

# Opening the Back Door to further Fisheries Subsidies?

## NGOs call on governments to oppose the proposed de minimis regulation

In June, the European Commission proposed to decouple the de minimis aid in the fisheries sector from that in the agricultural sector and to increase it tenfold. Under the new regulation, up to € 30.000 of state aid would not need to be notified to the European Commission if given to an enterprise over a three-year period. Importantly, this aid could be used to finance operating costs of fishing vessels that may result in an increase in fishing effort. WWF, the Fisheries Secretariat, BirdLife International, Oceana, North Sea Foundation and Seas at Risk strongly oppose the adoption of the proposed regulation for the following reasons:

- 1. Increased Fishing Pressure:** Most European fish stocks are now overfished - about 81% of known resources<sup>1</sup>. As a result, there is a general consensus that fishing effort, which is defined as the product of the capacity and the activity of a fishing vessel, has to be reduced. In spite of this, the Commission's Communication (COM(2006)103) and subsequently the European Fisheries Fund (EFF) re-introduced measures that are expected to increase Europe's fishing capacity. Now, with its de minimis proposal, the Commission is opening the back door for Member States to also subsidise fishing operations. However, as long as serious shortcomings in national fishing safeguarding systems persist, subsidising operational costs - for instance through fuel subsidies - will directly increase fishing effort.
- 2. Policy Incoherence:** The Common Fisheries Policy (CFP) suggests the need for substantial reductions in fishing effort for stocks outside safe biological limits. Also, the EFF Article 6(5) specifically excludes financial support to operations which increase fishing effort, and the Guidelines for the Examination of State Aid to Fisheries and Aquaculture specifically state that aid must "serve to promote the rationalisation and efficiency of the production" while "improving the recipient's income is, as operating aid, incompatible with the common market". In addition, COM(2006)103 states that public intervention to compensate for increase in fuel costs would constitute operating aid which is incompatible with the Treaty.<sup>2</sup>
- 3. Lack of Transparency:** Increasing de minimis in a sector which is deeply affected by illegal, unreported and unregulated activities will not contribute to the Commission's quest for "better regulations", but rather could impede efficient monitoring and enforcement of the use of taxpayers' money. Decreasing the amount of information given on the use of this aid contradicts the spirit of the European Transparency Initiative and will not contribute to the overarching objective of the State Aid Action Plan, namely to have less and better targeted state aid.
- 4. Distortion of Competition:** Providing aid to operational costs will not increase the competitiveness of the European fisheries sector. On the contrary, de minimis payments, which can make up as much as 24 % of the annual operating costs in certain Member States, can be expected to delay necessary investments and prevent the European fishing sector from adapting to higher oil prices. Moreover, the proposed increase in de minimis might cause distortion of competition among Member States operating in certain fisheries.

At the Advisory Committee on state aid Meeting on 4 October 2006, we strongly urge Member States to oppose the Commission's attempt to increase the de minimis aid and to oppose the way it opens the back door to subsidising operational costs. Taxpayers' money – whether through the EU or at national level - should not be spent in a non-transparent way to undermine the objectives of the reformed CFP, to further increase the pressure on already over-fished stocks, to delay the restructuring process of the European fisheries sector and to distort competition among Member States.

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<sup>1</sup> <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/931&type=HTML&aged=0&language=EN&guiLanguage=en>.

<sup>2</sup> Communication from the Commission to the Council and the European Parliament Improving the Economic Situation in the Fishing Industry. COM(2006)103 final, p. 8.