

Aligning Public Spending for Climate and Nature Actions: **harmful fisheries subsidies**

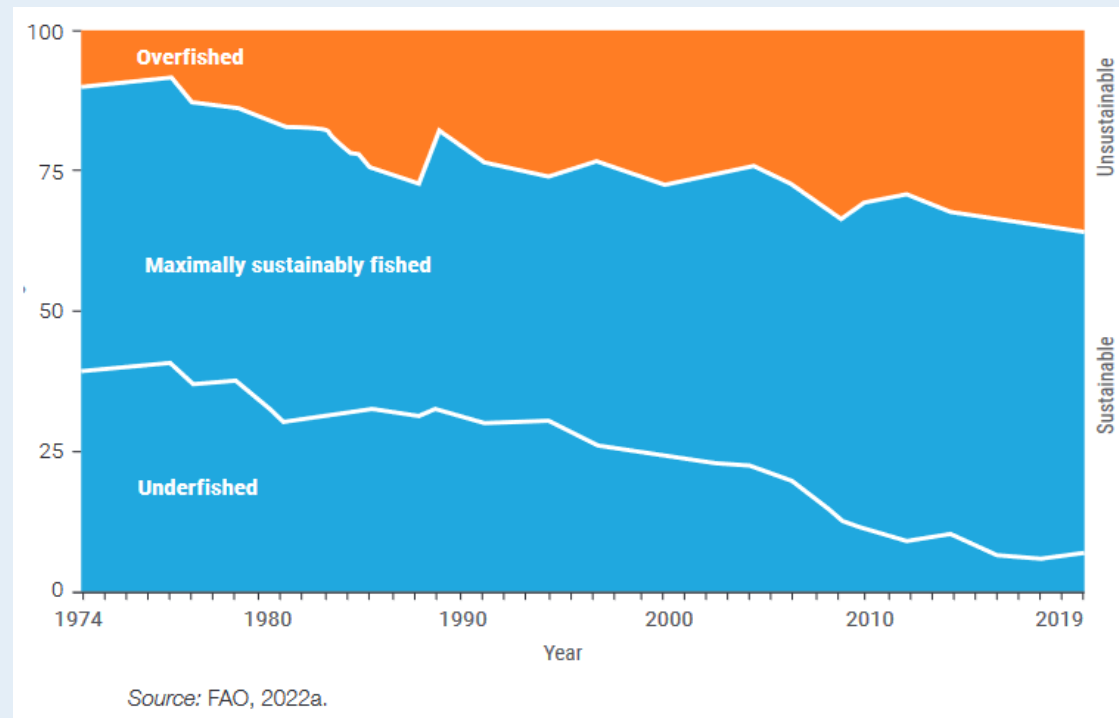
United Nations EMG Nexus Dialogue on Harmful Subsidies:
Webinar Series

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Harmful incentives and some sectoral subsidies in the ocean economy

1. There are **not taxes for selling/buying marine fuels in the high seas**, benefiting maritime transport and fisheries activities. There is no data as it is not regulated or reported.
2. **Status of the fish stocks show fatigue** vis-a-vis continued industrial fishing even if quite regulated.
3. **Significant amount of harmful fisheries subsidies** (wrong investment, next slide).

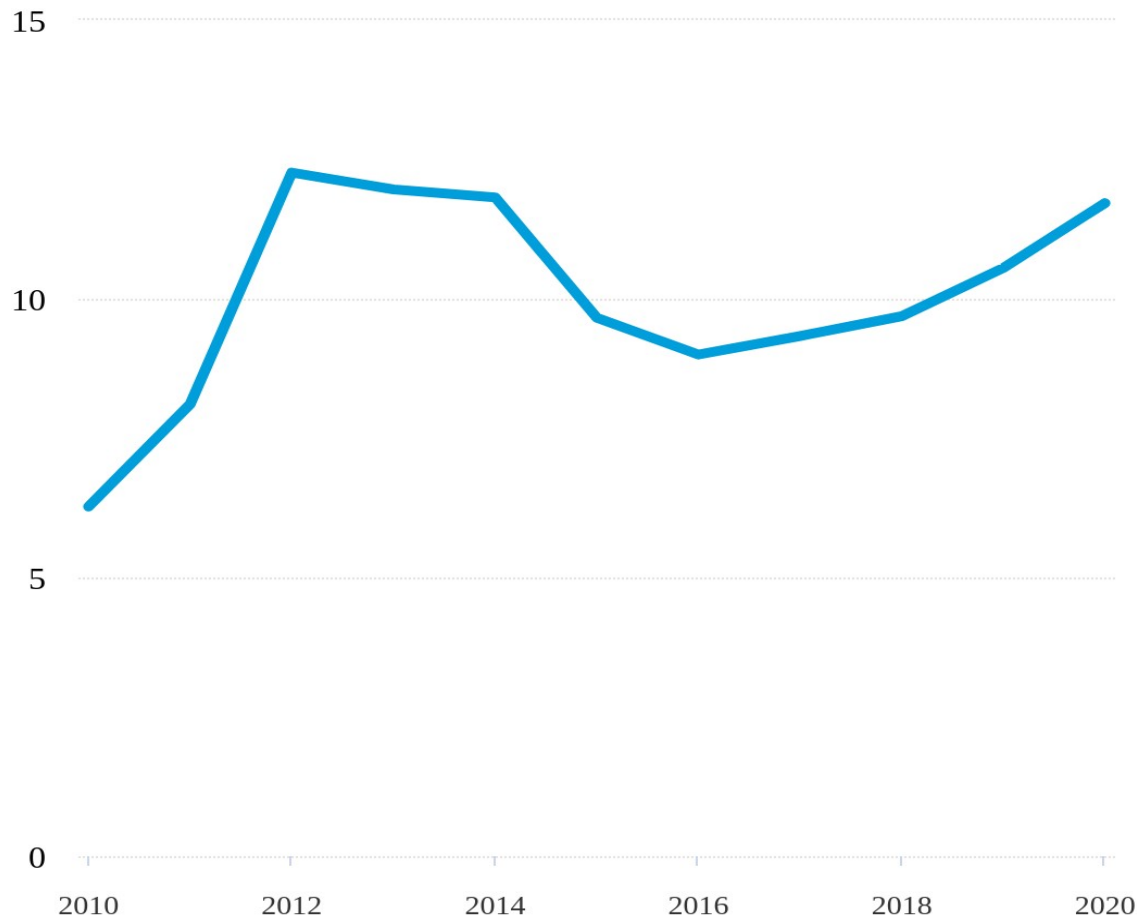




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Wrong turn: Fisheries subsidies are back on the rise

Fisheries support estimates for 40 industrialized nations, 2010–2020, billions of US dollars

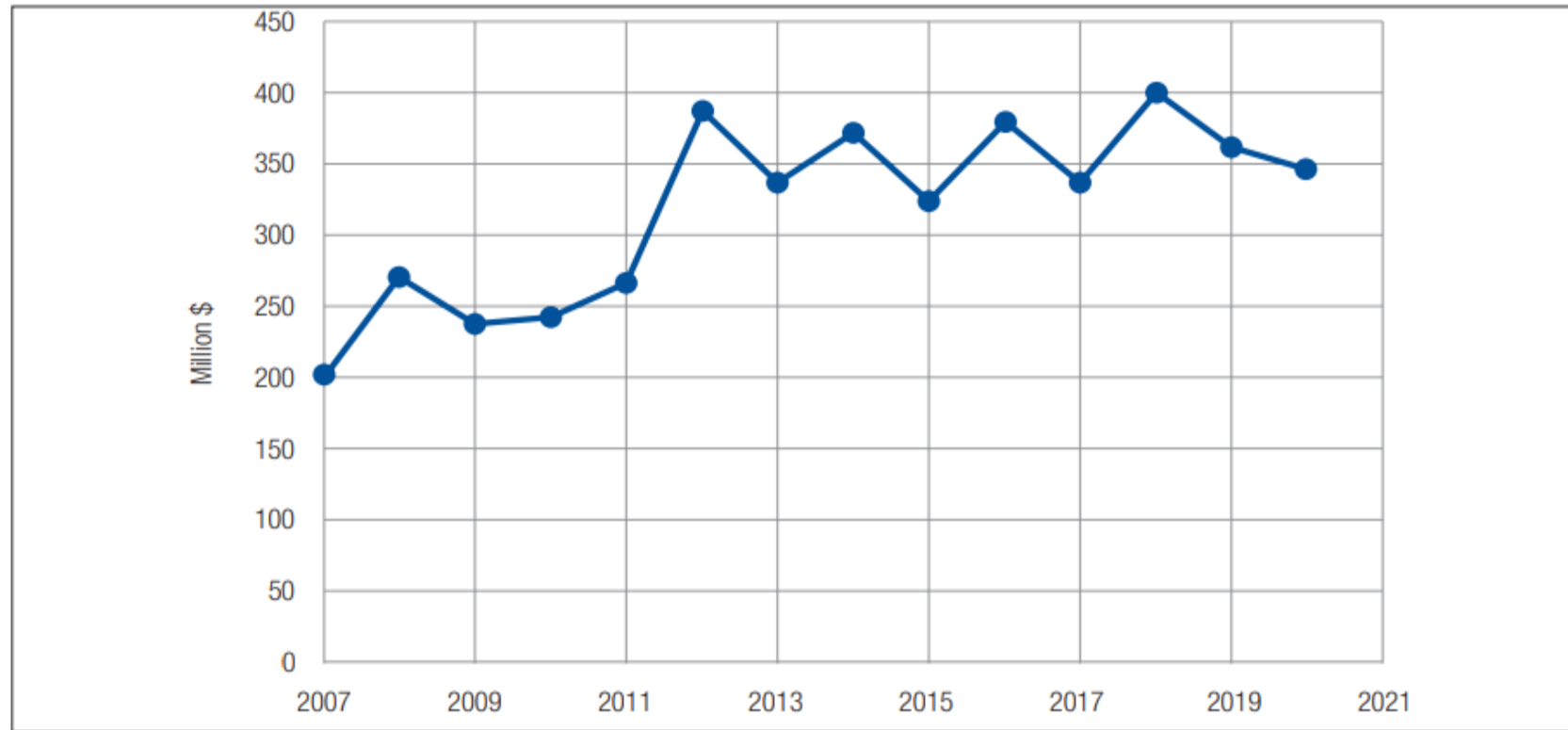


Source: UNCTAD based on OECD Fisheries Support Estimates data (2023).

- An estimated **\$35 billion** of government support annually go to fishing activities globally (UBC, 2021).
- **About \$20 billion a year** – could contribute to overfishing by enhancing the capacity of the fishing industry (e.g. Capital and operational costs including vessels and fuels)
- Fisheries support from 40 industrialized nations and some emerging economies **fell 20% between 2012 and 2014, from \$12 billion per year to around \$9.4 billion.**
- This was good news, but the trend reversed, and **by 2018 support had bounced back to the 2012 peak** (OECD, 2022).



OECD data on (national) fuel tax concessions for 14 OECD members (2007–2020)



Source: UNCTAD based on data from OECD (2023).

New regulatory trends: the WTO Fisheries Subsidies Agreement (2022)



Prohibition on subsidies contributing to IUU fishing (Article 3)

- Affirmative determination by Member coastal state, flag state or RFMOs
- Timely notification and sharing of information
- Reasonable and proportionate sanctions and duration
- Laws, regulations and/or administrative procedures in place
- Very limited **special and differential treatment** (two year peace clause within EEZ; binding but non-actionable)



Prohibition on subsidies contributing to fishing or related activities of overfished stock (Article 4)

- Recognized as overfished by Coastal Member or RFMOs within areas of competence
- Allowed if measures to rebuild the stock to biologically sustainable levels are in place
- Very limited **special and differential treatment** (two year peace clause within EEZ; binding but non-actionable)



Prohibition on subsidies for fishing in the unregulated high seas (Article 5)

- Unregulated high seas fishing (e.g., species and areas)
- **Special care and due restraint** when providing subsidies:
 - to vessels not flying the subsidizing member's flag;
 - to fishing or related activities when the status of the stock is unknown
- **Applicable to all WTO Members**

In-built negotiations on the WTO Fisheries Subsidies Agreement

KEY PROHIBITION: No Member shall grant or maintain **subsidies to fishing or fishing related activities (specific subsidies)** that **contribute to overcapacity or overfishing**, including those allocated to:

- (a) subsidies to **construction, acquisition, maintenance, modernisation, renovation or upgrading of vessels**;
- (b) subsidies to the purchase or maintenance of machines and equipment for vessels (including fishing gear and engine, fish-processing machinery, fish-finding technology, refrigerators, or machinery for sorting or cleaning fish);
- (c) subsidies to the **purchase/costs of fuel**, ice, or bait;
- (d) subsidies to costs of personnel, social charges, or insurance;
- (e) income support of vessels or operators or the workers they employ except for such subsidies implemented for subsistence purposes during seasonal closures;
- (f) price support of fish caught;
- (g) subsidies to at-sea support; and
- (h) subsidies covering operating losses of vessels or fishing or fishing related activities.

In-built negotiations on the WTO Fisheries Subsidies Agreement

The two-tiered hybrid approach:

A subsidy is not inconsistent with the main prohibition if the subsidizing Member demonstrates that measures are implemented to maintain the stock or stocks in the relevant fishery or fisheries at a biologically sustainable level.

- Members in the **first tier** is applicable to countries that are amongst the **10 largest providers of fisheries subsidies by annual aggregate level**. These Members are required to apply a **stricter standard to demonstrate**, when they providing fisheries subsidies, that they *have implemented measures to ensure or reasonable expected to ensure* that fish stocks are sustainability levels.
- The **second tier** (not among the top 10 subsidizers or not significantly engaged in fishing in in any area farther than one FAO Major Fishing Area) will have **less stringent demonstration and notification requirements** (*measures implemented to maintain stocks at sustainability levels*).
- **Tiers defined by levels of subsidization, extent of fishing activities, notifications & data**
- **If countries do notify, they can not benefit from flexibilities**
- **Non-specific fuel subsidies must be notified.**

In-built negotiations on the WTO Fisheries Subsidies Agreement

Special & Differential treatment for Developing countries:

- Fishing and fishing related activities **if its share of the annual global volume of marine capture production does not exceed [0.8] %** as per FAO data
- If not covered by the above, fishing and fishing related activities **within its EEZ** and in the area and for species under the competence of a relevant RFMO/A for a max of [7] years
- For **low income, resource-poor and livelihood fishing or fishing related activities**, up to [12][200] nautical miles measured from the baselines
- **S&DT linked to notifications**

Special & Differential treatment for LDCs:

- The prohibition on subsidies to overcapacity and overfishing **shall not apply to LDC Members.**
- **Fishing and fishing related activities within its EEZ and in the area and for species under the competence of a relevant RFMO/A** for a maximum of [X] years

The Way forward

Precedent: The WTO Fisheries Subsidies Agreement is an important precedent as first WTO with sustainability as its core. Other processes such as the INC negotiations on a Plastic Treaty negotiations may also regulate harmful incentives.

Consolidation: We need to speed up ratification 2/3 of the WTO Membership

Finalization: Negotiation on outstanding implementation issues as lion share of harmful subsidies go towards enhanced capacity. S&DT must be considered a sustainability capacity creation tool.

Shift resource use: from harmful subsidies to Ocean Economy policies, NDCs, NAP and NBSAPs implementation. Only \$6 billion annually got towards the Ocean/blue economy.

Implementation:

- Transfer into national policy and laws
- Define internal coordination, data gathering and enforcement mechanisms
- Ensure the notification system works and that capacities are effectively created

