

**CLIMATE
IMPACTS &
FISHING
INDUSTRY
PROFITS
FROM EU FUEL
TAX SUBSIDIES**

SEPTEMBER 2021

1. INTRODUCTION

EU tax exemptions for fuel are harmful subsidies that reduce the costs of fishing, therefore leading to an increase of fishing capacity, and thus contributing to overfishing in the European Union. Since 27 October 2003, energy products supplied for use as fuel for the purpose of navigation within EU waters, including fishing, are exempted from taxes.¹ For years, these indirect support mechanisms by EU Regulations have added to the direct subsidies with which the EU has supported the fishing industry. In this study, we demonstrate the vastness of this indirect support through fuel tax exemptions and the scale of resulting CO₂ emissions, and preview the impact of the proposed tax exemption elimination by the European Commission under the review of the Energy Taxation Directive (ETD).²

1.1. EU FISHERIES

The EU committed to end overfishing by 2015, or by 2020 at the latest,³ and to protect 10% of EU waters by 2020.⁴ However, rampant overfishing continues and the majority of EU fish stocks remain overfished and/or outside safe biological limits.⁵ European seas are the most heavily trawled in the world;⁶ which has been a great area of concern – even more so given recent estimates that globally, the fishing industry produces the same amount of annual CO₂ emissions by trawling the seabed as generated by the aviation sector.⁷ With subsidies constantly granted to the fishing industry, fishing capacity is inflated and destructive overfishing is exacerbated. De-taxation schemes for fuel consumption do not just harm fisheries, they harm the economy by propping up unprofitable fishing. As the World Bank *Sunken Billions* report stated:

“By reducing the cost of harvesting, for example, through fuel subsidies or grants for new fishing vessels, subsidies enable fishing to continue at previously uneconomic levels. Subsidies effectively counter the economic incentive to cease fishing when it is unprofitable.”⁸

1.2. SUBSIDIES VERSUS THE EARTH EMERGENCY

Fuel tax exemptions for the EU fishing industry are of special concern in light of the global climate and biodiversity crises. By exempting marine fuel from taxation, the EU is using public money to subsidise the burning of fossil fuels and incentivise pollution. Such practices are at odds with EU’s polluter-pays principle, enshrined in the Treaty on the Functioning of the European Union⁹ and reaffirmed in its Biodiversity Strategy.¹⁰ These tax breaks also directly undermine the EU climate objectives set with the adoption of the United Nations Sustainable Development Agenda, the Paris Agreement and European Climate Law.¹¹



1.3. THE UNLEASHED POTENTIAL OF THE ENERGY TAXATION DIRECTIVE REVIEW

A revised ETD would serve to enable the achievement of EU climate goals and make EU fisheries more sustainable.

This can only be done if tax exemptions for the fishing industry are completely removed from the revised directive and if all energy products are taxed according to their energy and carbon content. Not only would an effective taxing of marine fuel increase the budget of EU member states, it could directly be used to assist the transition to more sustainable and energy efficient solutions in the fisheries sector, such as more innovative engines (electric or bio-hydrogen engines) and less destructive, fuel consuming fishing practices. It would also deliver on multiple European and international laws and commitments, such as the European Green Deal, EU Common Fisheries Policy, EU Climate Law, Paris Agreement, Leaders Pledge for Nature and the UN Sustainable Development Goals.

1.4. THE EU'S FLAWED APPROACH

This study looks at specific fishing fleets of selected member states and describes scenarios that show how much money the EU fishing fleet would have had to pay in taxes if, between 2008 and 2018, fuel for fishing fleets would have been taxed. This money can be seen as a huge support mechanism to mostly large, industrial, and often destructive, fishing fleets.

In order to compare the varying CO₂ impact of fishing fleets with the scale of the subsidies received, we have selected fishing fleets that are either economically powerful, environmentally damaging and/or socially important, from five major EU fishing nations.

The main difficulty when estimating and calculating potential amounts of taxes saved by the fishing industry is that no marine fuel is taxed in the EU or has been taxed in the past, therefore tax percentages used are based on assumptions. For the purposes of this report, we assume that taxes on gas oil would be most relevant to the fishing industry sector.

Following the EU Council Directive on the taxation of energy products, we use the minimum level of taxation applicable to motor fuels,¹² which is €0.33/l as our lower estimate, and the historic **EU weighted average excise duties for gas oil for road transport**, which is **€0.67/l** as our upper estimate.¹³

Under the European Commission proposal to revise the ETD, released as part of the 'Fit for 55' package, aimed at drastically cutting CO₂ emissions in order to reach carbon neutrality by 2050, **the Commission has therefore surprisingly proposed a tax rate of just €0.036/l for the fishing industry.**¹⁴ This extremely low tax rate would perpetuate the false inflation of the fishing industry, with particularly damaging results for low-impact and small-scale fishers who would not reap the benefits from the subsidy, but will pay the price in declining fish stocks and marine health, and increased vulnerability to worsening climate change. **Even more nonsensical, is the fact that the ETD proposal does not cover taxation for the distant fleet and the fleet fishing outside EU waters, which, as this report highlights, are also the most fuel-consuming fleets.**

In addition, the report calculates CO₂ emissions from fuel consumption of those selected fishing fleets, another factor relevant when looking at the widespread, urgent need to find ways to reduce carbon emissions in all sectors. A recent study estimates that in 2016 burning fuel from the industrial fishing sector "released around 159 million tonnes of CO₂, [which is] 4 times more than in 1950, and accounted for 77% of global CO₂ emissions from marine fisheries".¹⁵

Fuel consumption numbers for these fleets have been directly extracted from the data set of the Annual Economic Report on the EU Fishing Fleet 2020 (AER) by the Scientific, Technical and Economic Committee for Fisheries (STECF)¹⁶ and the calculations of CO₂ emissions via fuel consumption is based on Greer et al.

It is important to note that this report does not include all estimates of CO₂ emissions from the EU fishing industry; those caused by bottom-trawling of the seabed and resuspension of carbon, estimated to be equivalent to the aviation sector on a global scale annually,¹⁷ are not included; nor are the emissions caused by the removal of fish and marine life.

The complete methodology, calculations, references and limitations, are included in the full report online.¹⁸



2. EU FLEET OVERVIEW

EACH YEAR THE EU FLEET:



BURNS
2.3B LITRES
OF FUEL



PRODUCES
7.3M TONS
OF CO₂



AVOIDS
€759M-€1.5B
IN TAXES

According to the Annual Economic Report on the EU Fishing Fleet, the combined EU fishing fleet consisted of 63,593 active vessels in 2018, which is the most recent data available. This EU fleet “consumed 2.3 billion litres of fuel to land 5.2 million tonnes of seafood with a reported value of €7.7 billion. The Gross Value Added (GVA) and Gross Profit (all excl. subsidies and fishing rights) was estimated at €4.3 billion and €1.8 billion, respectively”.¹³ **The net profit of the whole EU fleet was estimated at almost €1 billion** - which was a 23% downward trend from 2017.¹³

	VESSELS	OF EU FLEET IN VESSELS	GROSS TOTAL TONNAGE	ENGINE POWER	PROFIT
SMALL SCALE COASTAL FLEET	48K	75%	8%	32%	€124M
LARGE-SCALE FLEET	+15K	24%	75%	62%	€800M
DISTANT WATER FLEET	250	<1%	17%	6%	€60M

Table. Summary of the breakdown of the key segments of the EU fishing fleet, from ‘The 2020 Annual Economic Report on the EU Fishing Fleet’ (STECF 19-06).

Based on an estimated usage of 2.3 billion litres of fuel for the whole EU fleet, **the combined EU fishing fleet saved over €1.5 billion in taxes and produced nearly 7.3 million tons of CO₂ in one year. This is the same amount of CO₂ as all of Malta produced in 2019, and the equivalent of 31,250 annual salaries based on a monthly income of €4000.**

3. SPANISH DEMERSAL TRAWLER FLEETS

The Spanish fleet is very diversified, related to species caught as well as gear types and fishing areas, and is divided into 60 segments.¹³ For the demersal trawler fleet, there are 13 different fleet segments, fishing in various regions - North Atlantic supra region, Mediterranean Sea & Black Sea, and Other Regions - and with various lengths of vessels.

For 2018 alone, the demersal trawler fleet consumed over 262 million litres of fuel, and hence saved €86 million - €175 million in taxes. At the same time, carbon emissions amounted to over 830,000 tons of CO₂. **This is more CO₂ than all of Somalia produced in 2019.**¹⁹

For the time frame between 2008 and 2018, the Spanish demersal trawler fleet **consumed over 3.72 billion litres of fuel. Hence, they saved between €1.2 billion and €2.5 billion in taxes over 10 years. This money could instead have been used to employ 4,000-8,500 Spaniards on an average salary in a range of jobs.**²⁰ During this period, the fleet segment emitted nearly 12 million tons of CO₂ directly from fuel, not including the CO₂ generated by disturbing the seabed, which also generates enormous emissions.²¹



900+
VESSELS

Fuel consumption, tax exemption range, proposed tax payments under the ETD (COM (2021) 563), and CO₂ emissions from the combined demersal trawler fleet in Spain, between 2008 to 2018.



3,720M LITRES
FUEL CONSUMPTION



12M TONS
CO₂ EMISSIONS



€1,200M-€2,500M
FROM TAX EXEMPTIONS



4,000-8,500
ANNUAL SALARY EQUIVALENT



€134M
PROPOSED TAX PAYMENTS

4. FRENCH PURSE SEINERS IN DISTANT WATERS



22
VESSELS

Fuel consumption, tax exemption range, proposed tax payments under the ETD (COM (2021) 563), and CO₂ emissions for the French purse seine fleet in distant waters (for 2 years).
Data for earlier years not available.

Of the entire French fishing fleet of 5,570 active vessels, the distant water fleet consists of 22 tropical purse seiners, catching tuna in South Atlantic and Indian Oceans. They represent less than half of one per cent of the fleet (0.4%), and generate approx. 15% of the national fleet's income.¹³



114M LITRES
FUEL CONSUMPTION

For this distant water fleet, data is only available for 2017 and 2018, however in these two years alone, the fleet consumed 114 million litres of fuel. This represents 18% of what the French fleet uses in total. **Fuel consumption by the distant water fleet increased by 28% in 2018.**¹³



360K TONS
CO₂ EMISSIONS

This fleet of just 22 vessels saved between €38 million and €77 million in just two years. CO₂ emissions on the other hand exceeded 360,000 tons.



€38M-€77M
FROM TAX EXEMPTIONS



€0-€4M
PROPOSED TAX PAYMENTS

5. DUTCH PELAGIC TRAWLERS

The AER 2020 analyses the decline of the Dutch pelagic trawler fleet as follows: “The number of pelagic freezer trawlers strongly decreased through the years (-50%). In 2008 there were 14 trawlers, in 2018 only seven left among the Dutch flag. Most of them were and are operating under a foreign flag, often to better utilise EU pelagic species quota owned by other Member States.”¹³

In 2018 alone, those seven vessels consumed over 44.5 million litres of fuel - which amounts to nearly 28% of the total fuel consumption of the Dutch fishing fleet. Those seven vessels alone therefore saved between €14 million and €30 million in taxes, and emitted over 140,000 tons of CO₂ in 2018.

Between 2008 and 2018, the fleet consumed over 680 million litres of fuel, and hence **saved €225 to €456 million in taxes**, and emitted over 2.1 million tons of CO₂. **These vessels are owned by just a few companies, meaning that all net profits are going into a few hands, whilst collected taxes could have instead helped pay 667 Dutch people a salary for that decade.**²²



7
VESSELS

Fuel consumption, tax exemption range, proposed tax payments under the ETD (COM (2021) 563), and CO₂ emissions for the Dutch pelagic trawler fleet over 40m between 2008 and 2018.



681M LITRES
FUEL CONSUMPTION



2.2M TONS
CO₂ EMISSIONS



€225M-€456M
FROM TAX EXEMPTIONS



667
ANNUAL SALARY EQUIVALENT



€0 - 24.5M
PROPOSED TAX PAYMENTS

6. ITALIAN VESSELS UNDER 12M



7K+
VESSELS

Fuel consumption, tax exemption range, proposed tax payments under the ETD (COM (2021) 563), and CO₂ emissions for Italian vessels under 12m using polyvalent gear.



548M LITRES
FUEL CONSUMPTION



1.7M TONS
CO₂ EMISSIONS



€181M-€367M
FROM TAX EXEMPTIONS



€19.7M
PROPOSED TAX PAYMENTS

The small-scale Italian fleet (SSCF) accounted for 66% of all vessels under the Italian flag, however, performance is declining. “In 2018, the average price of total SSCF landings decreased by 16% compared to 2017 as a result of a decrease in average prices of certain target species. Over the same period, the volume of landings has increased by 3%. The number of vessels has remained unchanged as well as the effort (expressed in sea days).”¹³

In 2018 alone, the fleet segment consumed 28.5 million litres of fuel, and therefore saved between €9 million and €19 million in taxes. At the same time, carbon emissions amounted to 90,000 tons of CO₂. **Between 2008 and 2018, the fleet consumed almost 548 million litres of fuel, and hence saved between €180 million and €367 million in taxes, and emitted over 1.7 million tons of CO₂ from burning fuel.**



7. PORTUGUESE LONGLINERS

Portugal's 24-40m longlining fleet is a rather small segment (56 vessels in 2018) compared to the overall Portuguese fishing fleet with 7,887 vessels in total.¹³

In 2018, those **56 vessels consumed over 13 million litres of fuel and hence saved between €4 million and nearly €9 million.** At the same time, emissions were over 42,000 tons of CO₂. Between 2008 and 2018 the fleet is estimated to have used nearly 147 million litres of fuel – which makes for tax savings between €48 million and over €98 million. In those years, total CO₂ emissions amounted to over 465,000 tons of CO₂, which is the **equivalent amount of CO₂ emissions as the country of Andorra.**²³



56
VESSELS

Fuel consumption, tax exemption (under Scenario 1 and 2), proposed tax payments under the ETD (COM (2021) 563), and CO₂ emissions for the combined demersal trawler fleet in Spain, between 2008 to 2018.



147M LITRES
FUEL CONSUMPTION



466K TONS
CO₂ EMISSIONS



€48M-€98M
FROM TAX EXEMPTIONS



€0-€5M
PROPOSED TAX PAYMENTS

8. CONCLUSIONS

Through the burning of 2.3 billion litres of fuel each year, the EU fishing industry is producing 7.3 million tonnes – or the equivalent amount of CO₂ as all of Malta. They avoid paying taxes of €759 million to €1.5 billion on this fuel each year – money which could be funding a transition to more energy efficient fishing methods, training people into new jobs or paying over 31,000 salaries based on a monthly income of €4000. Moreover, the most destructive and fuel-hungry fishing vessels benefit the most from these perverse subsidies, while the climate, fisheries, and small-scale fishers suffer the consequences.

The EU has an obligation, according to the new European Climate Law, to eliminate as much CO₂ as possible in order to reach climate neutrality by 2050. As Inger Anderson, Executive Director of the United Nations Environment Programme said when the latest IPCC report was released: **every ton of CO₂ counts.** And the EU fishing fleet must be responsible for paying the true price of CO₂ emissions from fossil fuel burning.

The ETD review proposes a small, nominal tax for the fishing industry, but this will do nothing to halt the climate crisis or restore the EU's overfished and unhealthy seas. Tax exemptions for the fishing industry should be completely removed from the revised directive and all energy products taxed according to their energy and carbon content. This will simultaneously increase the budget of EU member states and help fund a transition to a more sustainable fisheries sector that doesn't cost the earth.

**For the full report and references,
go to ourfish.eu**



Our Fish  **our_fish**

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