

Rural Economy and Connectivity Committee

Meeting with the Norwegian Fisheries Minister, Per Sandberg

8 March 2018

The Committee met with the Norwegian Fisheries Minister, Per Sandberg to discuss aquaculture and Brexit, as well as the Committee's current inquiry into the farmed salmon industry in Scotland. Further information was provided by the Norwegian Fisheries Minister following the meeting in March.

Q1. Norway has comprehensive data available on sea lice levels, including daily operational data, with a traffic light system in operation to show the status of conditions in production areas. The Minister said that 8 of 13 production areas have a green light, 3 yellow light, 2 red light and that red areas will have to take down production in 2019 if they don't reach required levels. We understand that this only covers sea lice at the moment but will be extended to cover spillover in future years. What is the regulatory basis for the traffic light system and the take down of production if required standards are not met?

Answer –

The Aquaculture Act art. 10 stipulates that all aquaculture shall be established, operated and abandoned in an environmentally responsible manner. Further, art. 9 stipulates that the Ministry may amend or revoke a license if such actions are necessary due to environmental issues. In conjunction with the last paragraph of the article, the Ministry may prescribe, by regulations, detailed provisions related to the amendment or revocation of licenses. Such a regulation has been prescribed.

It should be mentioned that we are currently assessing whether the discharge of nutrients should be implemented into the traffic light system as an indicator, but that it is not yet decided.

Q2. Norway has rules governing how close farmed salmon sites can be to shellfish production areas. Can you provide further information on this?

Answer –

The Food Safety Authority authorizes the establishment of aquaculture sites, and it has in that regard issued guidelines concerning how close a farmed salmon site can be to a shell fish production area, which is 1,5 km. However, the Food Safety Authority has allowed shell fish production (blue mussels) and salmon farming on the same site (multi trophic production).

Q3. The Minister indicated that salmon farms are not permitted near wild salmon migratory routes. He also said that some fjords are closed and environmentally protected. Can you explain how this is managed? Is it underpinned by regulation?

Answer –

The Food Safety Authority authorizes the establishment of aquaculture sites, and it has in that regard issued guidelines stipulating that farmed salmon sites should not be established in wild salmon migratory routes.

In 2003 and 2007, 52 national salmon rivers and 29 salmon fjords were approved to give selected salmon stocks better protection from interventions and activities in the fjords and rivers with main focus on aquaculture activities and water power interventions. The scheme comprises approx. 75 percent of the wild salmon resource. The scheme has been implemented in different regulations in the environmental, aquaculture and water resource management.

Q4. Farmed salmon sites in Norway are increasingly going further out into deeper water and the Norwegian Government is having to look at how these are to be regulated. Can you provide some further background on this issue?

Answer –

The Norwegian Government has put together a cross-ministry working group with the intention to evaluate the current legal framework for offshore aquaculture, as well as the need for future adjustments. The group consists of representatives from nine ministries that may be affected by, or have regulatory interests in, offshore aquaculture.

The aim of the group is to evaluate how the legal framework can facilitate for offshore aquaculture. The group will produce a report addressing legal and regulatory issues that will, or may, arise from offshore aquaculture. The report will be finalized by the end of 2018, and will then be used in the process of, where necessary, amending the current legal framework for aquaculture. The Ministry of Trade, Industry and Fisheries is leading the group.

Q5. The Norwegian Government has increased funding for research into farmed salmon issues. The industry also has to contribute 0.3% of profit to fund research. Companies also encouraged to carry out their own research. Can you provide further information on this?

Answer –

The Norwegian Seafood Research Fund- FHF - is the Norwegian seafood industry's tool in managing the industry's investments into industry-based R&D. The clear objective is to create added value for the seafood industry. FHF is financed by the industry itself through an R & D levy on exports of all seafood (currently 0,3%).

The FHF board is appointed by the Ministry of Trade, Industry and Fisheries, and comprised of representatives from the industry. Industry foundation is further strengthened through a series of advisory groups consisting of active players in the industry.

In addition to this, substantial amounts of R&D funding is allocated to aquaculture activities through funding schemes in The Research Council of Norway and the tax refund scheme Skattefunn (about 800 mill. NOK combined annually).

The allocation of research licenses and development licenses also contribute to stimulate the industry to conduct research. Research licenses can be allocated to applicants that document the need for biomass to conduct research and can document that the biomass will be used to develop knowledge that will benefit the aquaculture industry, e.g. farming systems, technology, biology, nourishment, fish health and fish welfare. The licenses are allocated for a period of up to 15 years, dependent on the research project. Satisfactory research competence must be documented.

Q7. Norway is also licensing farming of wrasse and other cleaner fish. How is this being taken forward?

Answer –

We are issuing licenses to farm wrasse and other cleaner fish. The rules regarding the issuing of licenses are in principle the same as for all other aquaculture activity in Norway (except salmon, rainbow trout, as these licenses are limited in numbers).

We are currently working to establish more comprehensive regulations on the subject, primarily to secure the health and welfare of the cleaner fish.

Q8. The Minister spoke about penalties that are applied in relation to escapees from salmon farms, with producer companies having to pay to remove these fish from rivers and estuaries. Can you provide further details and explain how this is reflected in regulation?

Answer –

If an escape incident occur, or the farmer suspects that such incident might have occurred, the farmer is obligated to report the incident immediately to the Directorate of Fisheries. The farmer shall also immediately start to recapture as much fish as possible, inside a perimeter of 500 m from the farm. The Directorate of Fisheries may increase the geographical scope of the recapturing effort.

Further, everyone holding an aquaculture license is obligated to be a member of the Aquaculture Industry Association for the recapture of escaped farmed fish. The association is under law obligated to pay for recapturing efforts in certain rivers (the government decides which rivers), and in order to finance this effort, each member pay a fee set by the association.

Last year the association payed for recapturing efforts in 52 rivers.

Any company that contravenes the provisions prescribed in or pursuant to the Aquaculture Act, including provisions regarding the prevention of escapees, may be given an administrative fine, provided the breach isn't due to force majeure or it was

otherwise outside of the company's control. If the breach of the provision was done with willful intent or gross negligence, a person/company may be punished by fines or imprisonment (the later only applicable for a person, naturally) for a maximum of one year, or both, provided the offence is not subject to more severe penal provisions.

Q9. The Minister talked about licences, development licences and the cost of licences. Can you provide information about the licence system in Norway, the costs and the terms and conditions fish farm companies have to meet to obtain and retain a licence?

Answer –

The licensing system in general

The licensing system is described in chapter 4 in the preparatory works for the Aquaculture Act (English version attached). It should be noted that there have been some changes in the act since the translation was done, but the main principles of the licensing system remain the same. Below I will give you a short presentation on some issues.

A license for aquaculture in Norway of salmon, trout and rainbow trout consists of two parts, 1) a license specifying the number of tonnes of biomass you are allowed to hold in the sea at any given time (capacity); and 2) one or more sites, each limited to a specific amount of maximum allowable biomass (MAB).

It is part 1 that we usually refer to, when we talk about licenses, and it is part 1 the traffic light system, which the Minister talked about during our visit, regulates. For the remainder of this answer, licenses refer to part 1. I should mention that an increase of capacity (part 1), does not mean that the authority will allow an increase in MAB at a specific site or allow a new site to be established. Such actions require an independent application, that will be thoroughly reviewed by relevant authorities, such as the county (coordinating authority), Food Safety Authority (fish health, fish welfare), County Governor (effluents). The major reviews concerning environmental impact etc. will as such be done at site level.

Commercial licenses are limited in number and are allocated in allocation rounds. Adjustment of production capacity will happen when the government allocate new licenses or allow an increase on existing licenses. Since 2002 the government has taken a fee when allocation new licenses and/or increasing the capacity on existing licenses. It should be mention that a licence can be transferred (there is a second hand market) and that it can be mortgaged. In order to facilitate for this, the government have established the Aquaculture register (assets register).

The traffic light system, which entered into force in October 2017 means that:

- The Norwegian Government has implemented a new mechanism to enable sustainable growth in Norwegian Salmon farming. The principles were

discussed in a white paper to the parliament in 2015. I have attached an English handout regarding the white paper.

- To lay the foundation for further growth the new system will keep the industry's environmental footprint within acceptable limits.
- The coast has been divided into 13 production areas and sea lice impact on wild stocks are used as the indicator when determining whether a production area is ready for growth or not. If the indicator in a production area is green, it means capacity could be increased by 6 percent. Yellow means capacity could be unchanged, while red means capacity could be reduced. Capacity adjustments are considered every other year, starting in 2017.

The traffic light was "turned on" for the first time this fall, resulting in 8 green production areas, 3 yellow and 2 red. It should be mentioned that the government will not reduce the production capacity in red areas now, this will be done for the first time in 2019.

The traffic light system gives the industry more predictability with regard to when and at what criteria the production capacity will be adjusted and how large the adjustment will be at each instance.

As a result of the traffic light system, we are now in the process of allocating new production capacity. Just before Christmas we offered the industry in green areas a 2 percent increase in capacity on existing licenses. The fee was set to NOK 120 000 per ton. Since a normal license is 780 tons MAB, the fee corresponds to NOK 93,6 million per licence. Approx. 98 per cent of the offered capacity was sold, and the farmers paid NOK 947 million in fees (preliminary numbers).

Further, farmers that operate sites that meet certain criteria, qualify for an increase in capacity. The criteria was as follows:

- No more than 0.1 female lice per fish in following periods: 1 April – 30 September (2016-2017), which corresponds to the migration period of the salmon.
- 1 or less drug treatment (last production cycle)

As I mentioned earlier, capacity adjustments are made at license level (part 1) and not at site level in the traffic light system. If a site meet the criteria, we will use a mathematical formula to work out the number of tons of increase at license level the farmer is qualified for, but maximum 6 per cent per license (including the 2 per cent offer) The fee for each ton of capacity adjustment is NOK 120 000 per ton. The application deadline was 31 January and we received 42 applications.

The Ministry has recently sent on public consultation a paper discussing the allocation of new licenses. The licenses are proposed allocated through a simultaneous clock auction. The consultation dead line was 18 April 2018. Naturally we are not in the position to say anything about what fees will be paid in the auction.

If you are interested in how we propose the auction will be carried out, you might want to take a look at this appendix (in English) to the consultation paper: <https://www.regjeringen.no/contentassets/5c1fd03e47a74939aba6588de123be41/description-of-auction-regulations---bidder-perspective-c2225308.pdf>.

The consultation papers are available in full here (only Norwegian): <https://www.regjeringen.no/no/dokumenter/horing---utkast-til-forskrift-om-kapasitetsokning-for-tillatelser-til-akvakultur-med-matfisk-i-sjo-av-laks-orret-og-regnbueorret-i-2018/id2593105/>

In conjunction with the Parliament's assessment of the above mentioned white paper, the Parliament decided to create the "Aquaculture fund" (Havbruksfondet in Norwegian). 80 percent of the income from allocation rounds are transferred to the fund, while the government keep 20 per cent. Of the 80 percent, 87.5 percent is transferred to the municipalities, while 12.5 percent is transferred to the counties. The distribution among the municipalities and the counties are decides by the number of tons of MAB on sites located in each municipality/county. This mean that municipalities will benefit from being hosts to the aquaculture industry.

It could be mentioned that the fund isn't really a fund, the government pays out the entire income from the last 12 months each year in October.

Innovation licenses

There is a considerable potential for growth in the aquaculture industry. However, investments in research and development are essential to realize this potential.

There is now a major ongoing technological development in the Norwegian aquaculture industry, both with regards to equipment and the development of new operational concepts. Open cage farming has long been the prevailing method of production. Exciting new operational concepts are now under development.

The Norwegian Government is facilitating innovation and new technology. New technology can contribute both to increased profitability and to environmentally sustainable development of aquaculture. New production concepts can make available new areas for aquaculture. For instance offshore facilities in the ocean, semi-closed facilities on sheltered sites in fjords and onshore farms.

The Norwegian Government have introduced a new kind of aquaculture licenses (Innovation licences), intended to further stimulate innovations in aquaculture.

The innovation licences are a hybrid of research licences and regular commercial licences, allowing for new aquaculture innovations to be tested on a larger commercial scale. Applications were received until late last autumn, and we have received 104 applications. The Directorate of Fisheries may approve an application if the project contributes to develop new technology and the project entails considerable innovation and investments. Upon issuing licenses for the project, the Directorate will set certain target criteria, and if these are met, the innovation

licenses may be converted to ordinary commercial licenses for a fee of NOK 10 million per license. As the minister explained in our meeting, it is the possibility to convert licenses for a modest fee that constitutes the incentive for the applicant.

Q10. The Committee asked about plans or strategies to expand and develop the salmon industry in Norway. The Minister said that Norway is striving to have the highest environmental and quality standards to meet demands of developing markets, such as China and Russia. How is the Norwegian Government supporting this?

Answer –

- Norwegian seafood is of course harvested/produced, handled and exported in compliance with international regulations and standards, ensuring that it is safe to eat.
- Norwegian food authorities uphold the relevant regulations and monitor compliance in the industry.
- It is the industry's responsibility to ensure the quality of its products – the government does not provide any particular support in this regard.
- It is of course in the industry's own interest to ensure high quality, so enable higher prices and a good standing with consumers.
- The Russian ban on food imports extends also to Norway. The Russian seafood market has not been available to Norway since august 2014.
- In May of 2017, Norway and China signed the so-called salmon protocol. We have a good dialogue with Chinese authorities when it comes to exports of seafood.

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