

Germany's Blind Spot for Sustainable Fisheries



Germany must commit to enacting the reformed Common Fisheries Policy if it intends to end overfishing

Summary

Germany is often seen as Europe's moral leader on environmental issues, always at the vanguard of the adoption of renewable energy and climate protection. But when it comes to the marine environment, Germany is working to continue overfishing in EU waters and to delay the large environmental, social, and economic benefits that come from having healthy fish stocks. Scientific advice provided to the government - suggesting that it fishes within sustainable limits - is often ignored under the vague defense of 'socio-economic' factors. However, the economic evidence (see Fig 1) shows that ending overfishing in pursuit of sustainable yields should be reached as soon as possible.

This briefing finds that instead of acting as a barrier to ending overfishing, Germany should:

- Follow scientific advice on sustainable quota limits;
- Allocate its fishing quota to incentivise best environmental practices;
- Use national policy and the quota system to support vulnerable, low-impact fisheries during the transition to sustainable fisheries.

Background

The reform of the EU's Common Fisheries Policy in 2013 (CFP) was a bold act. At its core, it committed to end overfishing in EU waters and to reverse the sharp decline in fish stocks, landings, earnings, and jobs. To do this, the policy aims to rebuild fish stocks to ecologically healthy levels and set a deadline to achieve fishing in accordance with maximum sustainable yield (MSY) reference points "by 2015 where possible and, on a progressive, incremental basis at the latest by 2020 for all stocks"¹ (Article 2.2 CFP).

Despite this policy reform, fishing above MSY is still taking place on 40% of fish stocks in the Northeast Atlantic according to the most recent data.² What is more, this estimate relates only to the fish stocks where data is available and fisheries management is focused, and is therefore considered to be the 'best case' scenario. So while the available data does show some improvement, the 2015 deadline has already passed, and projections for fishing in accordance with MSY across all stocks are not yet in sight.

Germany's role in setting fishing limits fishing limits above scientific advice, in violation of the CFP

Despite the strong commitment in the CFP to end overfishing, delays have occurred due to the wiggle-room provided in the CFP in relation to socio-economics. While not official policy text, Recital 7 notes that delays to MSY past 2015 should only be allowed 'if achieving the exploitation rates by 2015 would seriously jeopardise the social and economic sustainability of the fishing fleets involved'.³ Far from the original intention, this wiggle-room has been exploited to allow systemic overfishing through the decisions of the Agrifish Council of Ministers.

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Fishing limits, in the form of total allowable catches (TACs), are set by the Council of Ministers each year after receiving scientific advice from the International Council for the Exploration of the Sea (ICES) and a proposal from the European Commission. It is during the closed-door negotiations of the Council of Ministers, subject to intense industry lobbying, that scientific advice is systematically overridden. (CEO/SAR ref)

From 2001 to 2017, approximately 7 out of every 10 TACs across the EU were set above scientific advice, exceeding advice by 20% on average.⁴ In many cases, fishing ministers leave negotiations claiming ‘victory’ having agreed higher fishing limits for their national fishing industry, a practice that continues even though the 2015 deadline has passed.⁵

Comparing quotas to ICES advice, Germany ranks fifth in the ‘Overfishing league table’ for leaving the closed-door negotiations with quotas set above scientific advice.⁶ This continued last year, especially for the Baltic Sea quotas where Germany ranked third due to the decision reached on Western Baltic cod.⁷ The actions of Minister Schmidt, working together with Danish Minister Larsen to pursue overfishing of Western Baltic cod were widely denounced as “different degrees of tragic”⁸ and “cater[ing] for the short term interests of unsustainable fisheries groups”.⁹

BALTIC OVERFISHING 2017

WHO'S TO BLAME?

	COUNTRY	MINISTER	QUOTA SET ABOVE SCIENTIFIC ADVICE
1 ST	 Denmark	 <i>Esben Lunde Larsen</i>	6% 3,113 TONNES
2 ND	 Latvia	 <i>Jānis Dūklavs</i>	4% 2,613 TONNES
3 RD	 Germany	 <i>Christian Schmidt</i>	4% 1,397 TONNES
4 TH	 Estonia	 <i>Marko Pomerants</i>	3% 1,854 TONNES
5 TH	 Lithuania	 <i>Albinas Zananavičius</i>	2% 427 TONNES

On top of setting fishing limits above scientific advice, Germany exacerbated its overexploitation of the vulnerable cod population by opening the western Baltic Sea under the auspice of a flatfish fishery during the cod spawning season in February 2017, despite its official closure.¹⁰ The Danes soon followed suit, justifying that “it would be untenable if Danish fishermen were asked to do differently than their German counterparts in the same fishery.”¹¹

‘Socio-economics’ is not a valid argument for continued overfishing

Little is publicly stated by fisheries ministers to justify the setting of TACs in excess of scientific advice. However, occasionally Ministers point to socio-economics – typically job losses – as an argument for delaying the transition to MSY. Yet simply evoking ‘socio-economics’ is not a valid pretext for allowing overfishing to continue - it must be accompanied by evidence. Despite hundreds of cases of TACs set above scientific advice, no socio-economic impact assessments from national governments have been provided. As the Council negotiations are closed-door, there is no way of assessing whether any socio-economic evidence is used in the negotiations (even through freedom of information requests) or the quality of the arguments employed.

In contrast to the Council negotiations, several fishing countries (e.g. Iceland, United States) require that scientific advice is followed by law. Socio-economic arguments can only be used in such countries to set a level of quota that is lower than scientific advice.^{10,11} These countries, not surprisingly, are much closer to eliminating overfishing from their waters.

End overfishing sooner rather than later will maximise socio-economic benefits

An implicit assumption when fishing ministers evoke socio-economic arguments for setting fishing quotas above scientific advice is that jobs, wages, and the economic viability of fishing fleets and communities are best supported by a continuation of overfishing. This assumption has little basis beyond a very short time period, which may be more related to the desire for local political victories during four-year political terms. One of the fundamental principles of fisheries economics is that lowering fishing pressure to MSY will have larger socio-economic benefits, as larger fish populations support a larger (sustainable) harvest and with less effort required.¹² In light of this, the desirability of reaching a state of MSY in EU fisheries is now almost universally accepted by fisheries stakeholders. The faster the transition, the faster these larger benefits can be realized – maximising total benefits across the time-period.



Figure 1: Net present value of three transition pathways to MSY in EU Northeast Atlantic fisheries under a range of cost assumptions.

Source: Adapted from Guillen et al., 2016.



To estimate potential returns of transitioning to MSY, an article in the *Journal of Marine Policy* quantified the economic value of three transition pathways to MSY for the EU Northeast Atlantic fisheries. It found that “the sooner fishing mortality rates are reduced to FMSY, the greater the profits’ net present value from EU fisheries in the Northeast Atlantic”.¹³ Studies on fisheries in other countries have reached similar conclusions.¹⁴ All else being equal, the evidence shows that the faster fisheries can get to MSY, the larger the economic benefits across the time-period.

Fuel prices, profits and looming deadlines: All point towards ending overfishing

All else is not always equal, however. There are particularities relating to: certain fish stocks, the state of EU fisheries, and the external factors that may affect the optimal transition pathway. Still, these factors further support the case for ending overfishing.

Sometimes it is argued that mixed fisheries require deviation from MSY and the use of ranges to allow overfishing for some species. When the use of ranges is analysed, however, it has been shown that fishing in a range

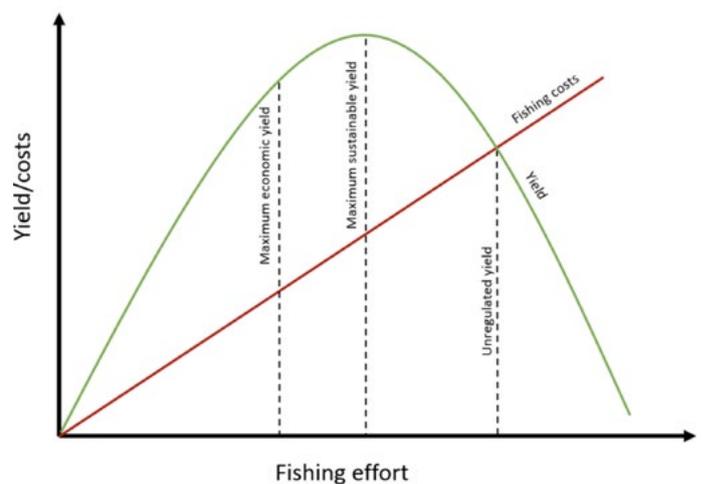


Figure 2: Illustration of maximum sustainable yield and maximum economic yield reference points

above MSY carries risks that outweigh the small additional benefits.^{15,16} This should not be surprising, as economic benefits (the difference between revenues and costs) are typically maximized at a level of fishing below MSY.

There is also the issue that delaying reductions in fishing pressure may only compound a problem in 2019 where fishing across many stocks must be reduced simultaneously. There is a very real risk of approaching the deadline in 2019 and wishing in hindsight that more action was taken earlier.

As for the economic state of the German fleet, an overall net profit margin of 5% is similar to that of other industries.¹⁷ Fuel prices remain low, and as a major input cost, there is an opportunity at present to use this windfall for “pain-free fish stock recovery”.¹⁸

The overall positive health of the German fleet should not gloss over the stark contrast between the large-scale and small-scale

fleet segments. While the large-scale fleet in Germany has a net profit margin of 10%, the small-scale fleet is currently operating in the red (-12%). This division between fleet economic performance has implications for overall quota setting.

Problems for the small-scale fleet: Is it the size of the pie or how it’s divided?

The economic vulnerability of certain fleet segments, particularly small-scale fleets, combined with the fleet’s economic and socio-cultural importance in small fishing communities along the German coast has become a common argument during the quota setting process. In press statements, Minister Schmidt has mentioned socio-economic reasons for delay, particularly Western Baltic cod in 2016.²² This stock is targeted by several small-scale fleet segments and a dramatic 88% reduction in quota was proposed by ICES due to the deteriorating state of the stock.²³

This advice for a dramatic reduction followed two years where scientific advice was not followed and the stock failed to recover.²⁴ By ignoring advice, Ministers created a negative feedback loop of larger reductions required with each passing year, and conversely increased economic strain on small-scale fishers. Instead, if the stock was allowed to recover, the fleets that were most vulnerable to quota reductions during the stock rebuilding phase would also be the greatest beneficiaries when the stock grows to its maximum sustainable yield. However, the low profitability of these small-scale fleets could jeopardise their economic viability during the rebuilding phase - unless changes are made to how German fisheries are managed.

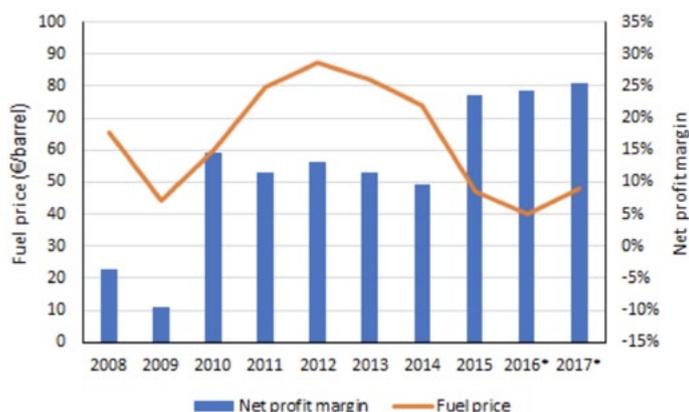


Figure 3: A decline in fuel prices and a rise in profit margins.
Source: Calculations from the 2017 STECF Annual Economic Report on the EU Fishing Fleet. 2016 and 2017 are forecasts.



Fleet segment	Number of vessels	Number of fishers	Share of German Western Baltic cod quota	Net profit margin	Dependency of earnings on Western Baltic cod quota
Demersal trawl/seine 12-18m	28	25	25%	-11%	46%
Demersal trawl/seine 18-24m	15	55	20%	7%	11%
Passive gear 0-10m	723	696	20%	0%	20%
Passive gear 10-12m	64	51	15%	-25%	33%
Demersal trawl/seine 24-40m	10	60	10%	15%	2%
Demersal trawl/seine 10-12m	11	7	4%	-28%	35%
Pelagic trawl 40m+	12	no data	4%	no data	0%
Beam trawl 18-24m	62	135	1%	5%	0%
Beam trawl 12-18m	110	165	0%	13%	0%
Drift/fixed net 12-18m	6	8	0%	-70%	3%
Drift/fixed net 24-40m	6	87	0%	-8%	0%
Demersal trawl/seine 40m+	6	185	0%	-1%	0%
Beam trawl 10-12m	12	9	0%	-25%	0%
Beam trawl 24-40m	9	49	0%	17%	0%

Table 1: Share of Western Baltic cod quota, net profit margin, and dependency on Western Baltic cod quota by German fleet segment

Source: Calculations from the STECF 2017 Annual Economic Report on the EU Fishing Fleet

Table 1 indicates the share of Western Baltic cod quota held by each German fleet segment (estimated by landings), the net profit margin for the fleet, and the dependency of the fleet on Western Baltic cod quota. The small-scale fleet segments (here using the EU definition of vessels under 12m in length and using passive gear) are highlighted in grey. Fleet segments with negative net profit margins and an earnings dependency on Western Baltic cod greater than 10% are highlighted in red text.

There are clearly problems for small-scale fleet segments as they are economically vulnerable (low profit margin) and are dependent on Western Baltic cod.

Quota allocation is a national decision, separate from the annual quota negotiations between the Council of Ministers, but there is potential to divide the pie in a way that better handles these instances where the overall size is being reduced. With only 35% of the quota, the overall impact of any short-term quota reduction could be greatly moderated if these small-scale fleet segments were prioritised as a way of ensuring the economic viability and ecological sustainability of fishing communities.

The German Government can improve prosperity for fishers by improving how quota is allocated

The German system of quota allocation should also take greater consideration of fishing practices that contribute to the social, economic, and environmental objectives of fisheries management.

Article 17 of the CFP states that:

When allocating the fishing opportunities available to them, as referred to in Article 16, Member States shall use transparent and objective criteria including those of an environmental, social and economic nature. The criteria to be used may include, inter alia, the impact of fishing on the environment, the history of compliance, the contribution to the local economy and historic catch levels. Within the fishing opportunities allocated to them, Member States shall endeavour to provide incentives to fishing vessels deploying selective fishing gear or using fishing techniques with reduced environmental impact, such as reduced energy consumption or habitat damage.

According to the Seafish Risk Assessment for Sourcing Seafood (RASS) rating system, demersal trawlers for Western Baltic cod have larger negative impacts on both species bycatch and discards, as well the wider marine environment, compared to gillnetters.²¹

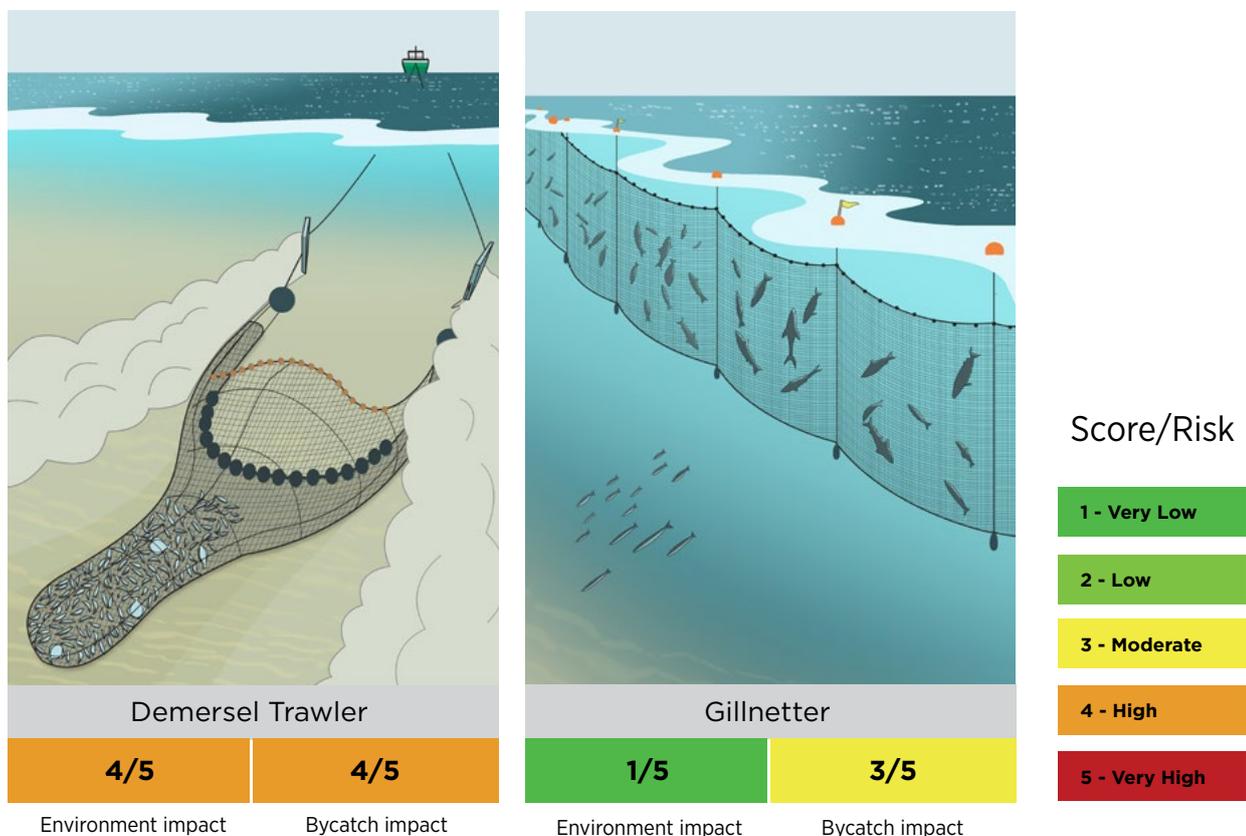


Figure 4: Demersal trawler and Gillnetter environment and bycatch impact **Illustrations:** Goldborough Studio
Source: Seafish Risk Assessment for Sourcing Seafood (RASS) rating system



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Demersal trawlers are trawlers that tow large, heavy cone-shaped nets along the seabed. The mouth of the nets is kept open and dragging along the bottom using various materials such as chains, wooden or metal beams, and large flat boards. Gillnetting is a curtain of fine netting hung in the water, either anchored to the seabed or allowed to drift with the tide, for fish to swim into and become entangled.²²

Baltic Sea Advisory Council specifically in the context of Western Baltic cod as a method of addressing the short-term negative impacts of a quota reduction.²³

Improving the quota system to direct fishing quota to the those who deserve it most is possible in the German quota system through legislative change -- an easier process compared to those countries with privatised quota ownership. As a publicly owned resource, the German Government is expected to apply fisheries law and adapt management systems to ensure healthy and secure fisheries are inherited by future generations. Across a whole host of issues, studies on the German system of quota allocation emphasis the need for quota reform.²⁷

Given the different levels of impact, more quota in the hands of passive gear fishers would also help decrease unwanted catches and implement the Landing Obligation, and minimise negative impacts on the marine ecosystem and achieve ecosystem-based management. Taking a criteria-based approach to quota allocation was also mentioned by the

If the concern regarding a reduction in quota is really about the economic vulnerability of small-scale fleets, a system of quota guarantees (by tonnage) for low-impact but high vulnerability fleets could be used if percentage shares fall below a certain level (similar to the Hague Preferences used for Ireland and the UK).

Category	Objectives	Rating
Good for Fishers	Secure	Mig-high
	Flexible	Mixed
	Accessible	Low
	Viable	Mig-high
	Equitable and fair	Mid-low
Good for Society	Publicly owned	Mid-low
	Meets government objectives	Mid-low
	Limited public expense	Low
	Captures resource rent	Low
Good Process	Transparent and accountable	Low
	Objective	Mid-low
	Right governance level and representative	Mid-low

Table 2: The performance of Germany's system of fishing opportunities
Source: Carpenter & Kleinjans, 2016.

Sustainable and fair fishing quotas

Environmental issues in Germany have benefitted from a large amount of attention from the German media and wider public. Indeed Germany has a reputation as a global leader in sustainability. And whilst German consumers clearly support the concept of sustainable seafood, as is demonstrated by the large supply of Marine Stewardship Council (MSC) certified products in supermarkets, national fisheries management, and quota allocation in particular, have escaped this scrutiny despite a clear need for reform.

First and foremost, fishing quotas should be sustainable. The CFP had a deadline of 2015, with 2020 as an emergency fall back. Fisheries economics supports this legal requirement. Sometimes socio-economics is evoked by Ministers, but without justification, and as this briefing has documented, in contrast to evidence. Ministers are loathe to be seen as returning from Council negotiations with less quota than the year before, regardless of the long-term benefit or even if the current quota is being fully used. It is political perception above economic performance.

Just as fishing limits should be sustainable, they should also be fair. The Council of Ministers can set sustainable fishing quotas and boost socio-economic performance of their small-scale fleets with a fairer quota allocation system. Germany's opportunity, and its power to achieve these aims, lies in the hands of the incoming German government.



Endnotes

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