

## Pew Response to EC Public consultation on the revision of the Energy Taxation Directive (ETD)

October 14, 2020

Pew has abstained from answering the majority of the questions in the survey, except in relation to the fishery industry under section 7. Since 2018, Pew has had a project to significantly reduce harmful subsidies, and as such, our answer pertains to that specific sector.

In its current form, the European Tax Directive allows for fuel tax exemptions to be provided to the European fishing fleet. Fuel detaxation is considered a harmful subsidy that artificially reduces the cost of fishing, which can result in overcapacity and lead to overfishing. Overfishing is one of the most significant threats to ocean health. This year, the United Nations Food and Agriculture Organization estimated that more than a third of global fish stocks were fished beyond sustainable limits. In the European Union, the proportion of overfished stocks is even higher, at 38%. Yet, each year, governments around the world provide €19 billion in harmful subsidies to the fishing industry. The European Union provides nearly €2 billion in harmful subsidies, of which €670 million is fuel detaxation. Together with direct fuel subsidies, fuel detaxation is widely recognized by scientists as the most damaging of harmful subsidies because it is “most directly linked to overfishing.” (Sumaila et al, 2019) Research from the Organization for Economic Cooperation and Development (OECD) suggests that fuel subsidies are the least effective form of support for fishers (OECD, 2018).

Fuel tax exemptions tend to benefit fishing activities that consume more fuel, namely large-scale fishers and super-trawlers, which also typically use the most destructive fishing practices. The 2019 Scientific and Technical report on fisheries (STECF) includes an analysis on fuel consumption. Comparing the difference in fuel consumption between the EU’s large-scale (including super-trawlers) and small-scale fishing vessels, the report states: *“In 2017, the small-scale coastal fleet, excluding Greece, accounted for more than half (56%) of the total days-at-sea deployed while consuming just 6% of the fuel. The large-scale fleet on the other hand accounted for less than half of the days-at-sea (42%) and consumed more than three-fourths of the fuel while the distant-water fleet deployed less than 2% of days-at-sea and consumed 16.5% of the fuel”* (from Section 3.1 Overview of the EU Fishing Fleet in 2017). This ratio does not reflect the environmental and social externalities generated by large-scale fisheries. It is very difficult to control the impacts on the fish stocks targeted as well as the impacts on other marine species, other fish stocks and the wider marine environment. In addition, the social impacts that super-trawlers or large-scale fishers have on small-scale fishers in the EU or in third countries have not been properly assessed.

The European Union has made several international and domestic commitments that would be undermined by continued provision of exemptions to fuel taxation to the fisheries sector. Under United Nations Sustainable Development Goal 14 on conservation and sustainable use of the oceans, seas and marine resources for sustainable development, leaders agreed to prohibit harmful fisheries subsidies by 2020 and refrain from introducing new ones in the future. At the start of her presidency last September, Commission President Ursula von der Leyen reiterated this mandate by tasking Commissioner Sinkevičius with cooperating with the Commissioner for Trade “to ensure that Europe leads discussions in the World Trade Organization on finding a global agreement to ban fisheries subsidies that contribute to overfishing, illegal fishing and overcapacity.” Earlier this year, the Commission announced its Green Deal, a strategy to decouple economic growth from resource use and ensure that there are no net emissions of greenhouse gases by 2050. And again at the end of September, President von der Leyen joined world leaders in issuing their pledge to reverse biodiversity loss as part of the 2030 Sustainable Development Agenda. This pledge contained a commitment to “eliminating or repurposing subsidies and other

incentives that are harmful to nature, biodiversity and climate” which reflects Aichi Target 3. To help transform these political mandates into concrete action, the EU should eliminate exemptions to fuel taxation to the EU fishing fleet.

One of the biggest challenges that the fisheries sector faces - in the EU and in the rest of the world – is to fish at sustainable levels and with sustainable fishing practices. Harmful subsidies, including fuel detaxation, enables unsustainable practices and exacerbates overfishing. Public funds must instead be redirected to better fisheries management and greater protections for biodiversity.