of both fisheries subsidies and broader fisheries management failures. Effective and courageous steps have to be taken by EU decision-makers to ensure that the Common Fisheries Policy (CFP) reform and the EFF successor fund provide sufficient clarity of objectives and momentum to put the sector on the path towards environmental sustainability, which is a precondition of achieving economic and social sustainability in European fisheries.

The following provides concrete suggestions that different decision-makers should take forward.

**The European Commission** should ensure that proposals for the new fisheries fund are ambitious, clear and enforceable, and firmly anchored in the basic CFP regulation. The emphasis should be on removing harmful subsidies and redirecting funds towards investment in a healthy ecosystem in order to meet existing biodiversity, marine environmental status and international development commitments. Changes proposed by the Commission must be followed by proposals to discipline other EU fisheries subsidies, ensuring coherence and avoiding the wastage of public funds that will otherwise occur.

**The European Parliament** will have a clear role to play in ensuring the adoption of strong positions on the new funding proposal. Specifically, MEPs are called upon to:

- commit to securing the long-term health of the sector and accepting that the prerequisite for social and economic sustainability is having and maintaining healthy marine ecosystems;
- insist on eliminating all harmful subsidies that clearly undermine EU and global commitments, in particular fuel subsidies and vessel modernisation;
- pay full attention to the global impacts of EU fisheries, ensuring that aid does not lead to increased pressure on global or developing country fish stocks, either by allowing capacity to be displaced or by driving increased aquaculture production and associated demand in fishmeal;
- consider the proposal in its entirety, so that the final position ensures the new fund is coherent rather than representing a collection of contradictory measures;
- ensure transparency in the allocation, use and effects of funding – the Commission and Member States need to be held to account in terms of implementation of a new fund, so that funds are not diverted against the public interest in the EU and beyond.

At the level of the **Council of Ministers**, the following actions are called for.

- Finance Ministers are called upon to avoid the new fund being used as a bargaining chip in wider EU budget negotiations, so that aid is not again used to support harmful subsidies in the interests of a small number of national governments. An overall reduction of aid would be preferable to poor targeting of aid.
- Environment Ministers are called upon to ensure that the new fund is focused on restoring and rebuilding fish stocks and the wider marine environment, bringing fisheries on target to deliver against biodiversity and achieving good environmental status and resource efficiency commitments. The new fund should also be easily accessible to a range of stakeholders, in combination with other suitable funding sources. Environmental interests and perspectives need to be secured through membership in monitoring committees and strategic environmental assessments.
- Fisheries Ministers should support an emphasis on rapidly transforming the sector to achieve environmental sustainability and ensure the rebuilding and maintaining of fish stocks above levels that can produce maximum sustainable yield by 2015. They should resist pressure from interest groups to re-introduce harmful subsidies that will worsen the situation for the sector and instead take tough decisions in the long-term interests of fishing communities. Aid that is introduced should be firmly tied to compliance with existing EU rules and implementation of fleet management plans embedded within the mandatory multi-annual management plans.

### For comments and questions please contact:

**Aimee T. Gonzales**  
WWF International  
agonzales@wwfint.org

**Anne Schroeer**  
Oceana  
aschroeer@oceana.org

**Markus Knigge**  
Advisor to the Pew Environment  
Group  
markus.knigge@ocean2012.eu

**Saskia Richartz**  
Greenpeace  
Saskia.richartz@greenpeace.org

**Bruna Campos/ Tatiana  
Nemcova**  
BirdLife Europe  
Bruna.Campos@birdlife.org/  
Tatiana.Nemcova@birdlife.org

**Vera Coelho**  
Seas at Risk  
vcoelho@seas-at-risk.org