



For the attention of the competent national authorities

Brussels, 23 March 2020

Re: WTO negotiations on fishery subsidies

We are writing to you on behalf of Europêche, Cogeca, EAPO and ETF, the main bodies representing the fishing sector in the European Union, and with the support of AIPCE-CEP, representing EU processors and traders, concerning the WTO negotiations on fisheries subsidies. Conscious of the need to adopt an international instrument to prohibit subsidies that contribute to IUU fishing, often linked with labour and human rights' abuses, and discipline financial aid that promote overfishing and overcapacity, the sector encourages EU governments and authorities to pursue these goals according to existing European legislation. In this direction, the whole value chain in the fisheries sector calls on EU institutions and Member states to **exclude de-taxation fuel schemes from the scope of the WTO instrument** in view of the arguments presented hereunder.

First of all, the fishing industry is against any direct aid for fuel purchase. Subsidies linked to fuel price levels or engine power of the vessel (e.g. China), certainly distort international fish markets, create unfair competition between operators and lead to overcapacity.

However, public authorities should apply a different yardstick to de-taxation schemes. The sector endorses the European Commission position¹ which states that *“the Agreement should not apply to subsidies for aquaculture and to fuel de-taxation schemes, or to subsidies compensating for damage caused by natural disasters”*. First of all, and from a conceptual point of view, the sector does not consider de-taxation schemes as subsidies. Tax breaks translate into: 1) less governmental revenue; 2) set different tax levels depending on the use or user (industrial, private, etc...); and 3) reward the added value generated by the contributor.

Energy products supplied for use as fuel for the purposes of navigation, commercial fishing and aviation have been historically exempted from taxation to ensure an international level playing field. Both the maritime and aviation industries have been increasing their capacity, and therefore their Greenhouse Gas emissions, and for that reason carbon taxes have been proposed as a mitigation tool. However, the international community is looking at fishing from a different angle. In an attempt to justify the elimination of fuel de-taxation schemes for fishing, certain countries

¹ [Negotiating Group on Rules - Advancing toward a multilateral outcome on fisheries subsidies in the WTO - European Union - Revision](#)

and civil society groups claim that these schemes have contributed to overcapacity and overfishing which have ultimately led to a global collapse of fish stocks.

However, it should be reminded that according to FAO the majority of the global fisheries (67%) are currently sustainable. In the case of the EU, year after year more fish stocks are fished at Maximum Sustainable Yield (MSY) and in the North-East Atlantic biomass levels are 36% higher than in 2003. In addition, despite the enlargements of the EU, the number of EU vessels in 2018 was 81 644 compared to 103 834 in 1996, meaning 22.000 fishing vessels less in 20 years². Only 65 400 vessels remain active and the majority are below 12-meters length.

Even with tax breaks, the EU fishing industry has been lowering the consumption of fuel over the years for many reasons, including the scrapping of fishing vessels, strong fishing effort reduction, the improvement of fish stocks and new fuel-efficient engines. Only in Spain, according to the National Tax Agency: in 2009, 432 million liters benefitted from de-taxation schemes, compared to only 276 in 2015 (36% reduction in just six years). Therefore, it is clear that de-taxation fuel schemes in Europe have not led to overfishing or overcapacity.

The biggest challenge facing many industries is the development and global availability of alternative and innovative green technologies and carbon-neutral fuels and energy sources. The situation is even worse in the fishing industry, since the transition to new propulsion technologies require larger space on board and current capacity limitations of fishing vessels set in the Common Fisheries Policy restrict such developments. It is therefore clear that there are no realistic alternatives for the fishing industry.

As for the socio-economic consequences, policy-makers must be aware that fuel costs may exceed 40% of the total operational costs for fishing companies and therefore its taxation:

- *Would put the EU industry at competitive disadvantage with other countries with lower fuel prices and taxes, particularly small-scale vessels;*
- *Would lead to unfair treatment between territories since large ships can undertake long fishing trips on single fuel bunkering enabling them to refuel at ports with lower fuel prices;*
- *Would cause an increase in the prices paid by final consumers, particularly for fresh products; this would conflict with the public health recommendations to increase the consumption of fish considering not only its high nutritional quality and therefore health benefits, but also its low environmental footprint;*
- *Would result in an unprecedented large-scale bankruptcy of many fishing firms, particularly artisanal fishermen, and consequently a high number of job losses, with potential serious repercussions on local fishing communities.*

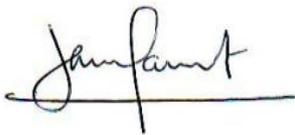
² (See https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/pcp_en.pdf, pages 10 and 12)

It should be reminded that the EU is the largest global importer of seafood and to put an end to the de-taxation scheme would lead to unfair competition for the EU fishing industry on our home market for seafood products as already, at this moment, it is almost impossible in the WTO context to control or enforce unfair subsidies to foreign fishing companies. Furthermore, in the context of WTO agreements, developing countries benefit of the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) that acknowledges the different capabilities and differing responsibilities of individual countries in addressing subsidies.

In conclusion, fuel de-taxation schemes do not contribute to overfishing or overcapacity where the fleet capacity and fishing mortality are properly managed. The taxation of fuels for fishing would have a very low impact in terms of ecological benefit and a great negative impact for the fishing vessels, fish supply and employment. Many companies would be condemned to disappear for not being able to meet the expenses generated for the increase in the cost of fuel (in some cases, more than the double of the current sale price for fishing vessels).

The industry recalls that wild-caught fish is, by far, the animal protein with the lowest carbon food print and therefore seafood is the best option in terms of food security to fight climate change.

Yours sincerely,



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