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COMMISSION STAFF WORKING PAPER
SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF
THE COUNCIL**

on the Common Fisheries Policy

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1. PROBLEM DEFINITION

1.1. The CFP has failed to perform

The current CFP has failed to ensure sustainable exploitation of living aquatic resources despite the new management tools introduced in 2002: Long Term Management Plans intended to exploit fish stocks at sustainable levels and to rebuild overfished stocks, and Regional Advisory Councils, intended to foster dialogue among stakeholders and with the Commission.

The problems underlying this failure are interdependent. Overcapacity is the main driver for overfishing. However, the reduction of quotas, intended to curb overfishing, has increased overcapacity still further. Similarly, overcapacity implies the poor economic performance of the catching sector — but poor economic performance incentivises overfishing as a short-term fix for diminishing revenues. It also results in the industry's repeated calls for public financial support, which maintains overcapacity, and encourages deviation from scientific advice when setting TACs. With these links in mind, the problems can be ranked as follows:

- The main problem of the CFP is the lack of environmental sustainability due to overfishing. All other problems contribute to this. Fleet overcapacity, deviation from scientific advice while setting TACs, and a lack of prioritisation when setting objectives are the main drivers for overfishing. Relative stability, the high level of discards, poor compliance and the lack of sufficient scientific advice are additional drivers.
- The second problem is poor economic sustainability, particularly for the catching sector. Many fleets are unprofitable and vulnerable to external shocks (eg high fuel prices).
- The third problem is the lack of social sustainability, which primarily affects the catching sector and areas dependent on fishing. Low wages and serious safety hazards mean that the catching sector is not a source of attractive jobs to potential new generations of fishermen. As a result, employment, particularly in the catching sector, has been declining for the last 15 years in many areas dependent on fisheries.
- Fourth, the CFP has a very complex legal framework, which fosters micromanagement and impedes achieving environmental sustainability.
- The external dimension of the CFP has also performed worse than expected, particularly as regards environmental sustainability, but also in terms of international governance.

1.2. Who is affected by the CFP and how?

<i>Stakeholder</i>	<i>Description</i>	<i>Key interests</i>
<i>Catching sector in the EU</i>	EC vessel owners and crew	Maintaining profitability and livelihoods
<i>Dependent businesses & communities</i>	Business and communities dependent upon fisheries	Maintaining profitability and livelihoods
<i>Processing sector</i>	Those processing raw material both imported and caught within EC waters	Maintaining profitability and livelihoods, stable supplies
<i>Sector regulators</i>	National, regional and local bodies regulating	Ensuring an efficient, effective and practical

	fishing	management framework that balances a wide range of stakeholder needs
<i>Sector research</i>	Scientific research bodies contributing to the conservation and management of stocks	Contribution to an effective fisheries management regime through timely access to high quality, robust data
<i>Consumers</i>	Those consuming fisheries products	Availability, cost, quality and nutritional values of fisheries products with varying degrees of environmental scrutiny
<i>Non-EU countries</i>	Fishing sector in competition with EU fleets. Aquaculture producers, exporters to the EU. Authorities in non-EU countries getting payments under FPA	Conflicting interest between those who see the EU as a very important export market and as a source of revenue, and small local fishing communities that face competition from EU fleets in non-EU fisheries over access to local resources
<i>NGOs, civil society and EU citizens</i>	NGOs advocating sustainable management of fisheries The wider public with an interest in and concern for fisheries and the marine environment	To maintain fish populations, marine bio-diversity, and the amenity value of oceans, rivers and lakes

1.3. Why is public intervention necessary?

Fisheries are characterised by the ‘Tragedy of the Commons’: Individuals operating in their own interests tend to overexploit a common pool resource, rivalling others as they capture ‘their’ share. What one fisherman takes today cannot be caught tomorrow by another. The harvesting costs imposed on others (fewer fish to catch, damage to the habitat, etc) are not taken into account by fishermen when they make their fishing decisions. In the absence of regulatory intervention regarding access, stocks will be exploited at levels which will lead to their decline and commercial extinction. That justifies regulatory intervention and implies discarding the ‘*No EU action*’ option.

2. THE RIGHT FOR THE EU TO ACT

According to Article 3 (d) of the Treaty of the Functioning of the EU (TFEU), the Union shall have exclusive competence in the conservation of marine biological resources under the CFP. According to Article 4 (2d) the Union has shared competences for the rest of the CFP.

The last reform of the CFP took place in 2002. It was implemented by Council Regulation (EC) No 2371/2002 of 20 December 2002. Article 35 thereof contains a specific provision for a review by end of 2012 with respect to Chapters II [Conservation and sustainability] and III [Adjustment of Fishing Capacity]. However, the conclusions of the 2007 Court of Auditors’ special report on the CFP as well as the Commission’s own assessment of the current CFP, led it to go beyond that obligation and propose a thorough reform of the CFP.

3. THE OBJECTIVES OF THE CFP

3.1. The objectives of the CFP according to the Treaty

The **objectives** of the CFP are set out in articles 3(d) and 4 (d) and 38 and 39 of the TFEU. Article 11 is also relevant, as it stipulates that environmental protection requirements must be integrated into the definition and implementation of the Union’s policies and activities, particularly with a view to promoting sustainable development. According to Article 39, the CFP’s objectives, which are the same as for agriculture, are:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, particularly labour;
- to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

These objectives are the same as those for the Common Agriculture Policy but have to be seen in the specific context of the fisheries sector.

3.2. The general objectives of the reform

The reformed CFP will achieve environmental, economic and social sustainability as regards exploiting fisheries resources. From a legal perspective, these objectives are all equally important, and none can be achieved in isolation.

However, environmental sustainability is the keystone for the success of the CFP. The analysis in the impact assessment confirmed that *‘without more marked improvements in stock status, economic and social sustainability will remain limited’*. The problem definition outlined the poor situation of many stocks. Solving the problem will require aligning fishing pressure with environmental sustainability.

3.2.1. Environmental sustainability

Environmental sustainability is understood as the exploitation of stocks in a way that does not prejudice their future exploitation. This amounts to applying fishing pressure consistent with their maximum sustainable yield (MSY), *‘with the aim of achieving these goals for depleted stocks on an urgent basis, and where possible not later than 2015’*. Achieving environmental sustainability will also ensure compliance with the obligation that marine environments attain good environmental status by 2020, as set out in the Marine Strategy Framework Directive.

Achieving environmental sustainability implies:

- (a) Eliminating overfishing in the short term;
- (b) Reducing overcapacity and discards as much as possible;
- (c) Putting in place a decision-making system consistent with long-term sustainability, flexible and adaptable to local conditions;
- (d) Encouraging industry to take more responsibility for outcomes and to comply with legislation;
- (e) Improving the availability of scientific advice and economic data.

3.2.2. *Economic sustainability*

Economic sustainability means having profitable fleets that are economically viable over the long term. The same applies to related processing, ancillary and aquaculture activities, acting within the limits set by environmental sustainability, operating in the context of the competitive global market and evolving consumption patterns.

3.2.3. *Social sustainability*

Social sustainability means transforming fisheries and related activities into a source of attractive jobs that enable a fair standard of living for those who depend on them and ensure the viability of fishing communities. Social sustainability in these areas must rely on economic diversification into related maritime activities as well as fishing itself.

3.2.4. *Other objectives: simplification and reduction of administrative burden*

The reform of the CFP will need to contribute to the general objectives of the EU as regards cutting red tape. Simplification implies reducing the number of regulations and their complexity, and integrating public funding into one financial instrument. As regards the administrative burden, the reform does not include any quantifiable macro-objective because the current Commission's policy in that field is due to expire by the end of 2012.

4. THE POLICY OPTIONS

Option Status Quo (SQ) is continuing the current CFP, but taking into account recent legislation, in particular LTMPs in the pipeline, the Control Regulation and the IUU Regulation. The SQ amounts to the CFP as it will be in January 2013. This serves as a benchmark for all reform options.

Option 1 seeks to achieve environmental sustainability within a flexible time horizon while limiting short-term negative economic and social impacts.

Its main components are:

- a) achieving Fmsy as soon as possible, but with a maximum inter-annual TAC reduction of - 25 % (as in current LTMPs). As a result, some stocks will reach Fmsy after 2015 (but no later than 2020).
- b) use of the 'most valuable' rule for mixed fisheries;
- c) use of Individual Transferable Rights (ITRs) to eliminate overcapacity. ITR would be compulsory for industrial fleets and voluntary for small-scale fleets, and will be implemented over four years. Transferability will be limited to within MS;
- d) public financial support focused on the reform; fleet subsidies (Axis 1 of the current EFF) will be discontinued;
- e) the CMO focused on marketing, promotion and local product market differentiation;
- f) costs of fishing licences under the Fishery Partnership Agreements (FPA) will be gradually borne by ship-owners.

Option 2 seeks to achieve environmental sustainability without any flexibility regarding time horizon. This option aims to achieve environmental sustainability by the end of 2015, irrespective of the short-term economic and social impacts. It includes the very strong assumption that sufficient scientific advice will be available within this very short time frame.

Its main components are:

- a) Fmsy to be achieved within four years from the start of the reform.
- b) use of the ‘most sensitive’ rule for mixed-fisheries;
- c) use of ITR to eliminate overcapacity, but with intra-MS transferability;
- d) public financial support and CMO discontinued and
- e) FPAs to be gradually terminated.

Option 3 seeks to achieve environmental sustainability within a time framework while minimising negative social impacts. This option minimises short-term economic and social impacts by allowing the sector extra time to reach Fmsy and to implement ITR.

Its main components are:

- a) achieving Fmsy as soon as possible but with a maximum inter-annual TAC reduction of -15 %, so that more stocks would reach Fmsy levels only towards the end of the period.
- b) use of ‘most valuable’ rule for mixed fisheries;
- c) use of ITR as in Option 1, but with a longer implementation period;
- d) public financial support focused on the reform but with more attention given to social issues;
- e) limited overhaul of the CMO, leaving some forms of market intervention.

Option 4 seeks to achieve environmental sustainability within a flexible time horizon while limiting short-term negative economic and social impacts but without EU-led ITR. This option is equivalent to Option 1, but without ITRs addressing overcapacity. MS are free to decide whether to implement the ITR.

Two further options were also analysed:

Option 1a amounts to Option 1, but uses Option 2’s ‘most sensitive’ rule for mixed fisheries.

Option 2a amounts to Option 2, but uses the -25 % maximum inter-annual TAC reduction as in Option 1.

5. ASSESSMENT OF OPTIONS

The methodology used defined:

- a) measurable targets for the objectives and
- b) a set of impact indicators to capture progress towards the objectives. Additional indicators address governance, administrative burden and simplification. The value of indicators is

measured and compared for 2012, 2017 and 2022 (2020 for environmental performance). The impact assessment combines quantitative and qualitative analysis.

5.1. Environmental sustainability

All reform options dramatically outperform the SQ Option in terms of environmental sustainability. Option 2 appears to perform best both in the short and the long term. However, its environmental component is unfeasible, due to the very short time remaining in which to develop the necessary scientific advice. Option 1a performs best. Options 1, 2a and 3 result in a very good performance, although below that of Option 1a, particularly by 2020. The maintenance of overcapacity in Option 4 significantly reduces its environmental performance.

Option 1a has the largest potential for reducing unwanted catch by combining the best environmental performance, the ‘most sensitive’ mixed fisheries rule, ITRs and the regionalisation component. The ‘most valuable’ rule in Option 1 limits its potential for discard reduction.

The SQ Option and Option 4 result in the largest fleets, short- and long-term. Options 1 and 3 show the largest reductions in fleets.

5.2. Economic sustainability

The SQ Option does not achieve economic sustainability. Options 1 (and 1a) perform best both short- and long-term. Option 2 performs somewhat better than Option 2a and 3. Option 4 performs significantly worse, due to the maintenance of overcapacity.

The processing sector dependent on imported raw material would be unaffected. For processing local landings, Options 1 and 1a give the best short and long-term results. For ancillary services, dependent on fleet size, the best performance would be under the SQ Option, followed by that of Option 4.

5.3. Social sustainability

All options imply a substantial decline in employment for the catching sector. Given a smaller fleet reduction, this decline under the SQ Option is relatively lowest, closely followed by Option 4. However, in term of wages, the performance of the SQ Option is very poor and that of Option 1 (and 1a) is very good. The combination of employment and wages shows that Options 1 (and 1a) would yield the best performance.

5.4. Simplification and administrative burden

In terms of simplification, any option will outperform the SQ. The regional approaches under options 1 (and 1a), 2 (and 2a) and 4 should also further simplify the CFP.

In terms of management costs, getting scientific advice and economic data would be a major addition. The introduction of ITRs would imply some administrative burden for MS and the EU; part of these costs might be passed on to the sector. Finally, the elimination of FPAs or the payment of access costs by vessel owners would reduce management costs at EU level. In sum, the SQ Option would be the cheapest, followed by Option 4, as there would be no costs associated with ITRs. Option 1a would be most costly, due to the need to obtain scientific advice about the most sensitive stocks.

5.5. External dimension

The best performance corresponds to Option 1 (and 1a).

6. COMPARISON OF OPTIONS: THE PREFERRED OPTION(S)

Figure 1 — Comparison of Options. EU level 2017

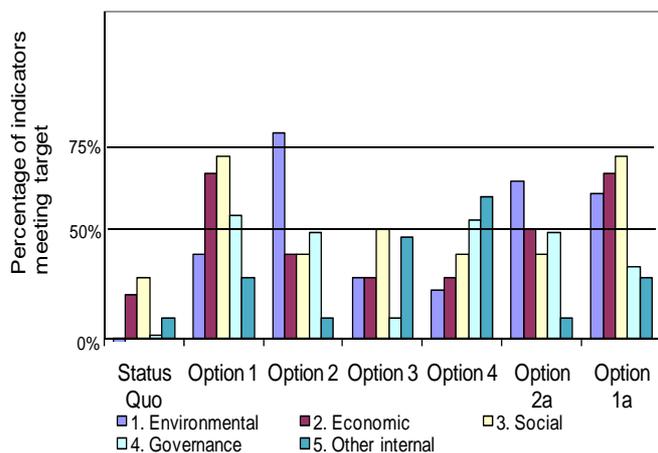
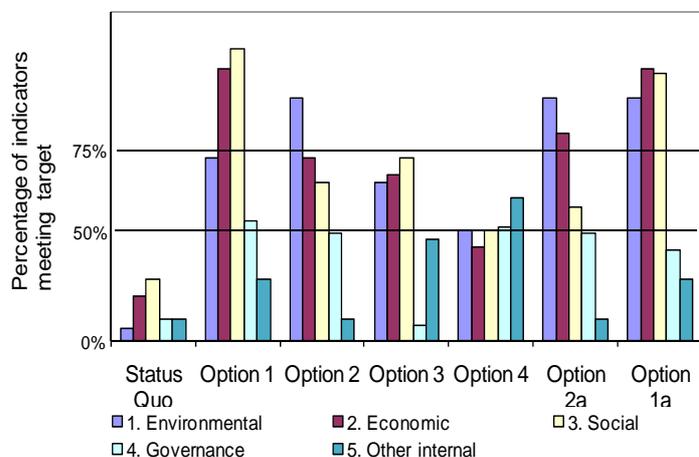


Figure 2 — Comparison of Options. EU level 2022



Overall Options 1 and 1a offer the best combined results. A study of four regions dependent on fishing (Brittany, Galicia, Sicily and Scotland) confirms these results at regional level. Option 1 (and 1a) also performs best in terms of the external dimension.

7. MONITORING AND EVALUATION

Yearly progress will be monitored on the basis of scientific advice, for the Fmsy objective, and of economic/social data received from MS for economic and social sustainability.

Regarding evaluation, it will take some time for the reformed CFP to bear fruit, so a mid-term review should potentially be carried out for 2017, for which the modelling has been done. The review should compare the projected and actual values of the following indicators:

- Environmental impacts: stocks at Fmsy, fleet size and progress in ITR
- Economic impacts: income, GVA, revenue/break-even revenue and net profit margin
- Social impacts: Employment (FTE) and crew wage per FTE

Figures for 2017 would be available in 2019. The evaluation should therefore be carried out in 2019.