



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR MARITIME AFFAIRS AND FISHERIES

Maritime Policy and Blue Economy
The Director-General

Brussels
MARE.A.4/LJ

Subject: MAC Advice on disturbances in the market of fisheries and aquaculture products due to the unprovoked Russian invasion of Ukraine

Dear Ms. Bermúdez,

I would like to thank the MAC for the detailed advice that was sent on 3rd February 2023 on disturbances in the market of fishery and aquaculture products due to the Russian war of aggression against Ukraine.

DG MARE has carefully assessed each recommendations provided by the MAC. You will find below our replies for each of them:

- a) Coordinate to ensure that national authorities use all available aid instruments, avoiding the creation of an uneven-playing-field across the EU, including in terms of amounts provided and access conditions, covering the entire fisheries and aquaculture chain**

The EMFF and EMFAF are implemented in the framework of shared management between the Commission and Member States, in accordance with the rules of the Common Provisions Regulation on EU structural funds (Regulation 2021/1060). Concretely, the funds are administered through national programmes approved by the Commission. Member States select the eligible beneficiaries in line with their own criteria. In that framework, the Commission has coordinated the implementation of the support measures by providing common information and methodological guidance to Member States.

- b) Publish EU guidelines on compensation measures, to facilitate the implementation at national level and to promote a level-playing-field**

The Commission published a technical note providing Managing Authorities with technical information on how to implement the compensation of Article 26(2) of the EMFAF Regulation in the specific case of the disruption of markets caused by the military aggression of Russia against Ukraine. It can be found here: <https://oceans-and->

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c) Continue to implement measures to mitigate the impacts faced by the sector, particularly in terms of energy, fuel and raw materials

In light of the disruptions and the consequent socio-economic impacts of the current crisis, the EMFF Regulation was amended to introduce crisis measures:

- financial compensations to operators of the fishery, aquaculture and processing sectors for their income foregone and additional costs,
- financial compensations to owners of fishing vessels for the temporary cessation of fishing activities where the military aggression of Russia against Ukraine jeopardises the security or economic viability of fishing operations,
- financial compensations to producer organisations implementing the storage mechanism of the common organisation of the markets.

These measures are eligible as of 22 February 2022 and until 31 December 2023. Member States can introduce these crisis measures, including reallocating financial resources, with an amendment to their EMFF programme to be approved by the Commission via a simplified procedure.

Moreover, the temporary crisis State aid framework has been extended until the end of 2023.

d) Increase the maximum amount of support that can be legally provided to each individual undertaking in the fisheries and aquaculture sector

There is no legal limitation as regards the amount of EMFF or EMFAF support that can be provided to each individual undertaking. Nevertheless, the methodology for calculation must ensure that support compensates income foregone and additional costs that are due to the market disruption caused by Russia's war of aggression against Ukraine and its effects on the supply chain of fishery and aquaculture products.

End October 2022, the ceiling of the temporary crisis State aid framework was raised from EUR 70,000 to EUR 300,000 (it started at EUR 35,000 in 2022). This can enable Member States to continue to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's war against Ukraine.

e) Reduce the administrative burden in the access to aid measures, in order to prevent the bankruptcy of existing undertakings, facilitate the establishment of new companies, job creation and the provision of sustainable food

The Commission constantly insists on the need for simplification in the implementation of the EMFF and EMFAF at national level. Pursuant to Article 40(3) of the Common Provisions Regulation on EU structural funds (Regulation 2021/1060), "the monitoring committee may make recommendations to the managing authority, including on measures to reduce the administrative burden for beneficiaries". Moreover, pursuant to Article 69(8) of that Regulation, "Member States shall ensure that all exchanges of information between beneficiaries and the programme authorities are carried out by means of electronic data exchange systems".

- f) Monitor and report on the ongoing shift in purchasing habits of consumers, particularly substitution of fisheries and aquaculture products for cheaper proteins, through the use of the most up-to-date available information on the market disturbances caused by the Russian invasion of Ukraine**

The European Market Observatory for Fishery and Aquaculture products, EUMOFA, has been a reliable source of information to monitor impact of the Russian war of aggression against Ukraine for both operators and policy makers. Data provided weekly on trade and first sales and monthly on household consumption enables to monitor continuously possible shift in supply and consumption. The monthly highlights ⁽¹⁾ published every month on Eumofa website provides the most up-to date overview of the situation on EU market.

- g) Work on crisis prevention and improve the resilience of the agri-food systems in the EU, while taking into account the EU's market very low self-sufficiency rate for fishery and aquaculture products, the excessive dependency on imports, the restricted increase domestic supply, and the added value of fisheries and aquaculture in terms of environmental impact, food security, and local and coastal development;**

Russia's unprovoked invasion of Ukraine, a commodity price surge and the Covid-19 pandemic have impacted the resilience and self-sufficiency of the EU food system. Consequently, the Commission continues to take measures to prepare for and respond to potential threats to food supply and food security. European Food Security Crisis preparedness and response Mechanism (EFSCM) was established to improve cooperation between the public and private sectors and evaluate risks when crises arise. Besides, the Commission is implementing the contingency plan published in 2021, notably developing a study on risks and vulnerability in the EU food supply chain. Fisheries and aquaculture are fully part of this work and MAC members are involved in the stakeholder's consultation to reflect specificities and challenges of the sector.

- h) To ensure the mitigation of the impacts caused by the increase of fuel prices, continue to work on an achievable energy transition away from fossil fuels in the sector;**

The fisheries and aquaculture sector were heavily impacted after the fuel prices more than doubled in 2022 compared to the average prices in 2021. As a consequence revenues from fishing could not cover the important increased costs anymore for many businesses in the fleet, showing a high dependency and vulnerability of the EU fisheries and aquaculture sector to fossil-fuels.

On 21 of February 2023, the Commission adopted the Communication on Energy Transition of EU fisheries and aquaculture to help the sector increase its resilience and accelerate the energy transition. It proposes to achieve this objective by (i) swiftly increasing the sector's energy efficiency in the short to medium-term and (ii) further developing and adopting the renewable and low-carbon energy sources in the medium to long-term.

⁽¹⁾ <https://www.eumofa.eu/market-analysis#monthly>

In this Communication, the Commission focus on 4 main sets of actions that help the sector to overcome the current barriers:

- a) improving the cooperation between stakeholders
- b) closing the knowledge gaps and innovation gaps;
- c) strengthening the skills of the workforce;
- d) improving the business environment and access to finance opportunities.

One of the key initiatives that the Commission proposes is the launch of the Energy Transition Partnership for EU fisheries and aquaculture. This Partnership sets up structures for long-term cooperation on the energy transition in the sector and will be the platform for stakeholder dialogue on this topic. The Partnership will bring together all the stakeholders concerned, notably the fisheries and aquaculture sector, but also more broadly all the actors that are needed in the energy transition, such as the ancillary activities sector; fishing port authorities; shipbuilders; gear manufacturers; NGOs; research organisations; financial institutes; the energy sector; the processing sector; and national and regional public authorities. We encourage and welcome MAC to join and contribute to the energy transition through your engagement in the Partnership.

- i) Consider potential adjustments in the Autonomous Tariff Quotas (ATQs) Regulation to allow adequate supply. These adjustments should be thoroughly studied on a case-by case basis, while also taking into account the EU fleet's production and competitiveness;**

DG MARE is currently working on a proposal for a Council Regulation for ATQs for fishery products for the period beyond 2023. The new proposal will be based on an analysis of the all the objective elements such as the utilisation of the quotas and their economic relevance for the EU processing industry while also taking into consideration the input from the EU's fishing industry, as it was the case of past Regulations.

- j) Take measures to face the increased costs for operators and consumers, for example, eliminate or reduce the VAT tax based on healthy diets, as supported by scientific guidance.**

The Commission is aware of the impact that rising prices may have on both operators and consumers and has already taken legislative steps to support Member States in their efforts to reduce the prices, particularly for items of basic need.

One notable example is the Commission's proposal to reform the system of VAT rates, which was brought to a successful conclusion and where the new VAT rules took effect on 6 April 2022².

An important change is that - in addition to reduced VAT rates - Member States can now apply super-reduced rates (below 5%) or a VAT exemption (zero VAT rate) to supplies of foodstuffs, which may include healthy diets. Current EU VAT law therefore already reflects the above suggestion.

² Council Directive (EU) 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 as regards rates of value added tax, OJ L 107, 6.4.2022, p. 1

Furthermore, the new rules allow Member States to use VAT rates in a more targeted manner, for example, to promote certain policy objectives like health benefits. In doing so, Member States must respect the principle of fiscal neutrality, which is inherent in the common system of VAT. According to this principle, similar goods, which are in competition with each other, cannot be treated differently for tax purposes.

It should be stressed that, when it comes to setting VAT rates or applying the mentioned exemption from VAT, this remains under the exclusive competence of individual Member States.

Please be aware that variables over which the Commission has no control play a role in determining how consumer prices develop. VAT is just one of many price factors, and neither the Commission nor the tax authorities of the Member States may oblige traders to pass on savings from lower VAT rates through their pricing strategies, such as for supplies of certain foodstuffs. This mostly depends on the specific market environment, where variables other than taxes may have a significant influence.

I am looking forward to our continued fruitful cooperation. Should you have any further questions on this reply, please contact the functional mailbox for the communications with the Advisory Councils MARE-AC@ec.europa.eu.

Yours sincerely,

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on behalf of Charlina VITCHEVA

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