

State Aid – The Hidden Subsidies

Executive summary

The fishing industry in the European Union (EU) receives a significant amount of government subsidies, which have promoted the overcapacity of European fishing fleets, resulting in overfishing¹, and rendering fisheries in many European countries unprofitable and a poor investment for taxpayers.

In 2011, Oceana released a study estimating the total expenditure in fishing sector subsidies from the EU to be €3.3 billion for 2009². This estimate was three times greater the amount typically quoted in public figures. In 13 countries, subsidies added up to an amount greater than the value of the fish catch.

This paper presents the results of a six months study into state aid, the *hidden subsidies* allocated by Member States to their fleets³. Oceana estimates these subsidies total to €4,9 billion, of which only 1% can be identified as beneficial to the marine environment.

The state of Europe's seas

Since the EU signed the UN Law of the Sea, it has committed itself to ensuring the management and conservation of its living marine resources⁴. Over the past decades however, the discrepancy between reality

and rhetoric has become increasingly clear. Many of Europe's fish stocks have been overfished for decades.

The most recent scientific assessments of fish stocks in European waters have revealed that more than 88% and 39% of the stocks in the Mediterranean and the North East Atlantic respectively, are overfished⁵. The state of Europe's fish stocks explains why 60% of the fish consumed in the EU is imported⁶.

Official EU spending to the fisheries sector is €8 billion. Oceana reveals that Member States have provided €4,9 billion in additional subsidies

Europe's funding for overfishing

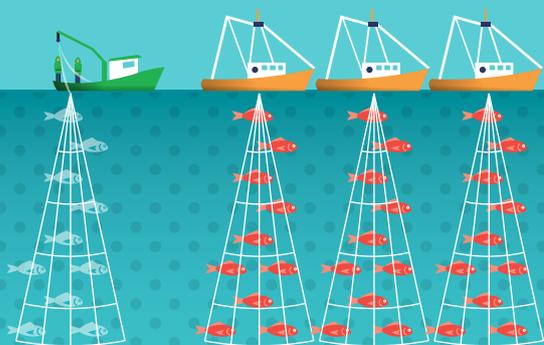
One of the main causes behind the overfished state of fish stocks is the amount of government subsidies that have allowed European fleets to fish longer, harder, and farther away than would otherwise be economically and ecologically feasible.

Many European fleets are only able to operate with the help of subsidies⁷. The European Union and its Member States are thus using taxpayer money to keep alive a fleet that is estimated to be two to three times too large for the available marine resources⁸.

Overfishing and subsidies

A vicious cycle

THREE TIMES TOO MANY BOATS



Sustainable

Overfishing

The European fleet has the ability to catch two to three times^[ii] more than what the ocean can provide sustainably and subsidies have overwhelmingly contributed to keeping Europe's oversized fleet alive.

TYPES OF SUBSIDIES^[iii]

Good: Beneficial

These subsidies enhance the growth of fish stocks by supporting sustainable fisheries management, monitoring and control or data collection.

Ugly: Ambiguous

These subsidies can lead to positive or negative impacts on the fishery resource, depending on the design of the program.

Include fisher assistance programs, start-up aid, support of aquaculture development, and community development programs.

Bad: Capacity enhancing

These subsidies stimulate overcapacity and overfishing through artificially increased profits that further stimulate effort and compound resource overexploitation problems.

Include fuel subsidies, boat and port construction and modernization.

[ii] European Commission. 2008. Press Release: Common Fisheries Policy: Commission launches a mid-term review.

[iii] Sumaila R et al. 2010. A Bottom-Up Re-Estimation of Global Fisheries Subsidies. University of British Columbia, Canada.

3 TO 4 OUT OF 10 SUFFERED LOSSES

A 2009 assessment found that 30 to 40 % of the fleet segments suffered losses each year from 2002 to 2008^[iv]. Subsidies keep these unprofitable fishing fleets afloat with taxpayer money.

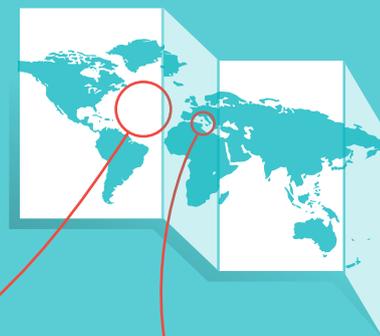


Only a handful of EU fleets are profitable without public support, and most are either running losses or returning low profits.

[iv] Joint Research Centre, Scientific Technical and Economic Committee for Fisheries (2010): The 2010 Annual Economic report of the European Fishing Fleet.

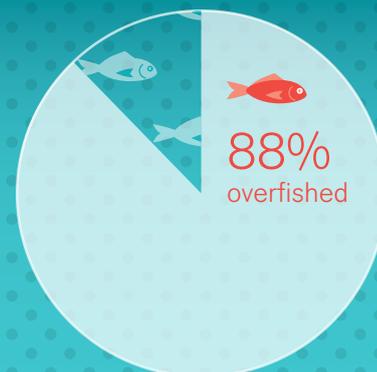
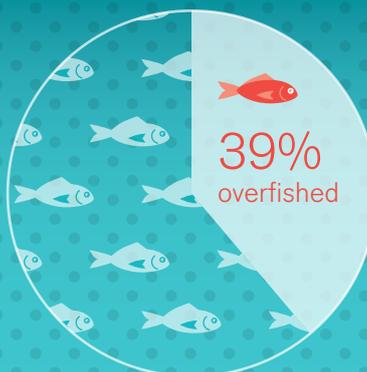
STOCKS IN 2012

In the EU in 2012 39% of 41 assessed stocks in the Atlantic and over 88% (75 of 88 stocks assessed) in the Mediterranean are overfished^[i]. Despite the precarious condition of fish stocks, the EU continues to provide its fishing sectors with massive subsidies.



Atlantic

Mediterranean



[i] European Commission, 2012 Communication From The Commission to the Council concerning a consultation on Fishing Opportunities for 2013, COM(2012) 278 final.

Ineffective EU funding

In order to remedy the downward spiral of overfishing and overcapacity, the EU has invested €8 billion into its fisheries sector since 2000⁹. However, despite these investments, employment in the sector and catches in European waters continue to decline. The paradoxical nature of these investments has contributed to the waste of taxpayer money. The objectives of these subsidies, which are aimed at reducing fleet capacity through, for example the scrapping of boats, are completely undermined by the simultaneous funding provided for the building and modernization of boats.

What is state aid?

In addition to the subsidies available under the official EU funds, Member States can take the initiative to provide additional funding to their sector under the state aid mechanism¹⁰. These investments are only approved by the European Commission on the condition that the subsidies comply with the objectives of the European fisheries policy and do not distort or threaten to distort competition¹¹. State aid can range from compensation after natural disasters to aid for building new vessels, security measures against pirates or direct financial assistance.

Key Oceana findings

Oceana has analyzed all cases of state aid reported to the European Commission by Member States since 2000. This analysis reveals that, in addition to €8 billion in

official EU subsidies, Member States have informed the EU of €4,9 billion in subsidies under the state aid mechanism. Total EU spending on the fisheries sector since 2000 is therefore estimated at €12,9 billion¹².

The good, the bad and the ugly

To assess the impact of these state aid payments on the marine environment, Oceana has created the following three categories for all subsidies¹³:

Good subsidies: allow fish stocks to grow through sustainable fisheries management, monitoring and control or data collection.

Ugly subsidies: These subsidies can lead to positive or negative impacts on fisheries resources, depending on the design of the program.

Bad subsidies: stimulate overcapacity and overfishing by artificially increasing profits and increasing vessels' ability to catch fish further away and stay at sea for longer periods of time.

State aid spending: good, bad or ugly?

Of the 450 state aid cases analyzed, 65 % could be categorized as bad or ugly subsidies, and less than 1 % as directly benefiting the marine resources. 34% of state aid was general aid to the entire fisheries sector, without specific objectives, and as such cannot be categorized into the different types of subsidies.

Most of the subsidies allocated under state aid have been identified as ugly or bad subsidies

The true color of Member State subsidies

Ireland, Spain, Italy and France are the top Member State spenders within the state aid mechanism. These four countries alone account for almost 75% percent of the total amount of state aid allocated during the evaluated time period.

Spain

In Spain, €1.991 million have been allocated under state aid since 2000, of which 48% could be classified as environmentally harmful, 23% ambiguous and 29% as undefined general aid to the sector. No state aid funding was allocated to measures that benefit the environment.

€480 million was spent on vessel modernization and construction and €300 million on promotional measures and the processing of fish products. Interestingly, one of the most recent state aid declarations benefitted Spain's tuna fleet operating in the Indian Ocean, which received €5 million for on-board private security measures.

Combining the aforementioned amount of state aid to the amount allocated through official EU funding (€2.834 million since 2000¹⁴), Spain's fisheries sector has been granted €4.825 million in subsidies over the past 13 years

Italy

In Italy, €662 million has been allocated under the state aid mechanism, of which 8% could be classified as environmentally harmful, 62% ambiguous and 29.7% as undefined general aid to the sector. Only 0.3% of the funding was earmarked for measures that benefit the environment.

The Italian fleet predominantly operates in the Mediterranean Sea, where more than 88% of assessed fish stocks are overfished. This explains why one third of the state aid received by the fisheries sector was spent on temporary cessation, a measure where vessels are compensated for the time they lay idle in port when for example, a fishery has been prematurely closed.

When adding state aid from Italy's regional and national governments to the official EU funding granted to the fisheries sector (€810 million since 2000¹⁵), €1.472 million has been spent in total on the Italian fisheries sector.

Ireland

In Ireland, 303 million EUR has been allocated under the state aid, of which 38% was harmful to the environment, 54% ambiguous and 28 % undefined.

State aid allocated by the Irish government is three times higher than the official EU funding (€110 million) granted to its sector since 2000¹⁶. Ireland has spent one third of its state aid allocation on decommissioning.

France

In France, €663 million has been allocated to the fisheries sector under the state aid mechanism, of which only 1% directly benefitted the marine environment. 29% of the amount could be classified as environmentally harmful, 28% as ambiguous and 42% remains undefined general aid to the sector.

State aid allocated by the French government is higher than the funding received by its sector from official EU

funds between 2000 and 2013 (€500 million¹⁷).

State aid could be a means to circumvent and liberally interpret EU law; since 2004 the building of boats has been prohibited

by the EU but by using special exemptions for the outermost regions, France made requests in 2008 to significantly increase its fishing capacity in the outermost regions to invest € 40 million for vessel construction in its outermost region.

What can be done?

The EU is currently discussing the financial instruments for the fishing sector for the next seven years, including a review of the state aid mechanism.

Oceana is calling on the EU to put an end to the vicious cycle of overcapacity and overfishing in the fleet. The EU should exclude environmentally harmful and capacity-enhancing subsidies and financially support the protection of the marine environment through the creation of marine protected areas, the increase of fisheries controls and investment into scientific research.

References

- ¹ European Commission 2009. Green Paper - Reform of the Common Fisheries Policy COM(2009)163 final.
- ² Oceana. 2011. The European Union and Fishing Subsidies, report available at: <http://oceana.org/en/eu/media-reports/publications/the-european-union-and-fishing-subsidies>
- ³ Data in this study is aggregated from the search engine of the European Commission containing fisheries state aid cases notified by the Member States. http://ec.europa.eu/competition/elojade/isef/index.cfm?clear=1&policy_area_id=3
No data was found in the search engine for: Bulgaria, Cyprus, Malta, Poland and Romania
- ⁴ UNCLOS 1982. Article 61(3)
- ⁵ European Commission, 2012. Communication From The Commission to the Council concerning a consultation on Fishing Opportunities for 2013, COM(2012) 278 final
- ⁶ European Commission, 2008, Reflections on further reform of the Common Fisheries Policy
- ⁷ Joint Research Centre, Scientific Technical and Economic Committee for Fisheries, 2010. The 2010 Annual Economic report of the European Fishing Fleet.
- ⁸ European Commission. 2008. Press Release: Common Fisheries Policy: Commission launches a mid-term review. 17 September 2008, Brussels. IP/08/1339.
- ⁹ Under Financial Instrument for Fisheries Guidance, from 2000 – 2006 the EU budget was 3.7 Billion EUR (European Commission 2003. Financial Instrument for Fisheries Guidance, Instructions for Use) and under the European Fisheries Fund, from 2007 to 2013, the EU budget was 4.3 billion EUR (COM(2012) 747 Final Report from the Commission fifth annual Report on implementation of the European Fisheries Fund
- ¹⁰ Application of state aid rules: article 87, 88 and 89 of Treaty establishing the European Community
- ¹¹ Guidelines for the examination of State aid to fisheries and aquaculture (2008/C 84/06)
- ¹² The figure of € 12,9 billion since 2000 includes EU official funding and state aid, it does not include other subsidies mechanisms such as *de minimis* payments, or subsidies for access to third countries or tax exemption on fuel subsidies.
- ¹³ Sumaila R. et al. 2010. A Bottom-Up Re-Estimation of Global Fisheries Subsidies. University of British Columbia, Canada.
- ¹⁴ EU funding from 2000 – 2006 per Member State: European Commission 2010. Ex post evaluation of the Financial Instrument for Fisheries Guidance (FIFG 2000 – 2006) Final Report Tome 1 and for 2006 – 2013 EU official funding: European Commission 2012. Facts and figures on the Common Fisheries Policy Basic statistical data
- ¹⁵ Idem
- ¹⁶ Idem
- ¹⁷ Idem

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