

CFP Reform 2002

ANALYSIS OF EU FISHERIES POLICY REFORM PROPOSALS AND COMMUNICATIONS



IEEP LONDON

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AMENDING EU FISHERIES AID RULES (COM(2002)187 and COM(2002)190)

'Another important guiding principle is that public aid must under no circumstances contribute to an increase in fishing effort. Rather, as long as public aid is used for fleet renewal, there should be a net decrease in fishing effort. In the long term, such aid should be abandoned' (Commission Green Paper, March 2001)

'Where they are provided, subsidies should, in accordance with the principles of the Common Fisheries Policy, take full account of the need to conserve fishery resources and to protect the environment.' (Council, April 2001)

Introduction

Over the last few years, there have been growing demands for reform of EU fishing subsidies. The argument is that public aid should not be used simultaneously to build new vessels and to decommission old ones. The argument is particularly valid given the overcapacity in the EU's fleets, ranging between 30 and 60 per cent depending on the fisheries.

Subsidy reform has gradually also risen up the Commission's agenda and is now a core element of the 2002 reforms. Two specific changes are being proposed, as follows:

- a) reform of FIG - severely restricting public aid for investment in fishing vessels, and eliminating aid for the transfer of Community over-capacity to third countries; at the same time, the Commission is proposing to increase the amount of funding available for scrapping premiums – COM(2002)187; and
- b) emergency aid for scrapping fishing vessels - introducing additional co-funding for 2003 for those vessels most affected by the multi-annual management plans – COM(2002)190.

These new financial incentives would effectively redirect funds towards fleet reduction and social measures, in order to implement long term stock management plans.

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a) Reform of FIFG (2003-2006)

The present fisheries aid (FIFG) Regulation¹ allows support to be provided for vessel construction and modernisation, and various ways of fleet capacity reduction, including the transfer of vessels to third country fishing registers and the setting up of joint enterprises in third countries. The new proposal would prevent much of this aid in future.

Renewal and modernisation grants

A key proposal, and one likely to be heavily resisted by some Member States, is to discontinue aid for building new vessels. However, contrary to demands by environmental groups, some 'equipment and modernisation' projects would be permitted where these aimed at improving 'the quality and safety of products caught and preserved on board, the use of more selective fishing techniques and of better preserving techniques and the implementation of legal and regulatory provisions regarding health'. Even then, the following criteria would have to be met:

- aid could not affect capacity in terms of tonnage or power;
- aid could not serve to increase the effectiveness of fishing gear; and
- development plans would need to demonstrate that public aid was necessary, in particular that, without aid fishing vessel concerned could not be modernised and that the planned measures would not jeopardise the sustainability of resources.

The Commission has suggested that aid currently earmarked for the renewal and modernisation of the fleet should free up an estimated €460.6 million which could be used to help fishermen to reconvert to other jobs.

Fleet capacity reduction

Aid to reduce fleet capacity would only be allowed in the form of scrapping grants; the export of excess capacity to third countries or the establishment of joint enterprises would no longer be supported. In its press release, the Commission suggests that this money is instead used for scrapping vessels.

Temporary compensation

Some minor changes are proposed in relation to aid for the temporary cessation of fishing activities. Compensation could now last for three consecutive months (instead of two) in the event of unforeseeable circumstances, particularly those caused by biological factors. Where a recovery plan was introduced, however, compensation could only last for one year, rather than two years as at present.

The general financial contribution to such temporary cessation measures would remain the same (EUR 1 million of 4% of the Member State's FIFG allocation). However, these thresholds could be exceeded where:



- a multi-annual management plan or emergency measure had been adopted; and
- the plan or scheme included a decommissioning scheme aimed at withdrawing vessels with a fishing effort at least equal to the effort of the vessels suspended as a consequence of the plan.

Small-scale sector

Aid to small-scale coastal fishing would continue to be made available, although under 12 metre fishing vessels using towed gear would no longer be eligible. Projects involving the introduction of new gear should not result in increased effort.

Accompanying social measures

Some minor changes are proposed in relation to social accompanying measures. Apart from supporting retraining initiatives, the proposal is that FIFG also supports projects to diversify out of marine fisheries. Measures must contribute to a reduction of the fishing effort of developed by the beneficiaries.

By disallowing aid for various types of projects, the Commission estimates that €460.6 million could be freed up, boosting the amount of funding available for reconverting to other jobs.

b) *Emergency measures for scrapping fishing vessels*

In addition to changes to FIFG, the Commission is proposing that a new fund is established to pay for the more substantial fleet reductions needed in cases where stocks are outside safe biological limits and for which multi-annual management plans have been adopted.

The new fund would allow Member States to offer additional money to vessel owners severely affected by effort reductions. It would do so by:

- Allowing a 20 per cent increasing in the amount of scrapping money vessel owners are entitled to under FIFG; and
- Creating a special incentive, **for 2003 only**, by giving Member States additional money to co-finance this extra scrapping, on top of the Community budget already available. To receive such additional funds, Member States would have to present a plan of their proposed decommissioning expenditure for 2003.

For the period 2004 to 2006, funds for additional scrapping requirements would have to be freed up by reprogramming aid within the existing Structural Funds programmes (ie European Regional Development Funds, European Social Fund and the European Agriculture Guidance/Guarantee Fund) during the mid-term review.



The total additional funding is expected to amount to €272 million, although only €32 million would be new money; the rest would have to be reprogrammed from other Structural Funds.

Eligibility

Aid would only be made available for Member States that had achieved both global and fleet segment targets set out in the multi-annual fleet guidance programmes (MAGP IV). Vessels would only be eligible if they were also eligible for scrapping premiums under the main FIFG rules and the vessel's fishing effort had to be reduced by 25 per cent or more as a consequence of multi-annual management plans.

Cross compliance with a new fleet policy

Changes proposed by these two proposals would be strengthened by cross-compliance mechanisms inserted into the proposed framework regulation (COM(2002)185). Where public funds, including FIFG, are used to withdraw capacity, the tonnage could not be replaced by new capacity (be it funded by public or private aid) and the withdrawal should therefore result in a real reduction in capacity.

Further, the proposed framework regulation includes specific provision for the Commission to suspend Community financial assistance under FIFG and the emergency measure, or to reduce the allocation of fishing opportunities or fishing effort for the Member State concerned. These penalties could be invoked if a Member State failed to comply with fleet reference levels, the new exit/entry provisions and the EU fleet register rules, or if it failed to provide the information required under the FIFG Regulation (Regulation 2792/99).

Conclusions

The approach to subsidy reform is welcome, particularly the attempt to shift funds away from vessel building and modernisation, and the export of fleet capacity. Instead money could be used to support conservation related fleet reduction objectives, as well as helping the sector adjust to the new situation.

The proposals are disappointing on three grounds, however:

- Firstly, there is only very limited additional funding being promised - €32 for 2003. If significant additional funding is to be made available, this will have to come from the mid term review of the other Structural Funds which is less than a forgone conclusion.
- Secondly, the proposals leave rather too much scope for vessels modernisation projects, many of which could lead to greater fishing effort by increasing the time spent at sea, for example. Having said that, it could be an advantage to have funding available to support the introduction of new, more selective gears. If modernisation is to be permitted, there should

at least be a firm ceiling for the percentage of FIG to be allocated under this heading.

- Thirdly, the apparently wide scope for modernisation projects in the case of the small-scale sector requires particular care. There is already increasing pressure being exerted in many inshore areas as the boats become more powerful. The fact that vessels using towed gear will not be eligible for aid is positive, but further safeguards would be helpful. For example, Member States could be required to develop inshore management plans as the basis for evaluating funding applications. This could also provide the basis for the long term strategy for integrated development of coastal areas dependent on fisheries, referred to in the Roadmap.



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