

Advice

EU – Norway’s Trade of Fishery and Aquaculture Products

Brussels, 24 July 2024

1. Background

In 2023, Norway was the EU’s 6th most important partner for trade in goods¹. On average for the 2021-2023 period, Norway exported yearly 1,303,994 tons of fishery and aquaculture products to the EU, valued at 7,856 million EUR, corresponding to 24.8% and 27.9% of the share of Norway in EU imports in quantity and value, respectively².

The EU and Norway’s trade relationship on fishery and aquaculture products is influenced by a series of agreements, specifically the European Economic Area (EEA)’s Financial Mechanism, the Norwegian Financial Mechanism, and the protocol on temporary liberalisation of access to the EU market for some fish and seafood products. The relationship is also impacted by three EU-Norway fisheries agreements. After protracted negotiations, trade negotiations between the EU and Norway were recently finalised on the renovation of the EEA Financial Mechanism.

Over the past years, the Norwegian salmon industry has continued to gain market share in the EU market, while EU-based processors lost market share.

2. European Economic Area (EEA)’s Financial Mechanism and market access

¹ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/norway_en

² <https://ec.europa.eu/eurostat/data/database>

In December 2023, the Commission and the EEA EFTA States (Iceland, Liechtenstein and Norway) reached agreement at negotiator’s level on the EEA Financial Mechanism 2021-2028³. The Mechanism sets out the contribution of the EEA EFTA States to reducing the economic and social disparities in the EEA, with a view to promoting a continuous and balanced strengthening of trade and economic relations, and as a complement to the EU’s Cohesion Policy objectives.

The Commission and Norway also reached an additional agreement at negotiators’ level on a parallel Norwegian Financial Mechanism for the same period of time, pursuing similar objectives.

The Commission also reached agreements with both Iceland and Norway on the temporary liberalisation of access to the EU market for some fish and seafood products over the same period. These agreements take the form of “additional protocols” to long-standing bilateral agreements with the two countries.

2.1. Negotiation of the liberalisation of access to the EU market

During the course of the negotiations between the Commission and Norway on the temporary liberalisation of access to the EU market, Norway called for a full liberalisation of market access, which would mean that all fishery products would be imported into the EU without tariffs⁴.

To account for the time required to finalise the negotiations, under the Autonomous Tariff Quotas Regulation for certain fishery products for the 2021-2023 period⁵, some quotas were provided as “bridging quotas”, specifically on frozen herring and herring in brine, to allow the duty-free supply of raw material for added value in the EU processing industry. These quotas

³ https://ec.europa.eu/commission/presscorner/detail/en/IP_23_6244

⁴ A presentation to the MAC’s Working Group 2, on 19 September 2023, by Mr Vidar Ulriksen, State Secretary in the Norwegian Ministry of Trade, Industry and Fisheries, on the ongoing negotiations was also in line with these views: https://marketac.eu/wp-content/uploads/2023/12/MAC_WG2_Minutes_19.09.23-EN.pdf.

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02020R1706-20221101>

were not reconducted for the 2024-2026 period⁶, so these products are no longer benefiting from duty-free access in favour of the EU processing industry, until the new bilateral protocol enters into force. For example, in the meantime, the import of herring in brine by the EU industry requires the payment of a 20% duty, which, due to the significant percentage, would be difficult to cover with a price acceptable to the final consumer.

According to information provided by the Commission services on the outcome of negotiations⁷, there was mainly a reconduction of the previously existing quotas. According to the Commission services, the adjustments in the quotas corresponded to very small increases in the quotas for Norway and some slight increases for those for Iceland. The previously existing quotas were included for processed salmon, but not the quotas for mackerel.

On 25 June 2024, the Council decided on the signature and provisional application of the agreements on the EEA and the Norwegian Financial Mechanisms for 2021-2028. The decision covers also the signature and provisional application of two bilateral fish trade protocols with Iceland and Norway, which were negotiated in parallel. The tariff quotas of fish and fishery products within the agreements are expected to be opened under the provisional application of the agreement in the last months of 2024⁸.

Under the new bilateral protocol, the EU will open an annual duty-free tariff quota of 2500 tonnes of smoked salmon from Norway for the period of 2021 to 2028, which represents an addition of over fivefold when compared to the continuous quota of 450 tonnes provided under other agreements⁹. Additionally, the new protocol foresees that tariff quota volumes covering the period from 1 May 2021 until the provisional application of the agreement shall be proportionally

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02023R2720-20231206>

⁷ https://marketac.eu/wp-content/uploads/2024/04/MAC_WG2_Minutes_30.01.24-EN.pdf

⁸ <https://www.consilium.europa.eu/en/press/press-releases/2024/06/25/council-greenlights-agreements-on-the-eea-and-norwegian-financial-mechanisms-for-2021-2028/>

⁹ https://eur-lex.europa.eu/eli/reg_impl/2018/1607/oj

allocated and made available for the rest of the period. Therefore, when combining the volumes of the quota of 450 tonnes, the new annual quota of 2500 tonnes, and the tariff quota volumes of the 1 May 2021 – provisional application period, the access may be over 4000 tonnes in one year in direct competition against the EU processing sector.

3. Norwegian farmed salmon of “production” quality

Norwegian law classified farmed salmon into three quality categories: “superior”, “ordinary”, and “production”. The “production” grade includes salmon with minor defects like wounds, deformities, or processing errors detected during inspection.

The export of whole Norwegian “production” grade salmon is currently prohibited by Norwegian law. However, correcting defects at land-based processing facilities in Norway allows the fish to be transformed into a fillet product eligible for export. This correction process removes visible defects, permitting these fillets to be exported to the EU and other markets. As defects are addressed during the filleting process, fillets from “production” grade are safe for consumption and indistinguishable from those made from “ordinary” or “superior grades”, meaning that the Norwegian export ban is no longer relevant from a food safety perspective.

In 2024, the share of “production” grade salmon reached unprecedented levels, reaching over 35% of Norway’s farmed Atlantic salmon (*Salmo salar*) output over eight consecutive weeks, which contrasts with the historic 4-6% share of previous years. If the permission to fillet such product is granted only to Norway processors, fillets made from “production” grade salmon compete directly in the EU markets with fillets produced locally from “superior” or “ordinary” salmon. The current price difference between these supply chains is approximately €4.30 to €4.50 per kilogram – a 30% discrepancy for fillets, in disadvantage of EU processors. Considering the total salmon harvest in Norway is estimated at 1,4 million tonnes whole fish equivalent, the

35% of “production” salmon represents around 370.000 tonnes and could potentially generate a competition of 220.000 tonnes of fillets against the EU processors.

When considered, besides the above, the increase of the annual duty-free quota of 4.500 tonnes of smoked salmon, which could be made from “production” salmon, the direct competition for EU smokers is even greater.

On 11 March 2024, the Director-General for Trade of the European Commission officially registered the Norwegian ban as a market access barrier that may conflict with international trade law. A formal letter from the EU to the competent Norwegian Minister was sent on early May to open for a bilateral dialogue. This invitation is still awaiting a reply from Norway.

In addition, there is a reasonable doubt as to whether the above-described provisions are consistent with the EEA Agreement, in particular with Article 18 of the EEA Agreement, in combination with Article 23 and Annex II of the EEA Agreement, which will be the subject of the complaint to the EFTA Surveillance Authority – currently in preparation by a national stakeholder association in the EU.

4. EU-Norway agreements on quota setting, quota exchanges, and reciprocal access to waters for fishers

The EU has three fisheries agreements with Norway, namely bilateral, trilateral and neighbouring agreements¹⁰. The bilateral arrangement covers the North Sea and the Atlantic, the trilateral agreement covers Skagerrak and Kattegat, and the neighbourhood arrangement covers the Swedish fishery in Norwegian waters of the North Sea. The agreements cover quota setting, exchanges of quotas between the two parties, and reciprocal access to waters for fishers.

¹⁰ https://oceans-and-fisheries.ec.europa.eu/fisheries/international-agreements/northern-agreements_en

In respect of the competences attributed to the Advisory Councils under the Common Fisheries Policy Regulation, the MAC will not provide detailed considerations on the mentioned agreements. However, the MAC agrees with the Commission that access to the EU market for fish must be reciprocated with a close and mutually beneficial relationship with fisheries. In this context, the MAC supports the Commission's strategy to link market access for Norwegian fish with access to fishing quotas¹¹.

5. Recommendations

In the context of the trade relations between the EU and Norway, the MAC believes that the European Commission should:

- a) Ensure an appropriate balance between all relevant trade and fisheries agreements, while accounting for the necessary respect of sustainability standards in the setting and distribution of quotas as well as allowing access by the EU fishing industry to Norwegian waters;
- b) Be aware of and make use of the value of access to the EU market when negotiating fisheries agreements with Norway;
- c) Take action to guarantee that the access of Norwegian fishery and aquaculture products into the EU market is balanced, ensuring a level-playing-field in the EEA;
- d) Adopt a global strategy that encompasses all aspects of the EU-Norway relationship, ensuring that fisheries are not viewed in isolation but as part of a comprehensive and integrated strategy, including trade and market access - to achieve this, a permanent task force from DG MARE and DG TRADE should be established;

¹¹ <https://www.fiskeribladet.no/utenriks/eu-med-klar-melding-til-norge-vi-krever-fiskekvoter-mot-markedsadgang/2-1-1666623>

- e) Understand and compensate the concerns and competitive disadvantage of the EU processing industry caused by the significant increase in the market access provided to smoked salmon products under the adopted bilateral protocol, as the increase from 450 to 2.500 tonnes (five times the current quota) is considered to be disproportionate – If the increase in the quota cannot be limited to figures lower than those previously mentioned, the increase should be exclusively limited to the period of 2024-2028 (not retroactive from 2021), since the additional increase of up to 4.000 tonnes will cause event greater damage to EU food business operators;
- f) Understand and compensate the concerns and competitive disadvantage of the EU fishing industry caused by the increase in the market access provided to small pelagic species and the introduction of wider product descriptions such as *“frozen fish”*, *“Fresh or chilled fish”* and *“Fresh, chilled or frozen fillets”* under the adopted bilateral protocol;
- g) Take into account the negative impact of the ongoing developments to the competitiveness and employment of the EU industry, including the costs for the EU processing sector to access raw material – in that way, undertake a study on the costs faced by the EU processing sector to access raw material from Norway;
- h) In relation to the costs for the EU processing sector to access raw material, especially take into account the period between the end of the “bridging quotas” and the entering into force of the new bilateral agreement on the liberalisation of market access;
- i) Take action to face the market distortions caused by the unprecedented levels of Norwegian “production” grade salmon entering the EU market under processed presentation (e.g., filleted, smoked), while their exports as whole fish is prohibited by Norway – this situation should be seriously considered – in case measures are finally adopted, both international trade laws and compliance with EU sanitary rules on import controls (sanitary inspections both in origin and at arrival in the EU) should be applied;



- j) Consider that the competitive disadvantage for EU smokers is even reinforced by the increase of the annual duty-free tariff quota of 4.500 tonnes of smoked salmon;
- k) In case the export of “production” grade fish continues to not be allowed by Norway, consider introducing taxes on imports of filets (from “production” grade) from Norway.