Commission to Introduce New Environmentally Harmful Subsidies

Environmental NGOs strongly oppose the proposed *de minimis* regulation

On 17 July the European Commission intends to adopt a regulation on de minimis aid in the fisheries sector (2006/C 276/07). While supposedly intended to cut down on unnecessary bureaucracy, the proposed regulation would allow EU fishing enterprises to receive significant and potentially harmful subsidies. Under the new regulation, a fishing enterprise could receive up to € 30,000 of state aid every three years. Importantly, this aid could be used to finance fuel costs of fishing vessels. As long as the proposed regulation does not specifically exclude aid for operational costs, WWF, the Fisheries Secretariat, BirdLife International, Oceana, North Sea Foundation and Seas at Risk strongly oppose the adoption of the proposed *de minimis* regulation for the following reasons:

1. **Increased Fishing Pressure:** Most European fish stocks are over-fished – about 81% of known resources\(^1\). As long as serious shortcomings in national fishing safeguarding systems persist, subsidising operational costs will directly increase fishing effort and lead to a further deterioration of fish stocks.

2. **Loss of Profit:** Aid to operational costs will initially augment profits, leading to a more intensive use of the vessels. In the medium and long term, however, the increased effort will cause further depletion of fish stocks, decreasing catches and reduced profitability. The aid is therefore not helping the fishing industry, but threatening the economic basis of fishermen and coastal communities.

3. **Distortion of Competition and Delay of Restructuring:** € 10,000 can make up as much as 24 % of a vessel’s annual operating costs. As a result, fleets from Member States that refuse to subsidise operating costs, could find themselves unable to compete with fleets from Member States that do. In addition, providing aid to operating costs will not help the European fisheries sector to become more sustainable. On the contrary, such subsidies – up to € 220 Million annually – will delay necessary restructuring and prevent the European fishing sector from adapting to the new biological and economic realities they face: over-fished resources and higher oil prices.

4. **Incoherence with Fisheries Policies:** The CFP suggests the need for substantial reductions in fishing effort for stocks outside safe biological limits. Article 6(5) of the EFF specifically excludes financial support to operations which increase fishing effort. According to the Guidelines for the Examination of State Aid to Fisheries and Aquaculture, 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”. Also, COM(2006)103 states that public intervention to compensate for an increase in fuel costs would be incompatible with the Treaty.\(^2\)

5. **Other Policy Incoherencies:** Introducing fuel subsidies when the EU itself highlights the need to phase out environmentally harmful subsidies and intends to set out a road map for reviewing their reform by 2008 is counterproductive. Also, subsidising fuel for fishing vessels will not help meeting the objectives of the Kyoto Protocol, the Lisbon agenda, the Sustainable Development Strategy, or the WSSD objective to phase our fisheries subsidies. Last but not least, increasing fisheries subsidies at a time when the world is looking to discipline them within the WTO framework is counter to current international thinking and likely to undermine the ongoing negotiation process.

We strongly urge the Commission not to open a back door to fuel subsidies, but to explicitly exclude the use of aid to help cover operating costs. Taxpayers’ money should not be spent in a way that undermines the objectives of the CFP, further increases the pressure on already over-fished stocks, delays the necessary restructuring of the EU fisheries sector, distorts competition among Member States and undermines fundamental EU and international reform processes.

Brussels, July 2007

Markus Knigge (WWF European Policy Office); Tatiana Sutiakova (BirdLife International), Magnus Eckeskog (The Fisheries Secretariat), Julie Cator (Oceana), Christine Absil (North Sea Foundation), Dr. Monica Verbeek (Seas at Risk)

---
