



Green Paper Reform of the Common Fisheries Policy COM(2009) 163 Final

Response by **nef** (new economics foundation)

We welcome the opportunity to respond to this consultation.

nef (new economics foundation) is an independent think-and-do tank that inspires and demonstrates real economic well-being. Our aim is to promote economics as if people and the planet mattered. Applying our approach to the sustainable fisheries debate is a key priority.

The European Commission stated in the Green Paper in April 2009 that it “believes that a whole-scale and fundamental reform of the Common Fisheries Policy (CFP) and remobilisation of the fisheries sector can bring about the dramatic change that is needed to reverse the current situation. This must not be yet another piecemeal, incremental reform but a sea change cutting to the core reasons behind the vicious circle in which Europe’s fisheries have been trapped in recent decades.”¹

We are very supportive of this approach; a ‘radical reform of the CFP is essential to guarantee the success of European fisheries policy. Changing the way we fish today towards better management of fish stocks and the marine environment will help deliver significant gains in social justice and human well-being. Everyone agrees that the current situation is far from ideal; and that radical change is needed if we want to deliver economic, social and environmental benefits.

Member states need to show - at a very minimum - the same level of ambition expressed by the EC in the Green Paper.

The Green Paper identifies five main structural failings of the Common Fisheries Policy. We generally agree with this analysis but we believe that it should go one step further and recognize that most of the failures of the CFP emerge from a wider systemic problem: an economic system which fails to deliver for people and for the environment.

While this is a systemic problem that goes beyond the scope of the CFP; the CFP has a role to play in addressing some of these failures; creating space for the development and implementation of new tools and practice; and ensuring that the economics that inform decision-making at policy, business and consumer level take into account the environmental and social elements which are often left out of the equation.

The reform of the CFP must take into account the shortcomings of the economic system within which fisheries operates if it wants to succeed at delivering its economic, social and environmental objectives.

Our response to the consultation is structured in two main parts. The first one summarises key points that the CFP needs to incorporate in order to address the five structural failings. The

¹ COM(2009)163 final

second one identifies key elements of the economic system that hinder progress towards fair and sustainable fisheries management and outlines how these can be addressed. This is a summary of our recommendations :

1- *Value what matters*: reveal the “real value” of different types of fisheries and fleets; assess the impact on “real value” of policy decisions. Adopt “Social Return on Investment” as a methodology to inform fisheries policy-making.

2- *Measure your marine natural capital*: Develop national fisheries accounts to track changes (appreciation, depreciation) in marine natural capital (fish stocks and other ecological goods and services). Correct GDP and other economic indicators accordingly.

3- *Value our future*: identify appropriate discount rates for management of fisheries and the marine environment.

4- *Price correctly*: correct fish market prices by integrating environmental and social costs.

5- *Get business to compete for the right things*: create a context where business success is synonymous delivering social and environmental outcomes.

6- *Overcome short-term costs*: develop mechanisms to “smoothen” a transition towards fair and sustainable fisheries such as designing the equivalent of agri-environment schemes for the fisheries sector; and exploring the potential of environmental markets and existing financial tools and products (i.e. bonds) to promote restoration of fish stocks and marine ecosystems.

Our response provides both a framework and specific recommendations on tools and criteria to ensure that management of fisheries resources delivers maximum value to society. They are relevant to most decision-making processes dealing with allocation of funds, rights, access and compliance. As such our response is a general answer to all the sections of the Green Paper; but in particular to section 4.2: focusing policy objectives, 4.1: reducing overcapacity, and 4.4: encouraging the industry to take more responsibility.

I – Addressing the CFP failures

Fish, as a free bounty for humankind, should be managed to deliver sustainable and fair economic well-being; they should be managed to create maximum value to society. Fishing activity needs to be pursued within the environmental limits of the ecosystems it depends on. It also needs to be carried out in a fair and socially just way ensuring that access to opportunities and resources is fairly distributed.

There is quite a lot of clarity on the direction that the reform must take. These are the key issues that the nef would like to see incorporated into a new CFP:

- Managing marine resources with the ultimate goal to deliver maximum value² to society.
 - Allocating rights and access to fisheries should be given to those types of fisheries – fleets that deliver highest value to society.

² Economic, social and environmental value.

- Targeting public funds towards those types of fisheries – fleets that deliver highest value to society.
- Setting a criteria for reduction of capacity that promotes “high-value” sectors, and reduce “low-value” ones.
- Enshrining environmental sustainability as a condition for the delivery of social and economic goals.
 - Placing environmental sustainability as the over-arching principle.
 - Adopting the precautionary approach and the ecosystem-based approach as a basis for fisheries management.
- Defining a decision-making framework that ensures that:
 - Long-term objectives are shielded from short-term political pressure.
 - Decisions are taken at the appropriate levels
 - Long-term strategic decisions are differentiated from operational management.
 - Processes are transparent and participatory
- Reducing capacity to match availability of resources.
 - Setting instruments and competencies that deliver sustainable fishing capacity at EU and regional levels
 - Setting legally binding and timetabled capacity limits for each fishery, both in quantitative and qualitative terms.
 - Basing access rules on a set of criteria that take account of environmental and social factors.
- Creating an even playing field
 - Ensuring that different fishing sectors have same opportunities to compete towards economic, social and environmental goals.
 - Ensuring that agreements with other nations providing access to EU fleet do not see their development opportunities undermined, or their resources overexploited.
- Improving enforcement and control
- Respecting scientific advice.

II – Getting the economics right

nef starts from the position that unsustainable use of marine resources is endemic both from the fisheries policy arena and the wider socio-economic system within which fisheries activity takes place. As such “getting the economics right” is an essential first step to move towards fair and sustainable fisheries.

Climate change is often described as the biggest single example of market failure. We are on course to make similar mistakes with overfishing. Existing economic goals, tools and methodologies informing policy making are not fit for purpose. Unless these are changed, it will not be possible to deliver truly sustainable EU fisheries. If we are to move towards a CFP that delivers benefits to society, tools are needed to correct the system; to guide decision-making, businesses and consumers in a different direction.

We need to move from a system guided from values defined by price, to a more inclusive model that incorporates social and environmental value. Governments should have indicators that tell the real story about the contribution that fisheries make to each national economy; and methodologies that reveal the full costs and benefits of government decisions. Prices should internalise environmental and social costs, and businesses should operate in a framework in which profitability is synonymous with positive outcomes for society.

There is something fundamentally wrong with the economic compass that guides decision-making, business practice and consumer choices. For example, commercial fishing activity that at present leads to overexploitation of natural resources and puts employment at risk is counted as a positive contribution to the national economy. Markets are structured such that one kilo of blue shark - a vulnerable fish species - is the same price as a kilo of fast growing and replenishing sardines.

Similarly, it is cheaper for the consumer to purchase the catch of the environmental damaging industrial fishing fleet than the catch of many low environmental impact operators. In this context it is very difficult for consumers or businesses to behave in a sustainable way.

Last but not least, developing countries with abundant fish resources are not benefiting from increase in global fish trade over the past years. The current regulatory framework constrains their development potential and favors a net transfer of protein from poor to rich countries.

Correcting systemic failure is a key barrier to address, but while we acknowledge that such fundamental change goes beyond the scope of the CFP, the CFP has the scope, the potential and the responsibility of taking action to correct - or at least minimize - many of these shortcomings.

The CFP can address some of the shortcomings of the current economic practice by putting in place new economic mechanisms and tools that improve decision-making at policy, business and consumer level and to create incentives to favor a context within which the interests of consumers and businesses is aligned with sustainable outcomes.

These are **nef's** recommendations to address key economic problems that halt progress towards fair and sustainable fisheries. We would like to see these incorporated in the CFP.

Value what matters

- Value is often narrowly understood as financial value. A key problem today is that policy-making is guided by narrowly defined “economic efficiency criteria”. The economics informing decision-making fails to capture the value of environmental and social outcomes because these are difficult to express in financial terms.

The development and adoption of economic tools that help us “measure and value what matters” is essential to guide fisheries policy in the right direction. If policy-making is to be effective in delivering environmental and social-economic benefits to society, it needs to be informed by tools that help reveal the full impact (social, environmental, economic) of different decisions and how these affect different stakeholders.

The Social Return on Investment (SROI)³ is a methodology that helps organisations and institutions demonstrate the social, economic and environmental impact of their actions. It provides a framework to measure and account for a much broader concept of value, incorporating social, environmental and economic costs and benefits.

This is especially relevant when institutions seek to make every Euro count – a key priority for the public sector, even more so in the context of global financial crisis. The implementation of an SROI framework to fisheries policy and revealing the real value that different fishing fleets and sectors deliver to society are obvious first steps towards improving decision-making in fisheries management.

Measure your natural capital

- Economic indicators such as GDP and Gross Value Added (GVA) fail to account for depreciation of natural and social capital. As a result; fishing activity that leads to overexploitation of resources and the resulting increase in vulnerability of the fishing sector is treated as a positive contribution to the national economy.

Fisheries accounts –describing the status and trends of fish stocks and marine ecosystems - should be developed to describe whether our natural capital is increasing or decreasing. These could be developed at national level as well as any other scales as appropriate.

Price correctly

- Market prices do not reflect “environmental and social costs”. Businesses and consumers do not pay for the environmental and social costs resulting from fishing activity. Any costs not paid for are in effect paid by someone else (i.e. the citizens of a developing nation; future generations; a fisherman losing his job).

Prices must be corrected to provide a clear signal both to consumers and to business practitioners about the social and environmental cost of the product purchased or activity being carried. The same principle applies to other goods and services (i.e. agricultural products; etc)

The internalization of social and environmental costs will result in higher market prices. In order to reconcile the rise in food prices, this process should be parallel to the reform of the tax system, which would reduce tax on “goods” such as income; and increase tax on “bads” such as pollution, or harmful practices or products. While this is not likely to happen in the short-term, the fisheries sector must be aware of the real costs of their practice and products, so there is no reason to delay action in this direction.

Value our future

- Current economic practice tends to discount the value of future benefits. Short-term gains are favoured rather than the mid and long-term objectives that will need to be met if we are to make a radical reform of the EU Common Fisheries Policy.

³Cabinet Office of the Third Sector. A Guide to Social Return on Investment (SROI) is available from: <http://www.sroi-uk.org/content/view/5/65/>

Most environmental benefits often occur in the mid-long term. Is it right to discount them at the same level as other factors?

New guidance must be developed on discounting for natural resources.

Get businesses to compete for the good things

- Businesses need to be financially viable. But once viability has been achieved, they compete for higher profits. Companies want people to consume more to keep increasing quarterly earnings. They compete to make more profit, rather than to achieve the most in terms of social and environmental outcomes.

Sustainable entrepreneurs and small-scale initiatives aimed at developing more sustainable businesses find it hard to survive in the current context. The existing regulatory framework does not favour this type of initiative. It is geared towards supporting more environmentally destructive and socially damaging activities. There is a similar bias in the allocation of the vast majority of public funding.

Public authorities must all levers of change (legislation, regulation, fiscal policy, training, etc) to build a framework that encourages fisheries related business to innovate towards social and environmental performance and create a context where being successful is synonymous with doing the right thing.

Overcoming short-term costs:

The short-term costs of making a transition (i.e. unemployment) make it politically unacceptable to support and implement the measures required to re-structure the fleet to ecologically sustainable levels.

Mechanisms must be developed to “smoothen” the short-term costs of making a transition. This could include new financial tools such as designing the equivalent of the agri-environment scheme for fisheries, and exploring the potential of environmental markets and the adaptation of existing financial instruments (bonds, etc) linked to the future benefits arising from the restoration of fish stocks and marine ecosystems.

A response by:

nef (the new economics foundation)
Registered Charity No. 1055254

3 Jonathan Street, London SE11 5NH
www.neweconomics.org

Contact:

Aniol Esteban,
head of Environmental Economics
Aniol.esteban@neweconomics.org