Visit to Scottish Fishermen’s Federation

21 November 2016

Meeting hosted by: Bertie Armstrong, Chief Executive Officer

Members in attendance: Liam Kerr and Gillian Martin

Background

The SFF is a membership organisation / trade association representing the Scottish catching sector. It chose not to express a view during the debate to leave the EU, but the majority of its members were vocal in their support for leaving. Subsequent to the meeting, the Federation provided two documents: research carried out by the University of the Highlands and Islands, and an “aspirations” paper copied at the end of this note.

Discussion

The meeting covered—

- The historical background to the Common Fisheries Policy (CFP), including the pre-’73 situation (12 mile territorial waters), the cod wars, overfishing, changes in international law on jurisdiction in 1982 (so that power now resided with “the coastal state” for up to 200 miles or a median line between states – described as “too late” to benefit Scotland or the UK, as Europe was at this point considered the coastal state), a sense that what might have worked originally for 6 then 9 then 12 nations was one thing but that post-Lisbon Treaty the need for 28 states to agree fisheries policy, including states with no fishing industry of their own, had rendered the CFP not fit for purpose;
- In terms of the percentage of the catch in UK waters being fished by non-UK fishermen, the figure was estimated as 58%, something far above the figure for other coastal states;
- Put simply – the SFF wanted to catch more, for others to catch less, and to make the point that our waters are where the fish are;
- The SFF would provide the Committee with its paper setting out how it would like the negotiations on fisheries to be approached;
- The organisation had also commissioned the University of Aberdeen to produce an independent scientific paper setting out which nations were fishing what, where and the quantity;
- The industry represented less than one half of a percent of UK GDP but its importance to Scotland and in particular the north east, to places such as Peterhead and Fraserburgh, was stressed;
- Asked about environmental factors and quotas, the Federation said it was not about to abandon European standards, and that sustainability, which was key to the ethos of its approach and its marketing, would be adhered to voluntarily;
- With the negotiations in mind, the SFF had already spoken with various relevant bodies, including the Scottish Government ministers, UKG ministers, Marine Scotland, DEFRA etc.;
- The hope was to have stewardship to a national resource returned;
- The risks were a bad deal e.g. the CFP continuing;
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- However, there was optimism in the industry, people were commissioning new boats, starting to see a future again, and it may be the SFF would have a job to do in managing expectations.

Scottish Fisheries Post-Brexit

Introduction

This paper addresses key fisheries policy and management issues in the light of the UK’s referendum vote on EU membership. In leaving the EU the UK will assert its competence over its Exclusive Economic Zone (EEZ); this will require new political and management structures to support regional and national responsibilities.

Some of these structures, such as the forum used to negotiate fishing opportunities and access arrangements, will have to be introduced quickly. Others, such as an appropriate framework for managing mixed demersal fisheries, may be seen as longer-term objectives.

Our goals reflect the specific nature of Scottish fisheries and the demands of those that fish for a living. We accept that outcomes will depend on international negotiation and regional cooperation, and the changes we seek are based on partnership rather than isolation. That said, we believe the UK has a strong negotiating hand and can secure significant improvements in fishing opportunities and access arrangements in terms of external fisheries agreements and the management of our fisheries.

Clearly, the continuing implementation of the reformed Common Fisheries Policy (CFP) until the point of exit will add a level of complexity to an already convoluted and politically charged exit process. Taken together, these factors could encourage the UK to agree a ‘conciliatory’ exit settlement on fisheries, with the aim of securing concessions elsewhere. This would be wholly unacceptable to the Scottish fishing industry; having been seriously economically disadvantaged during entry to the EU, the same must not happen upon EU exit.

During the exit process, a negotiated settlement on fishing opportunities will be critical to the long-term viability of the fishing industry; after that, fisheries management will require close working arrangements with the UK government, the devolved fisheries administrations and other Coastal States.

Key Points

Aims and aspirations

1. A more effective fisheries management system in our waters that delivers business as well as environmental sustainability.

2. Fairer and more appropriate shares of catching opportunities for the Scottish fishing Industry.

3. To have our fishers embedded in the fisheries management decision-making process from day one.

4. We are committed to working with the Scottish government and other areas of the UK to deliver coherent fisheries policies and management post-CFP.

Fishing opportunities
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1. As a signatory to United Nations Convention on the Law of the Sea (UNCLOS) the UK is committed to ensuring, through proper conservation and management measures, the maintenance of the living resources in its EEZ.

2. The UK will have a very strong negotiating position if it asserts control over access to its waters. For this reason, the industry strongly opposes any ceding of access rights as part of the exit settlement.

3. Coastal State status offers exciting new possibilities, especially as it could place Scottish industry representatives and fishers at the heart of negotiations. This is precisely the model adopted by Norway, and the fishing industry fully expects to be invited to share that table with negotiators.

Fisheries management

1. UK fisheries should be managed to ensure the sustainable and economically profitable harvesting of wild fish and shellfish, and to promote employment and settlement in coastal communities for the benefit of current and future generations.

2. We intend to work for the delivery of a sensible system of fisheries management, workable for fishers and managers alike. One that achieves its environmental objectives while at the same time ensuring the fleet remains economically viable.

3. Total allowable catches (TACs) could be limited to single stocks of target species, with non-target species managed as bycatch through an ‘others’ quota.

4. Under international law, Brexit will enable genuinely regional management of fishing and the ecosystem in the UK EEZ. Artificial barriers to progress for all sectors will be removed.

Business environment

1. The UK’s impending departure from the EU does not on its own necessitate or imply any change to the long established system of sea fisheries licencing or the domestic quota management regime.

2. The Scottish catching sector seeks both clarity and stability in the availability of and distribution in fishing opportunities at a domestic level both before and after EU withdrawal. We therefore repeat calls to publish the Concordat and quota management consultation as soon as possible.

3. An evaluation of current tariffs imposed by the EU on seafood products imported from third countries should be undertaken to identify the potential impact on business viability of Scottish seafood businesses currently exporting to the EU.

4. A Scottish version of the European Maritime and Fisheries Fund (EMFF) should be established and sufficiently resourced in a way that ensures a smooth transition in funding for recipients as we transfer from the CFP to our own domestic fisheries policy.
Section One: Industry Position and Aims

1.1. We believe that exit from the EU presents a unique opportunity for the UK to re-establish itself as a major fishing nation. Scottish waters are some of the most productive in the world and are capable of delivering a thriving, profitable and sustainable Scottish seafood industry.

1.2. The CFP provides equal access to the territorial waters of EU Member States and a system of community management of fishery resources and conservation measures. The EU negotiates fisheries agreements with third countries, which include the TAC setting, stock management measures and access arrangements to EU territorial waters and vice versa. It establishes TACs for the main stocks in EU waters and allocates quotas to each Member State. EU fisheries are currently managed through the CFP, which contains rules for fishing fleets and for conserving fish stocks.

1.3. The UK share of fishing opportunities is significantly less than the amount removed from its EEZ, and the volume of catches removed by other nations from UK waters largely ignores the distribution of fish stocks. It follows that opportunities aligned to stock distribution and zonal attachment is exactly the outcome we are pursuing; any other outcome would be inferior and sub-optimal, and would sell the industry short. The coming negotiations must recognise this reality and seek to re-establish these underlying rights.

1.4. Where EU law is directly applicable, it applies in a Member State only for as long as that Member State is a member of the EU. Accordingly, if the UK leaves the EU, the provisions of the Treaties and of EU regulations automatically cease to apply. The UK’s membership of the EU, and the applicability of EU law within the UK, is given effect in domestic law by the European Communities Act 1972, principally Section 2. The exit process would likely entail Parliament repealing the 1972 Act, meaning that EU law would cease to apply within the UK. This would include regulations relating to the management of marine resources.

1.5. We are conscious that Parliament may be unwilling to revert to a blank slate in all cases where EU regulations cease to have direct effect (environmental regulations, for example). In such situations the UK fishing industry would seek to avoid any aspects of transposed EU law that threaten its viability.

1.6. As a matter of principle, we insist that fisheries regulations incorporate a commitment to sustainable harvesting whilst allowing the fleets to operate in an economically coherent manner. Scottish fishers have a proven track record of managing stocks sustainably, rebuilding fish stocks and protecting the wider ecosystem. Many of our stocks are now certified under the gold standard of the Marine Stewardship Council (MSC).

1.7. Managing the marine environment and especially fisheries is a complex and often difficult challenge. The catching sector has long advocated the need for effective and responsive regional management, with fishers embedded in the heart of a bottom-up decision-making process.

1.8. Our primary aims and aspirations on exit from the EU are very clear:

- We seek a more coherent, efficient and adaptable fisheries management system in our waters that ensures environmental as well as business sustainability for current and future generations. Harmful elements of any retained EU fisheries law will have to be amended immediately.

- We expect fairer shares of catching opportunities for our fishers.
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- Fishers should be embedded in the decision-making process from day one. Industry representatives should also form part of the UK fisheries team when negotiating TACs and quotas at Coastal State level.

- It is widely understood that Scotland has the competence through the Scotland Act to manage its own EEZ. Nevertheless, we are committed to working with other areas of the UK to deliver coherent fisheries policies.

- Scotland should lead on negotiations where it has the main interest in the stocks concerned or where access to Scottish waters is a part of any agreement.
Section Two: Fishing Opportunities

2.1. Objectives and Commitments

2.1.1. A priority for any Coastal State is to secure and maintain control over its EEZ. Who gets access and the conditions attached are normally agreed in talks with similar, neighbouring Coastal States. States prefer to resolve fisheries issues through agreements to cooperate for conservation, development, management and exploitation of fishing resources; this is the scenario the Scottish industry expects to find itself in post Brexit.

2.1.2. As a signatory to United Nations Convention on the Law of the Sea (UNCLOS) the UK is committed to ensuring, through proper conservation and management measures, the maintenance of the living resources in its EEZ. As appropriate, the Coastal State should cooperate with competent international organisations, whether sub-regional, regional or global, to deliver such conservation. The UK fishing industry will play their role in ensuring these commitments are met and maintained.

2.1.3. The UK will have a very strong negotiating position if access rights are preserved, and far less so if they are ceded as part of any exit settlement. Maintaining current access arrangements is bound to rank high among the priorities of a number of EU Member States. This will also be valid for negotiations with other third countries such as Norway and the Faroe Islands. The cost of access should only be discussed during bilateral fisheries consultations, where the costs and benefits of agreements are clear. Only then will the UK secure the best deal possible for its fishing industry.

2.1.4. The concept of relative stability as understood within the EU should be left behind as the UK creates a new dynamic aligned to the distribution and migration of stocks. We strongly suggest that the UK’s current shares as an EU Member State will have little bearing on these negotiations. While consideration for the needs of neighbouring Coastal States is perfectly reasonable, a fair settlement for the UK fishing industry is paramount.

2.1.5. It is imperative that in negotiations between the UK and EU or Scotland and EU, there is no agreement to any permanent fixed levels of access for EU vessels to Scotland’s 200-mile fishing zone. We do accept that access can form part of any annual Coastal State negotiation on setting quotas for the responsible management of shared fish stocks (as is currently the case with e.g. EU and Norway fisheries agreement).

2.2. Post Exit Structure

2.2.1. In delivering the best for Scottish fishers, it will be important to find a model of Coastal State engagement that avoids diluting Scottish priorities. There is a risk that Scotland’s resources may be traded away to achieve other UK priorities.

2.2.2. The UK will become one of a group of five Coastal States drawn together through aligned waters and common stocks. Norway, Faroe Islands, Iceland and the EU have long-standing relationships with one another and negotiate within the limits of an understood, albeit sometimes turbulent process. Recent disputes have shown just how difficult these negotiations can be; as a new Coastal State, the UK will be exposed to such tensions at a very early stage (See Annex).

2.2.3. The UK will bring a new dynamic to the table, especially as access to UK waters will feature prominently in early negotiations. The UK should ensure that talks over quota shares
and access are separated from those setting TACs; maintaining sustainable harvesting is important to the long-term stability of the UK fishing industry.

2.2.4. While the formation of formal structures for negotiations may eventually be appropriate, the UK’s interests would be best served in the first instance by avoiding any such move. Institutionalising the negotiating process should wait until initial issues have been resolved and any tensions removed. It is important that the UK is not out-maneouvred.

2.2.5. Negotiations immediately post-exit are likely to be the most fraught of all, with the push and pull of national priorities leading to a very protracted and complicated set of discussions. It will be imperative to avoid any merging between areas of complexity. Creating daylight between complex issues will benefit the final outcome.

2.2.6. While avoiding the early development of formal structures, there is a need to accept the limitations of the current approach, which seem overly complex. For example, at the present-day EU-Norway negotiations, where the negotiating policy is that ‘nothing is agreed until all is agreed’, a minimum of two weeks is required. A clearer and more streamlined approach in which single issues are discussed, agreed and signed off could demand less time and prove more productive. This need not detract from a clear overall vision on the part of the UK negotiating team.

2.2.7. Given that areas of the high seas sit immediately outside the UK’s EEZ, we recommend that the UK becomes a full contracting party to the North East Atlantic Fisheries Council (NEAFC). Membership applications are considered every November, therefore we recommend that the UK informs the NEAFC secretariat of their intention to seek contracting party status on triggering Article 50.

2.3. UK Engagement

2.3.1. Coastal State negotiations should be carried out by officials, with guidance on what should be agreed coming from a higher, political level. UK officials have little experience of negotiating directly with other Coastal States but do have significant experience in trying to direct the negotiating position of the European Commission.

2.3.2. Coastal State status offers a new way of conducting business, especially as it could give fishers a role at the ‘top table’. This is precisely the model adopted by Norway, and the fishing industry fully expects to be invited to share that table with negotiators.

2.3.3. Coastal State negotiations will be complex affairs where UK goals and objectives will be driven by demands from the various parts of the UK. This domestic element is important and should provide the template for deciding who takes the lead in negotiations.

2.3.4. It is common practice for Coastal States to negotiate transfers of fish based on a cod equivalent exchange. Going forward, other exchange mechanisms should be explored, such as recent landings values. This would provide a more realistic basis on which to exchange fish quotas. There is a sound rationale for distributing incoming opportunities in line with the regional contribution to the outgoing currency.

2.4. Industry-Government Cooperation

2.4.1. Scotland is by far the largest fish catching nation within the UK in terms of volume and value of fish landed, and the importance of fishing to Scotland’s coastal and island communities is very significant. Having some influence over the direction of travel both with
regard to Coastal State negotiations and more generally the management of our fisheries is of critical importance to our fishers.

2.4.2. Inclusive governance has become the keystone to fisheries management in many fisheries around the world. Creating regional bodies within the UK context must be a priority for government long before the point of exit from the EU.

2.4.3. These bodies should have a remit far beyond the goals and objectives for Coastal State negotiations. The manner with which we manage our fisheries from this point forward will significantly affect the calibre of the decisions we make.
Section Three: Fisheries Management

3.1. Objectives

3.1.1. Fisheries should be managed to ensure the sustainable and economically profitable harvesting of wild fish and shellfish, and to promote employment and settlement in coastal communities for the benefit of current and future generations.

3.1.2. Within the constraints implied in natural variations in fish stocks and annual or multiannual international agreements, fisheries management should consist of a clear set of rules providing the visibility and stability needed for business planning and sustainable development.

3.2. International obligations

3.2.1. We note UK withdrawal from the EU would not alter its commitments as a party to UNCLOS (see 2.1.2. above).

3.2.2. UNCLOS confers the UK, as a Coastal State, exclusive rights in respect of fishing activities in its EEZ (200 nautical miles). Foreign-flagged vessels may not fish there without the express consent of the Coastal State.

3.2.3. It appears that the sovereign rights of any Coastal State over its EEZ must first be claimed by that State before they can be exercised. We therefore recommend that the UK government takes this step.

3.2.4. Article 61 of UNCLOS grants wide discretion to Coastal States in the development of the fisheries management regimes within their EEZs. The UK should take full advantage of these powers on exit from the EU, especially with regard to the fisheries management provisions that will fall away. We must replace EU fisheries management provisions with a more efficient, responsive and adaptable regime.

3.2.5. We note that UNCLOS requires Coastal States to ‘seek to agree’ management measures for shared stocks, and expect the UK to do so in an orderly and effective way (see 3.2.4 above).

3.2.6. Under UNCLOS, the Coastal State also has exclusive rights in respect of fishing activities in its inshore waters (i.e. within 12 nautical miles).

3.3. Harvesting rules

3.3.1. TACs should remain the principal means of managing commercial fisheries (see Section 4 below).

3.3.2. Whether for local or shared stocks, TACs should be set with reference to scientific and socio-economic advice.

3.3.3. TACs could be limited to single stocks of target species, with non-target species managed as bycatch through an ‘others’ quota or removed from quota constraints altogether.

3.3.4. Definitions of target and bycatch species should be agreed between Producer
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Organisations and the authorities, and reviewed regularly.

3.3.5. Like any other Coastal State, the UK should actively participate in the formulation of long term management strategies. We are committed to managing our resources responsibly.

3.3.6. Fishing vessels should record catches of regulated species in a manner that permits accurate documentation and control of such catches.

3.4. Management of fisheries

3.4.1. The management of fisheries in a multi-species context is extremely complex and challenging. The approach contained in the recently reformed CFP fails to acknowledge the extent of this complexity.

3.4.2. While we appreciate and support the desire to gradually eliminate discarding, the Scottish catching sector has consistently said that the CFP’s Landing Obligation (Article 15 of the basic regulation) is simply unworkable, particularly in a mixed fishery context, with the potential to cause more harm than good.

3.4.3. It will be important that any new system of management provides confidence that fisheries are being well managed and sustainable.

3.4.4. It will also be important to create a system of fisheries management that delivers a disincentive to catch unwanted species. Incentivising fishers to reduce the level of this unwanted catch rather than punishing them is the direction we need to proceed.

3.4.5. The fishing industry remains committed to further improvements in the selectivity of its catching operations.

3.4.6. A new real-time system of reporting and information sharing to help avoid unwanted catches will be encouraged.

3.4.7. We should learn from the experiences of other fisheries nations around the world.

3.4.8. We make the point that in all aspects of post-Brexit fisheries management and setting of opportunity, a clear advantage will be gained by unshackling from the distant and bureaucratic processes of EU co-decision and the CFP. Put simply, a better job can be done by genuine regional management in our EEZ under the stewardship and responsibilities accorded by international law. Responsible and sustainable fishing, already the hallmark of UK activity, and care of the ecosystem are best directed by the Coastal State. Sectors presently separated artificially by different regimes under national and EU governance in territorial seas and beyond respectively can be harmonised, maximising sustainable opportunity for all. There will be room for new thinking for the benefit of all, including the previously separated offshore and inshore sectors.

3.5. Science

3.5.1. The UK should remain a member of ICES and continue to contribute to its work.

3.5.2. The UK should continue to contribute to data collection systems carried out under the auspices of ICES and should continue to support the fisheries science and data collection programmes required for this work.
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3.5.3. Currently fishing industry representatives are able to attend ICES advice drafting groups as observers, with access facilitated by the Advisory Councils. The government will need to broker a new arrangement with the ICES Secretariat to ensure that UK fishing representatives can continue to attend these key meetings.

3.5.4. Where appropriate, industry scientists should have the ability to attend ICES working group meetings. This will require Marine Scotland Science to nominate the industry scientist as a national representative. Conditions and protocols for industry scientist’s participation should be agreed between Marine Scotland Science and the fishing industry.

3.5.5. A scientific research quota system should be established: normally this is set at 2% of the individual stock quota level. Scientific research quota should not be deducted from the stock quota; this is a tonnage which can be taken in excess of the fishing quota. Utilising scientific research quota under EU legislation is not a simple process; a national scheme should be as flexible as possible to enable scientific projects to run efficiently. The research quota should be set up in a way so that all elements of the scientific project can be funded, and not only the vessel survey charter.

3.5.6. A steering group should be established to propose and consider scientific projects to be funded by the research quota. Members should include Marine Scotland Science and policy staff, industry representatives and fishers.

3.6. Technical measures

3.6.1. The UK should develop a new, tailored set of rules pertinent to national fisheries.

3.6.2. The fishing industry recognises the need for technical regulations in the following areas, among others:

- prohibited fishing gears and methods;
- gear specifications;
- endangered, threatened and protected species and habitats.

3.7. Monitoring, control and enforcement (MCE)

3.7.1. A robust, effective but fair MCE policy is required to underpin the sustainable management of fisheries within the UK EEZ. This should be based on the overriding principle of cooperation rather than confrontation.

3.7.2. New and additional responsibilities will fall upon UK fisheries compliance on exiting the EU. Currently Scotland controls the fishing activities of third country vessels such as Norway and Faroe Islands when operating inside the UK EEZ. This is carried out using a range of compliance tools, including catch reporting and checkpoint controls on entry and exit. Protocols developed for monitoring third country vessels will apply to EU Member States when the UK leaves the EU.

3.7.3 Given this will increase the workload for compliance agencies, the fishing industry recommends that UK fishery inspection bodies are furnished with the additional resources required to ensure that UK waters are policed both effectively and robustly.

3.7.4. UK fisheries legislation must be applied on the ‘level playing field’ principle, meaning that:
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- rules and regulations should apply to all vessels operating within the UK EEZ, whether UK-registered or not; and
- compliance operations should be even-handed, with all vessels equally liable to be monitored and inspected.

3.7.5. Measures regarding the weighing and inspection of pelagic landings have been incorporated in Coastal States and bilateral fishing agreements. It would be sensible to continue to apply these regulations when the UK leaves the EU.

3.7.6. Scotland has introduced a range of national measures to protect and rebuild key species. It will be important to ensure that these measures, if retained, apply to all fleets – national or otherwise – operating within the EEZ.

3.7.7. The UK should continue to engage in the work of the Coastal States monitoring, control and surveillance working groups.
Section Four: Business Environment

4.1. Objectives

4.1.1. While the UK’s impending departure from the EU provides a one-off opportunity for the UK fishing industry to achieve Coastal State status, autonomous EEZ management and greater shares of the global TACs targeted by the fleet, it does not necessitate or imply any change to the long established system of sea fisheries licencing (established under the 1967 Sea Fisheries Conservation Act) or the domestic quota management regime. The basic structure of managing sea fisheries lies in domestic legislation and withdrawal from the EU will have no impact on that legislation. Similarly, the UK quota management system as a whole (consisting of the sector, the non-sector, and the under-10m pool) results from the gradual implementation of many years of agreed domestic administrative rules and procedures. Whether the UK is part of the CFP or not has no bearing on the functioning of that system either.

4.1.2. Given both the political and business uncertainty created by the prospect of UK withdrawal from the EU, the Scottish catching sector naturally seeks stability in its fishing opportunities at a domestic level, both in the period running up to withdrawal and afterwards. We therefore strongly encourage the Scottish government, along with the other devolved UK fisheries administrations, to publish the newly agreed Concordat on management arrangements for fishing opportunities and licencing in the UK, and we also encourage the Scottish government to publish the Scottish quota consultation outcome, both as soon as practically possible. This will minimise uncertainty surrounding the allocation of quotas going forward and as a result create a more stable business environment that will facilitate investment and growth in both the offshore and inshore sectors, regardless of the external political landscape.

4.1.3. Overall, the Scottish fishing industry aspires to a post Brexit business environment that:

- Maintains business stability, continuity and confidence
- Continues to promote and facilitate growth in the catching sector
- Recognises, protects and facilitates investment in fishing opportunities
- Ensures sufficient flexibility within Coastal States arrangements so that fishing opportunities can be adapted to domestic demand
- Enables evaluation, rationalisation, and adaptation of existing management tools and regulations
- Facilitates maintenance and expansion of onshore processing and freezing capacity to meet the future needs of the sector.

4.2. Industry self-regulation

The vast majority of the UK fishing fleet is managed on the basis of a self-regulation model administered through fish Producer Organisations (POs), commonly known as ‘the sector’ who undertake ‘sectoral management’. POs are owned and run by their own members, who are generally active fishermen, for their own collective benefit. Although POs were originally defined within the EU’s Common Organisation of the Market (CMO) legislation to undertake marketing functions such as withdrawal prices, over the years the role of UK POs has changed significantly to the point where the majority of Scottish POs view their primary
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objective is quota management; effective management of quota allocations and the sourcing of additional catching opportunities through swapping, leasing and, in some cases, the purchase of quotas. The 2012 review of Scottish POs undertaken by Marine Scotland demonstrates consensus between the Scottish government and POs for industry-self regulation and the role of POs to continue. The current system has developed over the last 40 years and although it has its critics it is a well-known, well understood and workable system. Although the UK's impending departure from the EU in itself should have no bearing on the current system, it would however be appropriate to determine what parts of the existing CMO legislation require being transposed into domestic legislation to ensure appropriate functioning of POs going forward. In any case, given their unique role in fisheries management, POs should be involved at the highest level in all negotiations, management and policy decisions in the post CFP landscape.

4.3. Access to EU markets

4.3.1. The Scottish fishing industry exports a considerable proportion of its catches such as whole langoustine, monkfish, megrims and scallops to the EU.

4.3.2. It is currently unclear what level of tariffs would be applied to Scottish seafood products entering the EU market, and indeed whether such tariffs would have a significant impact on business viability. The pound to euro exchange rate depreciated around 10% in the period following the EU referendum, making UK exports more attractive to EU customers in the short-term. Changes in exchange rates are notoriously hard to predict but fluctuations can and do impact severely on the profitability of exporters. It has been suggested that it’s unlikely any tariffs imposed on UK seafood businesses exporting to the EU as a result of losing single market access would be of greater concern than exchange rate fluctuations. Regardless, undertaking an evaluation of current tariffs imposed by the EU on third countries for these or similar species would be sensible in order to identify their potential impact.

4.3.3. The EU accounts for more than 70% of UK food and non-alcoholic drinks exports. These exporters will be pushing hard for access to the single market. Assuming that the UK is unable to negotiate tariff free access to the single market during exit negotiations, there will be pressure from UK exporters and EU customers to negotiate a settlement that minimises the cost of EU exit to business. It follows that the desire of the Scottish fishing industry to cede no right of access to the EU fleet to the UK EEZ during Brexit negotiations may be deprioritised by negotiators looking to secure favourable single market access.

4.3.4. EU exit should be seen as an opportunity to focus marketing in other areas of the world. More favourable trade deals with countries that presently have high tariffs could be achieved. Sufficient support should be given to businesses looking to develop exports.

4.4. Grant Funding

4.4.1. On leaving the EU it is widely expected that future access to the European Maritime and Fisheries Fund (EMFF) will cease. Access to funding is expected to remain until that point.

4.4.2. Unlike farming, fishing does not receive any direct annual payments or subsidies from Europe.

4.4.3. European funding has, until now, helped deliver a range of seafood related projects across the UK. The focus of that funding has been on key areas such as:

- help for fishers in the transition to sustainable fishing;
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- support to coastal communities in diversifying their economies;
- finance for projects that create new jobs and improve quality of life along European coasts.

4.4.4. Maintaining some level of funding going forward will be essential to the further development of the fishing industry. This is especially true of initiatives that reduce the level of unwanted catches and continuing the development of the seafood sector across a wide range of areas, including:

- data collection for scientific purposes, including observer schemes;
- gear selectivity trials;
- ports and harbours;
- onshore infrastructure such as fish processing, freezing and transport;
- improvements in efficiency;
- modernisation;
- product quality;
- market penetration;
- recruitment and training.

4.4.5. The fishing industry is committed to working with government to establish an acceptable replacement to the current funding stream.
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Annex

The UK negotiating as a Coastal State

Fisheries Agreements

The fishing industry is fully aware that a number of international fisheries agreements need to be concluded to manage fish stocks within the UK EEZ. These negotiations will generally take place in the autumn.

In order to manage Northeast Atlantic pelagic fish stocks that migrate through the waters of several Coastal States, participation by the UK in international fisheries consultations are a prerequisite. The UK must therefore seek formal Coastal State status in the context of the existing management of mackerel, blue whiting and Atlanto-Scandian herring (ASH) stocks. Moreover, bilateral and trilateral fishery agreements will be needed with Norway, the Faroe Islands and the EU to manage a number of shared demersal and pelagic stocks.

Coastal States

During Coastal State bilateral and trilateral fisheries consultations, TACs and quotas will be set and fisheries management measures adopted based on the most recent ICES advice. Quota swaps and access arrangements will be agreed on a bilateral basis with the EU, Norway and Faroe Islands.

NEAFC

A number of UK fisheries, both demersal and pelagic, are carried out in international waters in the Northeast Atlantic. In order to comply with international legislation, the UK must become a full independent contracting party of the North East Atlantic Fisheries Commission (NEAFC) and Regional Fisheries Management Organisation (RFMO).

UK/EU/Norway trilateral fisheries arrangements

The current EU/Norway bilateral arrangements for jointly managing stocks of cod, haddock, saithe, whiting, plaice and herring will need to be amended to include the UK, and therefore will evolve to trilateral arrangements. Annual TAC and quota setting for these stocks will be negotiated during year-end consultations. A new allocation key will need to be found for managing these stocks.

UK/EU bilateral fisheries arrangements

TACs and quotas for stocks in the Celtic Seas and southern North Sea will be agreed bilaterally between the UK and the EU. The parties will also need to agree management measures, quota swaps and fishery access arrangements. Given the high number of stocks involved and the number of countries with vested interests, this may be the most challenging set of negotiations.
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UK/Norway bilateral fisheries arrangements

The UK and Norway will agree quota swaps and access arrangements as part of a new bilateral arrangement. Quota swaps should be tailored to the needs of the UK industry, finding a balance between demersal and pelagic sector requirements.

UK/Faroe Islands bilateral fisheries arrangements

The UK and Faroe Islands will not jointly manage any fish stocks other than the pelagic migratory stocks which are managed at Coastal States level. There will, however, be a need to agree a bilateral fisheries arrangement in order to facilitate quota transfers and access arrangements. It’s imperative that the UK negotiates a fair and balanced deal with Faroe Islands tailored to the needs of our fishing fleets.

Potential timeframe for new fisheries consultations

On the UK leaving the EU, a number of Northeast Atlantic fisheries agreements will need to be renegotiated. A possible road map or timeline is set out below. A number of factors will influence the order of negotiations, however, notably the availability of ICES advice and the availability of negotiators:

- **UK and EU meet on Exit to discuss quota shares, access arrangements and management measures** (UK/EU shared pelagic and demersal stocks) for sea Areas 1Vb, 1Vc, VI, VII, VIII, IX, X, VIIb, VIIc, VIIe-k, VIII, IX and X; Union waters of CECAF 34.1.1
- **UK, EU and Norway meet on exit to discuss quota shares and management measures** (UK/EU/Norway shared pelagic and demersal stocks) for sea areas IV and VI; Union waters of IIa; that part of IIIa not covered by the Skagerrak and Kattegat
- **UK, EU, Norway, Faroe Islands, Russia and Iceland meet October (after release ICES advice) to discuss TACs, quota shares and management measures for pelagic stocks (mackerel, blue whiting and ASH).**
- **UK, Norway and EU meet late Autumn to set TACs and agree management measures for jointly managed demersal species (Northern Stocks)**
- **EU and UK meet late Autumn to set TACs, agree quota transfers, management measures and access arrangements for jointly managed stocks (Southern stocks)**
- **UK and Norway meet late Autumn to agree quota transfers and access arrangements**
- **UK and Faroe Islands meet late Autumn to agree quota transfers, management measures and quota transfers**
<table>
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