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EU fishery policy in the past, present and after 2012.

Opportunities and implications for the Icelandic fish industry

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Ladies and Gentlemen,

Before drawing on the opportunities and implications of EU membership for Icelandic fisheries, I would like to take advantage of this occasion to present to you a clear framework of how fisheries are managed and regulated in the EU and to put you into the picture with recent developments.

The Framework for fisheries regulation in the EU – The Common Fisheries Policy and its reform

What is the EU Common Fisheries Policy about? The Common Fisheries Policy incorporates all the *conservation, management and exploitation* of living aquatic resources and aquaculture, as well as the processing and marketing of fishery and aquaculture products by the European Union. The objective of the Common Fisheries Policy is to provide for sustainable exploitation of living aquatic resources and of aquaculture, taking account of the environmental, economic and social aspects in a balanced manner.

However, the reality of the situation makes this a tough challenge. Wild stocks and the EU fishing community at large are under strong pressure due to over-fishing. This is a global phenomenon. But EU waters have been by no means exempt from this development. Worryingly, about 80% of EU fish stocks are over-fished. Over-fishing has led to lower catches, lower incomes for fishermen, low profitability in many fisheries, and high catches of young fish, most of which are still discarded.

This increasingly precarious state of affairs was, in fact, the principal driving force behind the 2002 CFP reform making sustainability, and environmental and economic concerns the underlying rationale for the reform.

The CFP today acknowledges that in view of the precarious economic state of the fishing industry, and the dependence of several coastal communities on fishing, it is imperative to ensure some stability in fishing activities. This necessitates a structured approach to conservation and stock management.

How is this done in practice?

Every Member State is entitled to a predictable share of the stocks on the basis of its historical catches, which in EU jargon is called the principle of **relative stability**. Relative stability is one of the pillars of the Common Fisheries Policy. Whereas in principle every EU vessel has access to all EU waters, it does not automatically have the right to fish everywhere. In order to be allowed to fish in most waters, the flag state and the vessel first need a quota. However, fishing opportunities are allocated among the Member States in such a way so as to ensure the relative stability of the fishing activities of each Member State for each stock concerned. The principle of relative stability, based in particular on historical catch levels, means maintaining a fixed percentage of authorised fishing effort for the main commercial species for each Member State. To give you a practical example: Even 20 years after Spain and Portugal entered the European Community, regardless of the four freedoms of the EU single market, neither Iberian Member State has a quota to fish for commercial species in the North

Sea or the Baltic Sea. Relative stability gives preference to traditional fishing activities and neighbouring regions that are most dependent on fishing. This is a principle in EU law, confirmed on several occasions by the European Court of Justice. It has been maintained during all EU enlargement exercises in the past 30 years.

Generally speaking, the CFP and the reasoning behind its reform have been guided by a set of fundamental core principles. Which are these principles?

- *Providing* for tailor made solutions for different regions and coastal areas but under a common Community fisheries policy;
- *Strengthening* of control and enforcement measures to create a level playing-field in which Member States are called upon to take on more responsibility;
- *Reducing* the size of the fishing fleet, including the decommissioning of vessels, where appropriate and the termination of aid for the construction of vessels;
- *Nurturing* the concept of moving away from *ad hoc* decision-making procedures to longer term management plans and recovery plans for stocks which are in danger, bringing into play the balance between sustainability of stocks and fishing interests; and
- Very significantly, the CFP reform also focuses on the importance of *having* more consistent involvement of stakeholders in the decision-making process, through the establishment of Regional Advisory Councils (RACs) and other consultation instruments.

On the basis of these principles, Commissioner Joe Borg and his services have been working over the past years with a view towards gradually achieving sustainability in fishing. In this context, I would like to recall that, at the World Summit on Sustainable Development in Johannesburg in 2002, the EU and its Member States had committed themselves, by no later than 2015, to maintaining or restoring fish stocks to levels that can produce at Maximum Sustainable Yield, which is the highest yield that may be taken from a fish stock without lowering its productive potential for future years.

The Commission itself acted upon this commitment by adopting, in 2006, a Communication on "Implementing sustainability in EU fisheries through Maximum Sustainable Yield". It outlines the steps by which the Commission proposes to achieve a MSY, the benefits this will bring once stocks have been restored to this level, and the options for managing the 'transitional' period for stocks which are currently over-fished.

Achievements registered to date

What has the EU been doing to improve the management of fisheries through the CFP? And in which areas have we been able to advance with our revised approach?

Over the past five years we have made steady progress with respect to giving ourselves the tools for implementing an enhanced CFP, changing the management approach, and enhancing control and enforcement.

Firstly, ecological sustainability: Today we follow a long-term approach for managing Community fish stocks. Not least, because scientific advice has shown that where a long-term approach has been adopted, some stocks have started to recover. Short-term decision-making on an annual basis is gradually being replaced by multi-annual *recovery plans* for those stocks that are in danger of collapsing. Alternatively, multi-annual *management plans* are established for healthy stocks to maintain them at safe biological levels.

Over the past five years we have adopted *nine multi annual recovery and management plans* for stocks that are in danger. Some examples are Northern hake from the Bay of Biscay to the North Sea, plaice and sole in the North sea, cod in the Kattegat, North Sea, Skagerrak, eastern channel, west of Scotland and Irish sea.

Some of the recovery plans limit the time fishermen can spend at sea, so as to ensure that the catch limits are adhered to. Large landings of a species can only take place after prior notification to the port authorities so that a proper inspection can be carried out.

Another important piece in the puzzle to build ecologic sustainability is our ambition to decrease and finally eradicate discards in European fisheries. During 2008 we took some important first steps to this end such as banning high grading in the North Sea, introducing real time closure areas to protect juveniles and undersized fish concentrations and introducing gears that catch less cod in comparison to conservative gears.

Furthermore, we have succeeded in extending the geographical scope of EU fisheries management: In November 2006 the Council adopted the long awaited management regulation for the Mediterranean comprising of key measures that will help us restore fishing sustainability in the Mediterranean. Following the adhesion of Bulgaria and Romania on 1 January 2007 to the EU, the Commission also adopted fishing opportunities for fish stocks in the Black Sea for 2008 and 2009 based on scientific advice contributed by a group of Romanian and Bulgarian scientists. These are all important building blocks for a holistic, long term management of fisheries resources.

*Secondly, **economic sustainability**:* The adoption of the European Fisheries Fund regulation in July 2006 was an important achievement, as it will help to keep fishing practices sustainable and the sector to restructure and adapt. This acts as the financial backbone to the CFP priorities. It has always been important for the Commission to be aware that the problems related to the fisheries sector are not limited to the over-fishing of stocks but also extend to the increasing pressure which over-fishing has placed on the security of fishermen's incomes. The EFF ensures that providing for ecological sustainability does not mean ignoring the importance of fishermen's livelihoods. It allows a balance between the long-term sustainability of the fishing industry and the adjustment of the Community's fishing fleet by incentivising training, re-skilling and early retirement of fishermen and by providing aid for the temporary or permanent laying up of fishing vessels.

Under Community law, the total capacity of the fishing fleet cannot increase; and if public financing is granted for the decommissioning of a

fishing vessel, the corresponding capacity cannot be replaced – the reduction in fleet capacity must be permanent. The results are there: Over the past 10 years the capacity of the EU-15 fishing fleet has decreased at a steady yearly rate of just over 2% in terms of tonnage and approximately 2% in terms of power. Furthermore, despite the enlargement of the EU in 2004, the number of vessels of the EU25 in July 2008 was around 84,000: a reduction of 17,000 to what was owned by the EU15 ten years ago. A recent Commission report has shown that the global capacity of the EU-25 Community fleet has diminished by around a quarter of a million (254,846) gross tonnes and by close to a million kilowatts from the 1st May 2004 to the 1st July 2008.

Thirdly, stakeholder participation. 7 Regional Advisory Councils or RACs are now fully operational. We have also reviewed the financial regulation guiding the operation of the RACs and put them on a firmer financial footing than was initially envisaged. The advice given to us by the RACs is largely taken into account in our decision making process and we have exploited all opportunities available to engage with the RACs on the number of issues and decisions that we take. Involvement of the RACs has also been instrumental in shaping better understanding between the sector and the scientific communities. This in turn has fostered a strengthened culture of compliance among our fishermen and stakeholders.

The Commission also regularly consults the Advisory Committee on Fisheries and Aquaculture (ACFA) on its proposals. The ACFA is composed of 21 representatives including professional organisations, representing producers, and non-professional organisations representing the interests of consumers, the environment and development.

In addition, through so-called ‘frontloading’, we have managed to give the CFP a more forward looking and firmer footprint. We have adopted a so-called *policy statement* in summer/spring each year where we describe the way forward for various stocks depending on their biological status. This determines our proposals on fishing possibilities for the following year. Thereby fishermen get more planning security for their economic activity as they will be able to estimate as of June each year, for most stocks, how much they are likely to be allowed to fish in the next year. Such actions have been well appreciated by our stakeholders who are given a very real opportunity to analyse scientific advice and consequent proposals by the Commission.

Fourthly, enforcement. We established three main complementary pillars for the control of fisheries in the EU. The first pillar is the Community Fisheries Control Agency, or CFCA. This was set up in 2005 to improve operational co-ordination of fisheries control and inspection activities by the Member States. The second is a much needed regulation on Illegal, Unregulated and Unreported fishing was proposed in October 2007 and adopted in September 2008. This Regulation, which will introduce dissuasive sanctions and an EU "blacklist" of non-complying vessels, is due to come into force on the 1st January 2010.

The third, most recent and arguably most ambitious pillar, put forward in November 2008, is a Regulation prescribing a root-and-branch overhaul of the system dealing with fisheries controls in the EU. This thoroughly addresses the need to foster a culture of compliance with fisheries rules and create a level playing field for Europe's fishermen. The reform should also

reassure the growing number of consumers who want to know that the fish they buy has been caught legally, and that by eating it they will not be making the situation worse for Europe's marine environment. This new Control Regulation sets up a Community system for inspection, monitoring, control, surveillance and enforcement of the rules of the Common Fisheries Policy. It also includes new elements to address the challenges of Illegal, Unreported and Unregulated (IUU) fishing and intends to standardise the rules on inspection and control. The Regulation extends the scope of control to the whole chain of the fisheries industry - from the catch to the consumer – introducing a global and integrated system.

Last but not least: We have begun to revamp **our approach towards international fisheries**. We are applying the same principles of sustainability, responsibility, control and enforcement with our third country partners, as is done within other parts of CFP. All our international agreements are now subject to ex-ante ecological and economic assessments produced by external experts, and they are consistently monitored by the two negotiating parties. We have phased out some bilateral agreements and transformed all others into Fisheries Partnership Agreements. They provide for fishing opportunities, but also include mandatory cooperation components including a strengthening of monitoring, surveillance, control and scientific advice, promoting local fisheries management policies, joint investment, protecting local traditional fisheries and developing the fisheries sector of partner countries. We have undertaken great efforts, together with our international partners, to give RFMOs such as NEAFC, NAFO, GFCM, CCAMLR and others more clout, strengthen monitoring and compliance, and make them effective tools in the fight against IUU fishing, against

destructive fishing practices and for sustainable and responsible fishing in the high seas. We have also played a pivotal role in multilateral bodies such as the UN, FAO, the OECD and the High Seas Task Force to develop and decide on new approaches to make fisheries more sustainable.

These are some of the fundamental developments since the 2002 reform of the CFP. As you may see much has been and is being done and progress may be seen. However the situation on the ground (or rather in the seas) is far from perfect and we are constantly trying to see how to make things better. It is important to note that the CFP is not set out in stone but is an open reflective process that we are constantly working towards improving. In fact we are currently preparing for a further thorough reform of our policies.

The way ahead: CFP reform

Where do we stand now? As you will have heard, last year we have started to prepare a major public debate on further overhauling the CFP has been launched. This consultation shall last for two years and it is a debate in which, should Iceland apply to join the EU, it would be fully involved in. We have actually invited the Icelandic Ministry of Fisheries to second one of its officials to the Commission to work in the DG MARE Task force on CFP reform.

Why is a further reform of the CFP needed?

We have a formal requirement to review the conservation and fleet policy at the latest by 2012. They are at the core of the CFP because an economically, socially and environmentally healthy fishing industry depends on healthy fish stocks and on the fishing fleets being in balance with fishing opportunities. An analysis of the performance of the CFP so far has to take into account that stocks are still overfished and that there is substantial overcapacity in the fleet. The result is poor economic performance and low supply of raw materials to European consumers. The process of cutting back on fishing to replenish stocks may sometimes have to be more gradual than the immediate one-step correction that some scientists would prefer. We try to avoid asking the fishing industry to accept sudden and large reductions in fishing except in critical cases of over-fishing, as severe shocks to the industry can have wide-ranging social, as well as economic, consequences. A balanced solution must be found.

What are our aspirations for the next full out reform of our CFP?

Following some analysis of the situation we have come up with some areas for further reform in the future:

We have to clarify our objectives. Many years of compromising the ecological sustainability to cushion short term economic or social consequences has led to poor economic and social outcomes in the longer term. We must therefore set ecological sustainability as the highest priority since without ecological sustainability the economic and social long term impact cannot but be negative.

We must look into the whole question of governance and the decision-making process. We think that improvement of the decision making process and the division of responsibilities is key to a better performing CFP in the future. We still have too much focus on a short term decision making. One of the problems here is that a wide range of decisions, from overall principles through management plans to very detailed implementation decisions, including annual TACs, are decided at the highest political level, namely in Council. This is very different from what we have in other sectors. We can see that this lack of differentiation between principles and their implementation leads to short term concerns taking over since it is almost invariably the implementation decisions which attract most immediate political attention. We need to maintain our focus on the long term by introducing a clearer division of labour, if possible under a regionalised system, so that we get a clearer distinction between strategic decisions on principles and the rules of the game, tactical decisions which flesh these principles out in relation to specific instruments and actual implementation.

An important question that we need to ask in the context of both ecological and economic sustainability is how we understand relative stability and how it is implemented. Relative stability has the advantage of maintaining the established equilibrium between Member States with respect to their historical track record of fishing rights in EU waters. It has, however, also contributed to fisheries ministers focusing on 'their' immediate share rather than on the long term common benefit.

A fundamental problem we need to address is how we can better motivate the industry to support the long term goals of the policy. The industry has not been given responsibilities for keeping the stocks healthy. We need to turn around the incentives for the industry so that it will start to pay to support the policy.

It is also essential that we examine how to improve the management of access rights. Market based systems for the allocation and the management of fishing rights can be an incentive for fishermen to direct their decisions towards achieving long term economic goals. This would help to reduce fleet capacity so that over time it would balance better with the available resources. When discussing such incentives we must however consider the need for special safeguards for coastal fisheries. It is essential to protect fisheries with a strong linkage to local communities from effects like concentration, which result from the introduction of market systems in the allocation of fishing opportunities.

In short, we need to undo the vicious circle which is still inherent in the CFP and do away with the institutional drivers for short-sightedness and remove the perverse incentives for irresponsible behaviour by the industry. We need to set up a system where it pays for all involved to take responsible decisions and to exploit the fish stocks in a responsible manner.

How is this reform to proceed?

The Commission will publish a Green Paper probably in April 2009 analysing the situation and presenting options for a reform. We will then

have a broad public debate – one that is not limited exclusively to the usual fisheries constituencies. This will then be summarised in a policy document early in 2010. The next Commission will take up the task to produce reform proposals later in 2010, for them to be adopted and come into force by 2012.

From the future of our CFP, I would now like to turn to the future relationship of EU and Icelandic fisheries policy should Iceland decide to join the EU.

The impact of membership on Icelandic fisheries

From an Icelandic point of view the question has to be asked:

Which consequences would a possible Icelandic EU membership have on the prospects for its Fisheries Industry? Would there be a sustainable Fisheries Industry in Iceland if Icelanders are full members of EU? An, as a member of the EU how could a small nation like Iceland influence the EU Fisheries Policy in the future?

In general, we believe that Iceland offers a lesson for other countries when it comes to management of fisheries resources. This is the case with regard to transferable quotas (which give fishermen reasonable expectations of profitable long-term fishing and thereby an interest in conservation), scientific advice, simple and transparent rules, strict enforcement and punishment of transgressions. The EU acknowledges this and these are, in

fact, all aspects that Iceland can reasonably expect to remain in control of as an EU member and participant in the CFP. The EU compliments and encourages good practices and does not deter them.

What questions might be critical for Icelandic fisheries in any future accession negotiations?

Now, more than ever, is a good time for any Icelandic myths or misconceptions about the effect of EU membership on Icelandic fisheries to be laid to rest.

On deciding quotas:

One such myth is that fishing quotas would be decided in Brussels without any regard to Member States' interests.

Pooling of sovereignty is a fundamental principle of the EU and accordingly, decisions about quotas are taken by the Council. However, it is important to realise that decisions are taken on the basis of scientific advice and never against vital national interests. One such example are regulations about fisheries management in the Mediterranean. It is an unwritten rule that decisions are not taken that go against the vital interest of a member state, except in a case of extreme emergency.

Scientific advice is the main guiding principle for the setting of total allowance catches (TACs), however often other factors such as social and economic factors are taken into consideration, and therefore the end result

sometimes differs from the scientific view. As in Iceland, whether immediate action would be taken to limit fisheries in certain areas depends on the clarity of the scientific advice.

The principle of relative stability would ensure Iceland the same fishing rights within the Icelandic EEZ as presently. The national quota would be determined on the basis of traditional rights, therefore Iceland would retain the same proportion of the quota as prior to membership, and the same would apply to foreign vessels, unless Icelandic authorities would choose to sell some of the quota abroad. The historical rights would be based on a recent and representative period, somewhere between 1 to 10 years prior to accession, and agreed upon by both parties.

On the possibility of abandoning ‘relative stability’:

The CFP is reviewed every 10 years, and in theory, changing or abandoning the principle of relative stability is possible given a qualified majority in the Council. Although we are going to ask the question if Member States want to stick to relative stability, such a scenario would be unlikely as the principle enjoys very strong political support. Despite the likelihood of such a scenario being negligible, Iceland might want to follow a similar route as Norway¹ and include a special clause or declaration in its accession treaty regarding the importance of relative stability. However, no fundamental changes would be made without the consent of the countries with the most vital interests at stake.

However it must also be noted that it works both ways and although relative stability would assure Iceland its traditional share in fisheries it would not be able to expand into new fishing stocks where it does not have a traditional interest.

On the nature of scientific advice:

As mentioned, the current revision of our CFP is placing ecological sustainability as a priority. Scientific advice will therefore be our guiding principle. However, we must carefully balance this with ensuring economic sustainability for the fishing industry. The International Council for the Exploration of the Sea (ICES) provides the Commission with scientific advice on common and international stocks, and is made up of scientists from the member states. The Commission also has the Scientific and Technical and Economic Committee on Fisheries (STECF) to supply it with advice, where scientists from member states are also represented. In the event that Iceland became a Member State the most prioritized scientific advice on Icelandic waters will naturally be that contributed by Icelandic scientists. On the basis of this advice the Commission submits its proposals to the Council where decisions about TACs are taken.

On managing fisheries and control:

¹ "the Union recognises the major importance to Norway and Member States of maintaining the principle of relative stability as the fundament in achieving the goal of a permanent system of distribution of fishing possibilities in the future."

So ask if Iceland would be able to continue with its present way of managing its fisheries (e.g. its system of transferable quotas, ban on discards, conservation measures and monitoring and surveillance). The answer is yes, in most cases it will, with the reservation that there should be no infringement of the principle of non-discrimination and that some of the elements in question would have to be transformed into EU law. With regard to the Icelandic ban on discards, the EU is itself moving towards restrictions or even a possible ban on discards, and encourages the success of Iceland with its enforced ban on discards.

As regards the question of **surveillance and penalisation** if in breach of the CFP, the implementation of surveillance measures are in the hands of the member states and the EU's Fisheries Control Agency will *assist* the member states with the implementation. Regarding penalisation, the recently adopted Control Regulation sets up a system of minimum standards and rules to crack down on any CFP breaches.

Regarding the question on **potential general derogation from the CFP**, this is not possible. However, the Commission would look into ways of meeting different situations with catered solutions, while acknowledging that all special provisions need justification. Transitional periods are also something that can be looked into. Norway in its accession treaty in 1994 had negotiated a temporary derogation, but no permanent derogation. Norway and the EU had agreed on a number of common declarations about fisheries annexed to the treaty, and after a three year transitional period elements of the Norwegians fisheries management system north of the 62°N would have become part of EU fisheries policy.

On foreign investment:

Would Iceland be able to continue limiting foreign investment in its fishing industry as presently, in case of EU membership?

No. The freedom of capital movements and investment is a corner principle of the EU single market. However, an option might be that, based on the UK's example, Iceland could oblige fishing companies to comply with a set of rules that prevent quota-hopping. This would mainly benefit the fishing vessel owners, i.e. the current owners of the fishing quotas, who oppose foreign investment as they prefer not to see anyone challenging their dominant position. This said, one should not neglect that foreign investment may in general be of economic benefit to the industry as a whole and the Icelandic consumer.

Alternatively a transitional period could be negotiated. The Icelandic fisheries sector has proven to be quite successful when it comes to investing in the European fisheries sector. It is only natural to ask that the rules of the game apply equal to both partners.

On external fisheries agreements:

As for agreements with third countries, it is not the case that a "far-away and distant Brussels" would take the negotiating mandate away from Iceland. The reality is that the Commission acts on a mandate from the member

states, and Iceland can be actively involved in the negotiations. Large delegations from MS are often present at the negotiating table. Given the importance of Iceland as a fishery nation, its influence is likely to far exceed its population size. It is highly unlikely that the Council would approve an agreement that would go against vital Icelandic interest. Icelanders should also consider that it may be an advantage to have the leverage of a 500 million strong EU when dealing with 3rd countries. Norwegians openly express concern about the added leverage Icelandic demands will get when projected by the EU.

On whaling:

The EU bans whale hunting and the commercial sale of whale meat, and in the event of EU membership, it is very unlikely that Iceland would get an exemption from the ban. For the ban to be lifted, not only would the Commission have to support such a move, but an approval from the EP and a unanimous decision from the Council would be required. Therefore, current whaling operations carried out by Iceland would not be compatible with the *acquis communautaire* and such whaling activities would be banned also in Iceland waters, should Iceland adhere to the EU.

Finally, on being granted a special management zone:

Would Iceland be granted a special management zone?

There are two types of special management zones, i.e. the biological and the economic/social boxes. It would be difficult to argue for the Icelandic EEZ

as a whole as a special box, but potentially parts of it could be defined as such. An economic and social box would hardly be justifiable for an advanced country like Iceland but a case could be made for a biological box, in case of proper justification and hard scientific evidence. Such an example is the case of Malta in establishing of a special biological management box, where only boats of 12 metres length or less are allowed to fish within the 25 mile zone. This special provision was neither a derogation from the CFP nor from the principle of equal access.

It is important to note however that, since we acknowledge that it is vital for Iceland to be able to take quick decisions (sometimes within hours) about fishing in certain stocks or closing of certain areas, management of the stocks will be in the hands of Icelanders, and surely practical solutions can be found to this problem.

Ladies and Gentlemen,

Our common principles for sustainable use of marine resources and conservation of our environment are leading us onto an ever closer path. Although Iceland is a small nation in terms of population size its success in fisheries management makes it a great example, alongside Norway, for us in the EU to follow. This may be seen in the appointment of an Icelandic expert who is to be involved in the process of reforming our CFP. As well as in the new initiatives adopted in the EU to try and bring an end to discards which take inspiration from the system used here. In the event that Iceland does join the EU I am convinced it will play a major role in influencing European Fisheries Policy in years to come.

We believe in a Common Fisheries Policy that does justice to protecting and sustainably exploiting our Common seas and marine environment which know no national barriers. I am convinced that if we continue in the same direction and with the same determination we will ensure a healthy fisheries sector on track to sustainability for future generations.

Thank you.