Utilisation of 2017 European Union-Faroe Islands Bilateral Fisheries Agreement

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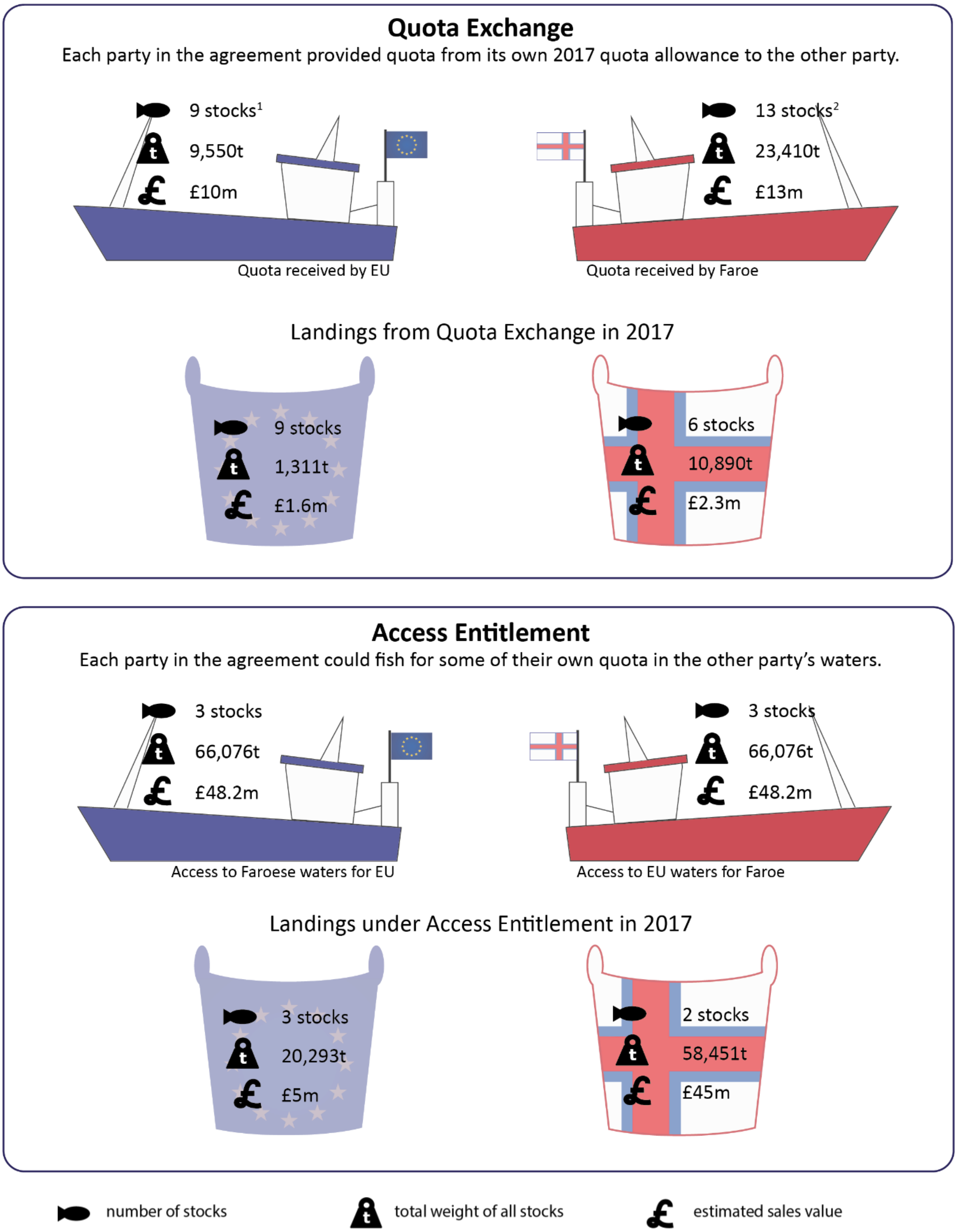
Overview of utilisation in 2017

The infographic below summarises the scope of, and landings under, the 2017 EU-Faroe fisheries bilateral agreement.



[1] *The quota exchange agreement contains seven categories of stock. Two of these contain two quota stocks therefore the total number of stocks is nine, including an 'Others' stock.*

[2] *The quota exchange agreement contains 12 categories of stock. One of these contains two quota stocks therefore the total number of stocks is 13, including an 'Others' stock. Three of the 13 stocks are Greenland quota stocks.*

1 Introduction

Seafish Pelagic Industry Issues Group (PIIG) requested analysis of the utilisation in 2017 of the EU-Faroe fisheries bilateral agreement. The bilateral agreement provides a reciprocal exchange of fishing possibilities between the EU and Faroe. Similar reports on utilisation of the agreement in 2014, 2015 and 2016 have previously been produced by Seafish. The report on utilisation in 2017 also presents a comparison of utilisation across all four years.

1.1 About the agreement

The EU-Faroe bilateral agreement is negotiated annually and includes:

- an exchange of quota between the two parties - both pelagic and demersal quota; and
- access entitlement, which enables each party to fish for some of its own quota for pelagic shared stocks in the other party's waters.

The content of the agreement is broadly similar from one-year to the next although it does reflect changes in annual TACs and may add or remove a stock. Although the negotiation is annual, the mackerel access entitlement is a percentage-based calculation that was fixed for five years from 2014 in a verbal agreement between the EU and Faroe. This arrangement ends in 2018 and its replacement will be a key part of the negotiations for the 2019 agreement.

1.2 Data sources

The report has benefitted greatly from:

- consultations for the current analysis and previous analyses with representatives of pelagic fishing and processing sectors, Marine Scotland and the whitefish fishing sector; and
- information received from the European Commission. Unless otherwise stated, the 2017 landings data for the EU and Faroe were provided by the European Commission; and
- landings data for individual Member States, including the UK, sourced from FIDES.

All other data sources are detailed in the report where they are used including EUMOFA and www.hagstova.fo.

1.3 Structure of the report

The remainder of the report is structured as follows:

- Section 2 provides context for the analysis.
- Section 3 includes:
    - An introduction to the quota exchange element of the agreement, followed by analysis of uptake by the EU and Faroese fleets in 2017 and a comparative analysis of annual uptake

since 2014. Utilisation by the EU fleet is disaggregated to show uptake by the UK fleet and rest of EU fleet;

  - An introduction to the access entitlement element of the agreement, followed by analysis of uptake by the EU and Faroese fleets in 2017 and a comparative analysis for 2014-2017. Utilisation by the EU fleet is disaggregated to show uptake by the UK fleet and rest of EU fleet; and
  - Estimates of the sales value of landings made by both Parties under the agreement.

- Section 4 concludes the report with a summary.
- Appendix A presents the detail of the fishing opportunities provided in the 2017 EU-Faroe fisheries bilateral agreement, the data used to calculate utilisation and the estimated sales values associated with the stocks in the bilateral agreement.
- Appendix B presents a graph of the countries to which the UK and Faroe exported whole frozen mackerel in 2017.

2 Context

Section 2 of the report presents information on the background to the EU-Faroe fisheries bilateral agreement and the sources of concern for the UK pelagic industry.

2.1 Purpose of the agreement

The EU-Faroe bilateral agreement exchanges fishing possibilities between the two parties. The incentives for the agreement are not detailed in the published documentation. However, since 2014, Faroese utilisation of the fishing possibilities provided by the agreement strongly indicates that the incentive for Faroe is to secure fishing possibilities for shared mackerel and blue whiting stocks in EU waters. The incentive for the EU to participate in the agreement is less clear from its uptake of the fishing possibilities. Since the first analysis was conducted in 2015, consultations and discussions with industry and Scottish Government representatives suggest that the primary incentive for the EU's engagement in the bilateral agreement was the role of the agreement in securing Faroese engagement in the multilateral negotiations on the management of North-east Atlantic mackerel conducted by the Coastal States.

In 2010, the governments of Faroe and Iceland set unilateral total allowable catches (TACs) for mackerel which significantly increased the mackerel fishing opportunities available to their fleets. The subsequent increase in mackerel catches, which exceeded scientific advice for sustainable catches, led to a suspension of MSC certifications for North-east Atlantic mackerel in 2012. Following negotiations, an agreement on the shared management of mackerel was reached between the EU, Norway and Faroe for 2014 to 2018. The EU-Faroe bilateral agreement, which began again in 2014, is viewed as part of the process which secured Faroese engagement in the multilateral negotiations.

The five-year (2014-2018) multilateral mackerel agreement between the EU, Norway and Faroe[1] sets aside a reserve equivalent to 15.6% of total TAC to provide for fishing by parties not yet involved in the agreement. The remaining TAC is divided between the three parties as follows: EU receives 58.4%, Faroe receives 14.93% and Norway receives 26.67%. In 2017, the TAC available for North-east Atlantic mackerel was just over one million tonnes. Table 2-1 shows how the TAC was allocated. The UK's initial allocation of quota in 2017 was 239,554t, equivalent to 48% of the EU quota and 23% of total TAC.

Table 2-1: North-east Atlantic mackerel TAC and quotas in 2017

Recipients of quota shares	Quota share in 2017 (tonnes)
EU	503,245
Faroe	128,655
Norway	229,821
Other Coastal States and fishing Parties	159,275
Total TAC for North-east Atlantic mackerel	1,020,996

Source: *https://ec.europa.eu/fisheries/commission-negotiates-mackerel-quota-increases-north-east-atlantic-2017_en*

[1] Agreed Record on a Fisheries Arrangement between the European Union, the Faroe Islands and Norway on the management of mackerel in the North-east Atlantic from 2014-2018. https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/2014-2018-agreed-record-eu-faroe-islands-norway-mackerel_en.pdf

The access entitlement for mackerel in the 2017 EU-Faroe bilateral agreement provided access to each party to catch 38,576t of their own mackerel quota in the other party's waters. Therefore, the Faroe fleet could catch 30% of its total mackerel quota in EU waters and the EU fleet could catch 8% of its mackerel quota in Faroese waters.

2.2 Concerns around the agreement

The UK fleet benefits from the EU-Faroe bilateral agreement through access to fishing possibilities for primarily cod, haddock and saithe in Faroese waters. Whilst only a relatively small proportion of the UK demersal fleet take advantage of the opportunities, the vessels which utilise the Faroese fishing possibilities primarily fish on the West of Scotland where demersal quotas are lower than in the North Sea. The fishing possibilities in Faroese waters provide a vital supplement to the opportunities available to these vessels from the allocation of West of Scotland EU quota stocks. Furthermore, utilisation of pelagic fishing possibilities in Faroese waters by vessels from the rest of the EU has increased in the four years since 2014. Detailed analysis of utilisation is provided in Section 3 of the report.

However, concern about the level of benefit secured by the Faroese fleet from the agreement in return for the benefits available to the UK and rest of EU is greatest in Scotland. Given that the access entitlement which enables the Faroese fleet to fish in EU waters does not provide additional quota to Faroe, it simply allows the fleet to catch its own quota in EU waters, it could be asked: Why does it matter where the Faroese fleet catches its mackerel quota?

Representatives of the pelagic fleet and pelagic processing sector believe that too high a price is paid for the benefits received. The 'price' of greatest concern is the mackerel access entitlement provided to Faroe by the EU and the advantages that this is believed to provide to the Faroese processing sector in the market for mackerel products, and the boost it provides to the competitive strength of the Faroese processing sector. The advantages to the Faroese processing sector which are perceived to exist because of the EU-Faroe bilateral agreement include the quality and quantity of mackerel available to Faroese processors which are believed to expand the market opportunities available to Faroese processors. These perceptions are discussed further in the sections below.

2.2.1 Quality and quantity of fish

As presented in previous reports on the EU-Faroe agreement, it continues to be the case that the incentive for Faroese vessels to fish in EU waters is significantly greater than it is for EU vessels to fish in Faroese waters, particularly for mackerel. Representatives of the industry stated that when the mackerel stock is present in Faroese waters the fish are poorer quality due to the presence of stomach feed which makes the fish soft and oily. Therefore, mackerel caught in Faroese waters is of lower value per tonne than mackerel caught in EU waters.

Similarly, characteristics of the blue whiting stock in different fishing grounds provide the Faroese fleet with an incentive to fish for blue whiting in EU waters instead of Faroese waters. Fishing industry representatives have stated that when blue whiting is present in Faroese waters the shoals are dispersed making the fishing operation less efficient due to lower stock density. Thus, there are higher costs and lower profits from fishing in Faroese waters compared to fishing in EU waters.

In addition to the benefits to the Faroese fleet from accessing EU waters to fish, Faroese fiscal policy and future Faroese fisheries management policy compel Faroese boats to land their catch in Faroe. This means Faroese processors are guaranteed access to all the landings from the quota secured by the Government of the Faroe Islands. This may reduce the price a Faroese processor must pay relative to the prices which EU and Norwegian processors must pay to secure landings in open market conditions. However, industry representatives also acknowledge that there is more vertical integration in the Faroese pelagic sector which will also influence their ability to attract raw material.

Industry representatives also express concerns around whether the Faroese fleet would be able to catch the mackerel quota they are allocated if it were not for access to EU waters. This concern feeds questions about the fairness of the agreement.

2.2.2 Market analysis for Faroe and UK

In 2017, exports of frozen whole mackerel from the UK were 66,322t and 111,721t from Faroe[2]. The UK processing sector exported over 500t to 14 countries and Faroe exported over 500t to 15 countries in 2017. Of the export destinations to which each party exported more than 500t, nine are common to both the UK and Faroe: Egypt, France, Germany, Ghana, Lithuania, Netherlands, Poland, Romania and Ukraine. Further detail on the countries to which either the UK or Faroe exported more than 500t of frozen whole mackerel in 2017 is provided in Appendix B.

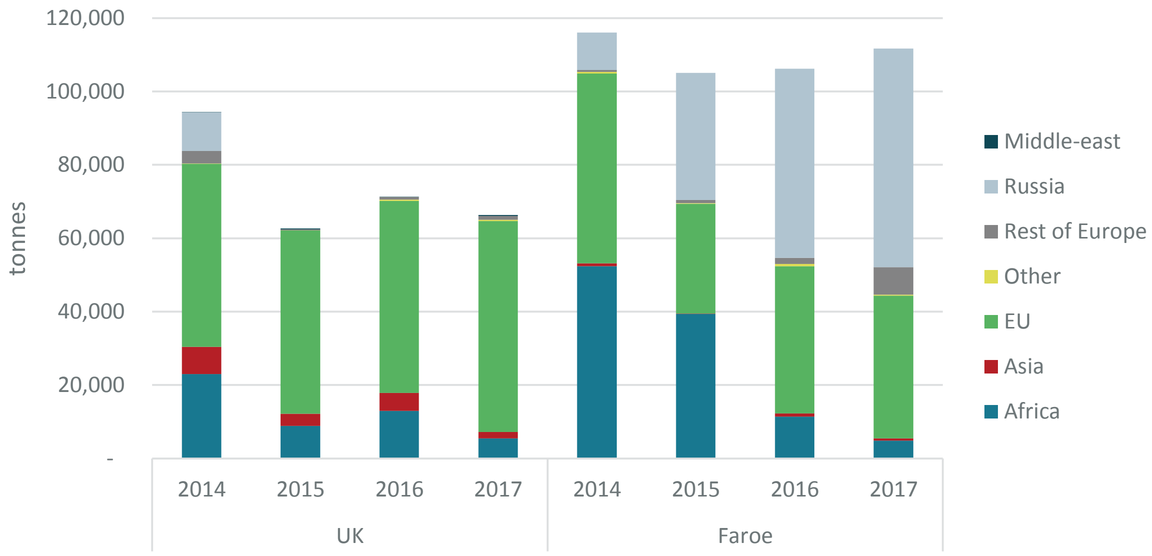
One very important market to Faroese processors is the Russian market. In 2014, Faroese processors exported approximately 10,000t of frozen whole mackerel to Russia, which represented almost 9% of the export of this product from Faroe, in 2017 exports to Russia had increased to almost 60,000t, or 53% of frozen whole mackerel export from Faroe. EU processors currently do not have access to the Russian market. In August 2014, the Russian Federation banned the import of seafood from the EU which shut what had been an important market for UK processors. In the first seven months of 2014, before the ban was introduced, the UK exported 10,000t of frozen whole mackerel to Russia.

Faroe benefits from being outside of the EU as this enables its processors to export their product to Russia. Faroe also has a bilateral trade agreement with the EU which means that customs duties are not applied to imports/exports between the two parties. Whilst reference ceilings[3] exist for some fish products they do not exist for frozen whole mackerel. This means that EU and Faroese processors compete on a relatively level playing field in EU markets.

Figure 2-1 shows all export destinations to which the UK and Faroe exported frozen whole mackerel in the four years to 2017 aggregated into groupings such as Asia, EU and rest of Europe. In 2017, the Russian market represented 53% of all Faroese exports. In 2017, the EU market represented 35% of Faroese exports and 87% of UK exports (Figure 2-1). However, the Rotterdam effect (described below) may exaggerate exports to the EU and underestimate exports to elsewhere.

[2] Source: EUMOFA data for UK exports and www.hagstova.fo for exports from Faroe.
[3] Reference ceilings limit the amount of imports to the EU. If imports to the EU exceed the reference ceiling the EU may introduce full customs duties on the product.

Figure 2-1: Exports of frozen whole mackerel from UK and Faroe by destination in 2014-2017 (tonnes)



Sources: EUMOFA (www.eumofa.eu) and www.hagstova.fo

There is one factor which affects the transparency of the trade data available for analysis and this is the 'Rotterdam effect'. This is a widely acknowledged challenge whereby the trade flows to and from the Netherlands are exaggerated due to the Port of Rotterdam's role as a global distribution hub for fisheries and other products. In the export data for 2017, shown in Figure 2-1, exports to the Netherlands account for 52% of Faroese exports to the EU and 46% of UK exports to the EU. However, a significant proportion of these exports could represent quasi-transit[4] trade and could be mackerel destined for either another EU or a non-EU country. For example, one Scottish processor spoke of regularly storing product in the Netherlands prior to export to Asia. The Rotterdam effect means that exports from the UK, or Faroe, to Asia or elsewhere that use Rotterdam as a distribution hub are recorded as an export to the Netherlands.

[4] *Quasi-transit - Operation when goods are imported by non-residents into the reporting economy from outside the EU and subsequently dispatched to another Member State as well as when the goods exported from a Member State to a non-member country are cleared for exports in another Member State. Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Quasi-transit*

3 Utilisation of fishing possibilities

There are two types of fishing possibility agreed under the EU-Faroe bilateral agreement:

- Quota exchange – an exchange of quota between the two parties - both pelagic and demersal quota; and
- Access entitlement – which enables each party to fish for some of its own pelagic quota in the other party's waters.

Section 3 of the report provides analysis of utilisation of both types of fishing possibility by the UK, rest of EU and Faroe in 2017, and provides a comparison of utilisation for the years 2014-2017.

3.1 Quota Exchange

The quota exchange element of the agreement involves a swap of fishing rights between the EU and Faroe. In the absence of the bilateral agreement, the quota provided under the exchange element of the agreement to the other party would have been available to be fished by the fleet of the quota provider. Therefore, it is assumed that the incentive for quota exchange is to better match the availability of quota to the interests of each party's fleet.

In 2017, the EU received quota under seven stock categories from Faroe, representing a total of eight quota stocks and an 'others' quota. Some stocks were combined into a single quota for the quota exchange: cod and haddock were combined, and ling and blue ling were combined. Quota received by the EU was then distributed to Member States, including the UK.

In 2017, Faroe received quota under eleven stock categories from the EU, representing a total of 11 quota stocks and an 'others' quota. Three of the quota stocks provided to Faroe were for Greenland waters.

3.1.1 Greenland quota

Since 2014, the EU has provided Faroe with quota stocks from EU waters and from Greenland waters. Greenland quota is available to the EU through the Sustainable Fisheries Partnership Agreement (SFPA) between the EU and Greenland. However, data on Faroese catches against these exchanged Greenland quotas are not available from the European Commission.

3.1.2 Changes to the fishing possibilities since 2014

Although the negotiation between the EU and Faroe is annual, the changes from one year to the next are relatively modest and are likely to reflect changes in TAC, rather than significant changes in the negotiated position of either party. The most notable differences since 2014 have been:

- in 2016, sprat quota was added to the quota exchange provided by the EU to Faroe;
- in 2015, Atlanto-Scandian herring was added to the access element of the agreement part-way through the year. Consultees stated that this was at the request of the EU because no agreement for Atlanto-Scandian herring was reached between the EU and Norway for 2015. The access entitlement has remained in subsequent annual agreements despite there being an agreement on Atlanto-Scandian herring between the EU and Norway in 2016 and 2017;

- in 2015, the access entitlement for blue whiting increased for one year. Consultees stated that this was at the request of Faroe and in response to the EU's request for Atlanto-Scandian herring access; and
- in 2017, herring 4a was included for the first time in the quota exchange provided by the EU to Faroe. The amount of herring 4a quota provided corresponds with a reduction in the Skaggerak herring quota also provided by the EU to Faroe in 2017.

3.1.3 Utilisation of quota exchange possibilities by UK and EU in 2017

The UK demersal fleet benefits from the quota provided by Faroe to the EU under the quota exchange element of the bilateral agreement. Except for some activity by French based vessels in 2015 and 2016, it is only the UK fleet that has taken advantage of the demersal quota exchange possibilities provided in the bilateral agreement.

The Scottish vessels which fish in Faroese waters primarily fish on the West of Scotland. The Scottish vessels fish in Faroese waters in the latter part of the year, September to November, and may make three trips of 8-10 days per month. The primary species of interest, deduced from the landings data, is cod, haddock and saithe, with plaice and 'others' of secondary interest.

In 2017, the benefit to the UK was less than it had been in previous years. With regards to the Scottish fleet, this is understood to be because at least three vessels reduced their fishing in Faroese waters or did not fish at all in Faroese waters. The reduction in effort in Faroese waters in 2017 is understood to be largely due to business reasons rather than the opportunity not being attractive or an alternative fishing opportunity arising. It is therefore expected that landings from Faroese waters will increase again in 2018.

Since 2014, utilisation by rest of EU fleet has focused on blue whiting. However, landings reduced in 2017. Previously, the Danish fleet had landed the majority of Faroese blue whiting under the quota exchange possibilities but, in 2017, the Danish fleet made no landings of Faroese blue whiting.

3.1.4 Utilisation of quota exchange possibilities by Faroe in 2017

The Faroese fleet can catch blue whiting in EU waters under both quota exchange and access fishing possibilities. The analysis assumes the quota exchange possibility is utilised first. Of the eleven stock categories which the EU provided to Faroe in the quota exchange element of the agreement, the landings by Faroe are largely blue whiting and sprat, with a relatively modest amount of herring also landed. Uptake of the three Greenland quota stocks is not known.

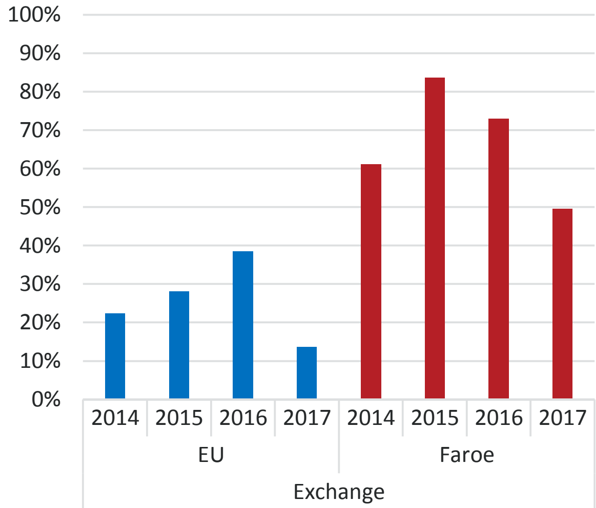
In 2017, the Faroese fleet landed 10,685t of EU quota stocks from permitted quota, representing 49% of the quota provided by the EU. This is almost half the tonnage landed in 2015 (20,750t), which represented 79% of the fishing possibility available through quota exchange. Fewer landings in 2017 were the result of reduced blue whiting possibilities and less Norway pout landings.

3.1.5 Utilisation of quota exchange by the EU and Faroe in 2014-2017

Across the four years to 2017, the EU fleet (including UK) landed 22% of the quota exchange fishing possibilities provided by Faroe in 2014, 28% in 2015, 38% in 2016 and 14% in 2017.

The Faroese fleet landed 61% of the quota exchange possibilities provided by Faroe in 2014, 84% in 2015, 73% in 2016 and 49% in 2017 (Figure 3-1).

Figure 3-1: Percentage uptake of quota exchange possibilities (all stocks) by EU and Faroe, 2014-2017 (tonnes)



	2014	2015	2016	2017	2014	2015	2016	2017
Percentage	22%	28%	38%	14%	61%	84%	73%	49%

The following two pages provide graphs, data and observations on uptake of the quota exchange possibilities provided for each stock in the 2017 bilateral agreement, and a comparison of uptake in the period 2014-2017.

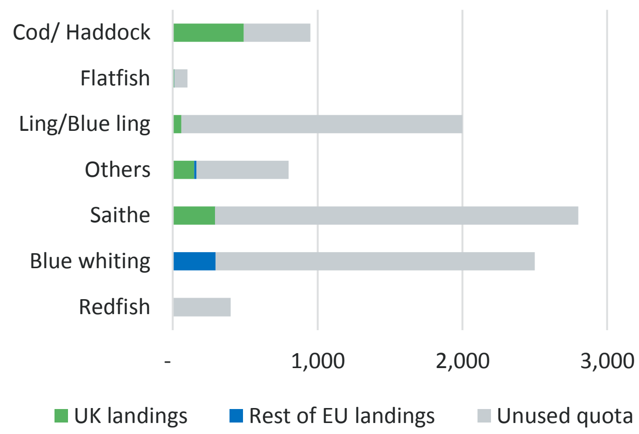
3.2 UK and rest of EU utilisation of quota exchange fishing possibilities

Overview of utilisation in 2017

In 2017, the UK fleet landed 1,000t of demersal quota stocks from Faroese waters. The stocks of most significance were cod/haddock and saithe. The rest of the EU (REU) fleet landed 312t in 2017, largely consisting of pelagic blue whiting (296t).

Of the quota received by the EU for Faroese waters in 2017, 8,239t or 86% was not caught, the majority of which was blue whiting, saithe and ling/blue ling.

Figure 3-2: UK and Rest of EU (REU) utilisation of quota exchange fishing possibilities in 2017 (tonnage landed from Faroese waters and, in table, tonnage landed as % of quota for each stock provided to EU)



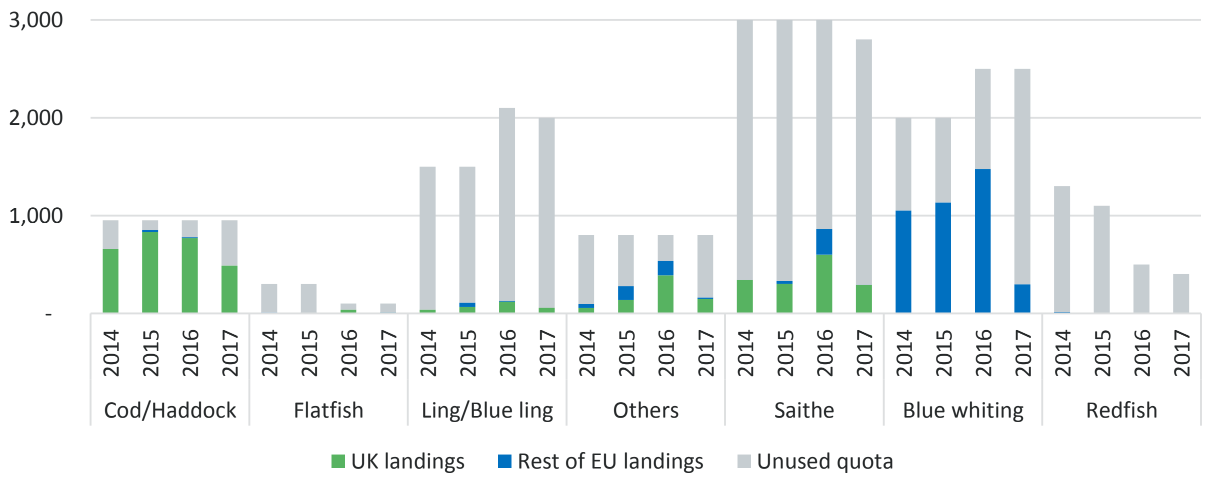
	UK landings (t & % of EU t)		REU landings (t & % of EU t)		Unused quota (t)
Cod/ Haddock	490.6	52%	-	0%	459.4
Flatfish	9.3	9%	0.0	0%	90.7
Ling/Blue ling	58.5	3%	-	0%	1,941.7
Others	146.7	18%	15.7	2%	637.6
Saithe	291.5	10%	0.4	0%	2,508.1
Blue whiting	-	0%	296.1	12%	2,203.9
Redfish	2.9	1%	-	0%	397.1
Total	999.5	10%	312.2	3%	8,238.6

Overview of utilisation in 2014-2017

Landings of Faroese quota by the UK fleet was lowest in 2017 (1,000t) and highest in 2016 (1,919t). The UK reduction in landings in 2017 is likely to be temporary and more landings from Faroese waters are expected in 2018. In 2015 and 2016, vessels from France also caught demersal stocks from Faroese waters.

Landings of blue whiting by the rest of EU fleet reduced in 2017 because the Danish fleet did not utilise the possibility for the first time since 2014.

Figure 3-3: UK and EU utilisation of quota exchange fishing possibilities from Faroe, 2014-2017



3.3 Faroe utilisation of quota exchange fishing possibilities

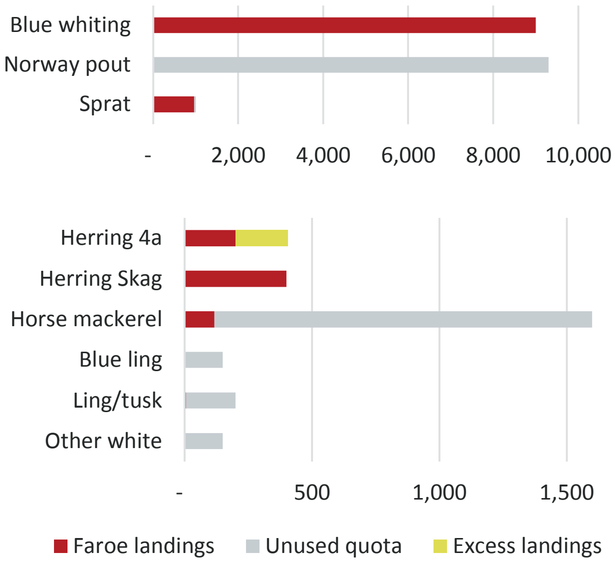
Utilisation in 2017 (excluding Greenland stocks)

Applying the assumption that quota exchange possibilities for blue whiting (9,000t) are used before access entitlements the Faroese fleet landed 10,685t of the EU quota provided to them. Commission data shows over-quota landings of 205t of North Sea herring, therefore 10,890t was landed in total.

Of the quota received by Faroe under the quota exchange element of the bilateral agreement in 2017, 11,315t or 51% was not caught, largely consisting of Norway pout and horse mackerel quota.

The high tonnage stocks, blue whiting, Norway pout and sprat, are shown separately in the graphs below.

Figure 3-4: Faroe utilisation of quota exchange fishing possibilities in 2017 (t) (tonnage landed from EU waters and, in table, tonnage landed as % of quota provided to Faroe)

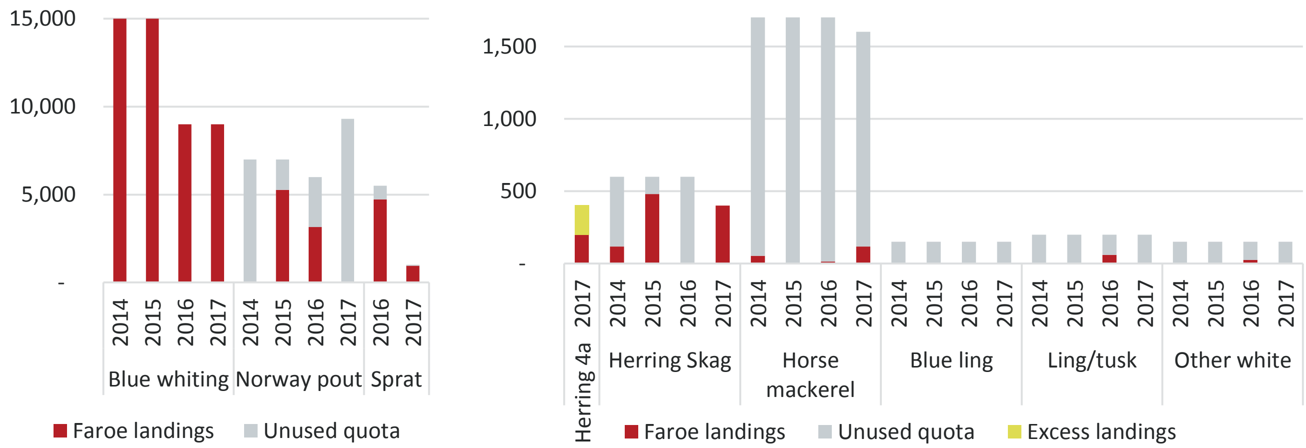


	Faroe landings (t)	Excess landings (t)	Landings as % of quota avail.	Unused quota (t)
Blue whiting	9,000		100%	0
Norway pout	-		0%	9,300
Sprat	963		96%	38
Herring 4a	200	205	203%	0
Herring Skag	400		100%	0
Horse mackerel	117		7%	1,483
Blue ling	0		0%	150
Ling/tusk	5.3		3%	194.7
Other white	0		0%	150
Total	10,685	205	49%	11,315

Utilisation in 2014-2017 (excluding Greenland stocks)

Faroese uptake of blue whiting exchange possibilities is assumed to be 100% in all four years. Other significant uptake of fishing possibilities includes sprat in 2016 and 2017 and Norway pout in 2015 and 2016. Of the lower quota stocks (right-hand graph), herring was landed most.

Figure 3-5: Faroe utilisation of quota exchange fishing possibilities from the EU, 2014-2017



3.4 Access entitlements

Access entitlements do not change the size of fishing opportunity available to the recipient, instead the access entitlement provides the recipient with an option to fish for its own quota in the waters of the other party. There is no transfer of quota. The bilateral agreement provides equal reciprocal access to both parties, i.e. the tonnages available to each party are the same. The three stocks for which access entitlements are provided are the pelagic shared stocks of mackerel, blue whiting and Atlanto-Scandian herring.

3.4.1 Utilisation of access entitlements by the EU and Faroe in 2017

The UK fleet did not utilise any of the access entitlements available to it in 2017. Utilisation by rest of EU fleet focused on blue whiting.

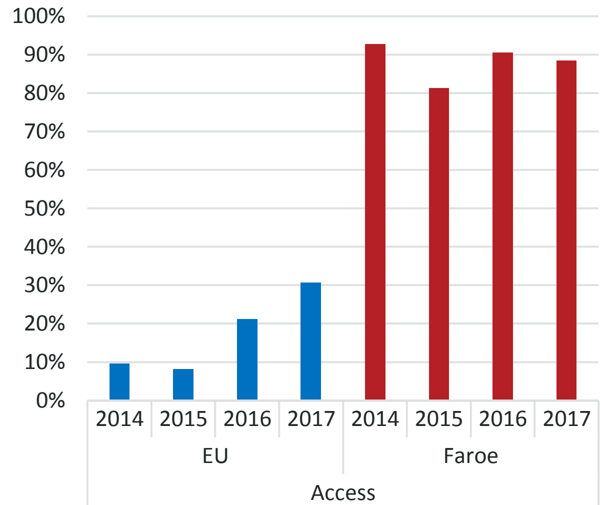
In 2017, the Faroese fleet utilised almost all access entitlement available to it for both mackerel and blue whiting.

3.4.2 Utilisation of access entitlements by the EU and Faroe in 2014-2017

In the four-year period to 2017, the EU fleet utilised 10% of the access entitlements provided by Faroe in 2014, 8% in 2015, 21% in 2016 and 31% in 2017. In 2017, EU utilisation of access entitlements remains significantly below utilisation by Faroe. However, in 2017, utilisation was higher than in previous years and the EU fleet landed 20,293t of EU quota from Faroese waters. EU blue whiting represented most of the landings (18,649t).

The Faroese fleet has consistently utilised a high proportion of the access entitlements available to it for blue whiting and mackerel. Overall, the Faroese fleet utilised 93% of the access entitlements provided by Faroe in 2014, 81% in 2015, 90% in 2016 and 88% in 2017 (Figure 3-6).

Figure 3-6: Percentage uptake of access entitlements (all stocks) by EU and Faroe, 2014-2017 (tonnes)



	EU 2014	EU 2015	EU 2016	EU 2017	Faroe 2014	Faroe 2015	Faroe 2016	Faroe 2017
Percentage	10%	8%	21%	31%	93%	81%	90%	88%

The following two pages provide graphs, data and observations on uptake of each access entitlement provided in the 2017 bilateral agreement, and a comparison of uptake for each stock in the period 2014-2017.

3.5 UK and rest of EU utilisation of access entitlements

UK and REU utilisation of access entitlements in 2017

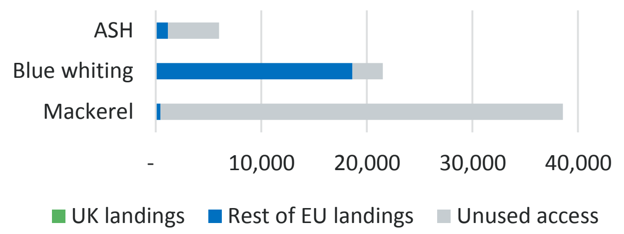
The EU fleet utilised 31% of the access fishing possibilities available to it in 2017. The majority of which was 18,649t of blue whiting landings, which represented an 87% uptake of the access entitlement for this stock.

Despite Atlanto-Scandian herring being included in the access possibilities in 2015 at the request of the EU, the EU fleet utilised only 20% of the entitlement in 2017.

In 2017, only 1% of the mackerel access entitlement was used by the EU fleet.

The UK fleet did not utilise any of the access entitlements available to it in 2017.

Figure 3-7: UK and Rest of EU (REU) utilisation of access fishing possibilities in 2017 (tonnage landed from Faroese waters and, shown in table, tonnage landed as % of access for each stock available to EU)



	UK landings (t & % of EU t)		REU landings (t & % of EU t)		Unused quota (t)
Atlanto-Scandian herring	0	0%	1,171	20%	4,829
Blue whiting	0	0%	18,649	87%	2,851
Mackerel	0	0%	473	1%	38,103
Total	0	0%	20,293	31%	45,783

UK and REU utilisation of access entitlements in 2014-2017

Figure 3-8 compares EU use of the possibility to fish for EU quota in Faroese waters across the four years to 2017.

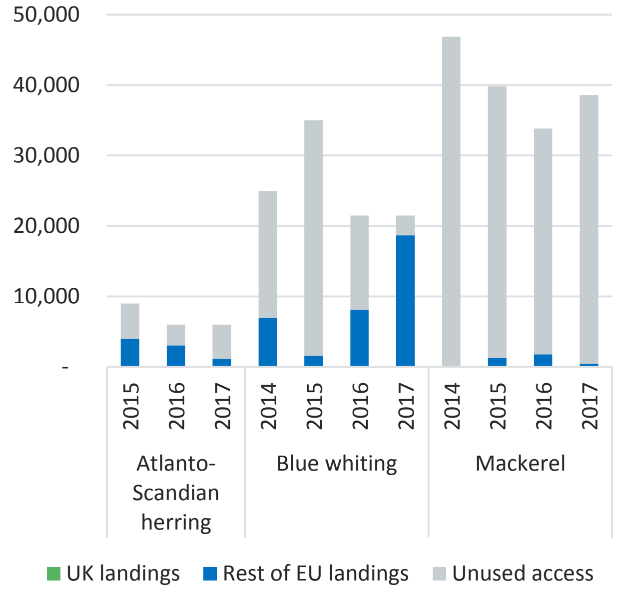
The landings of blue whiting by the EU fleet more than doubled in 2017 compared to 2016, and is 17,000t higher than in 2015.

The uptake of Atlanto-Scandian herring has decreased since it was included in the agreement in 2015 at the request of the EU.

The uptake of access possibilities for mackerel is very limited.

Across the four years, the UK pelagic fleet has never utilised any of the access entitlements available to it.

Figure 3-8: UK and Rest of EU (REU) utilisation of access fishing possibilities in 2014-2017 (tonnage landed from Faroese waters)



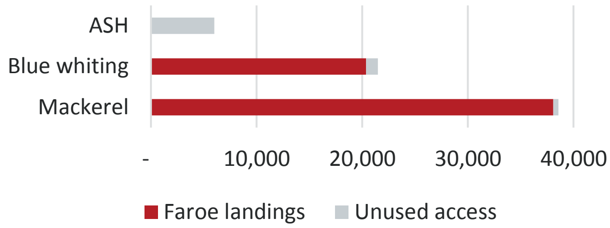
3.6 Faroe utilisation of access entitlements

Faroe utilisation of access entitlements in 2017

Figure 3-9 shows that in 2017 the Faroese fleet utilised 95% of the blue whiting and 99% of the mackerel access entitlements available to it. In 2017, 58,451 tonnes of Faroese pelagic quota were landed from EU waters

The Faroese fleet did not land any Atlanto-Scandian herring from EU waters in 2017.

Figure 3-9: Faroe utilisation of access fishing possibilities in 2017 (tonnage landed from EU waters and, shown in table, tonnage landed as % of access for each stock available to Faroe)



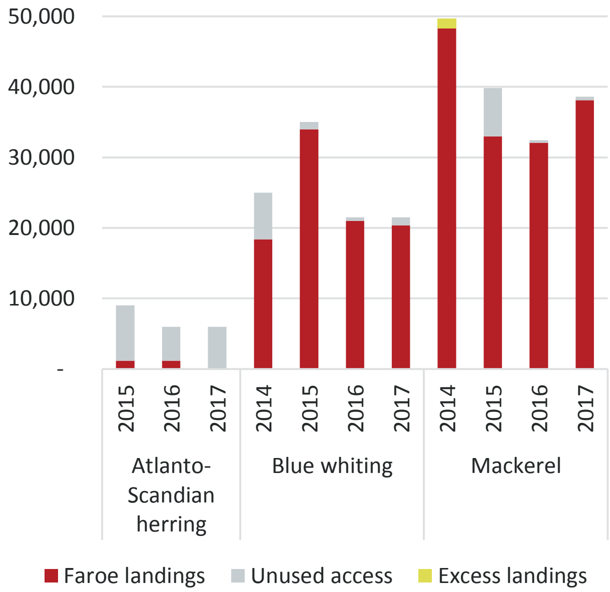
	Faroe landings (t)	Landings as % of access	Unused quota (t)
Atlanto-Scandian herring	-	0%	6,000
Blue whiting	20,358	95%	1,142
Mackerel	38,093	99%	483
Total	58,451	88%	7,625

Faroe utilisation of access entitlements in 2014-2017

The pattern of utilisation in 2017, follows the pattern of the previous three years, with Faroese uptake of blue whiting and mackerel access entitlements at close to 100% in most years (Figure 3-10). The exceptions were 2014 when uptake of blue whiting access was 73% and 2015 when uptake of mackerel access was 83%.

Excess landings of mackerel were reported in 2014, and this was deducted from the access entitlement available to Faroe in 2016.

Figure 3-10: Faroe utilisation of access fishing possibilities in 2014-2017 (tonnage landed from EU waters)



3.7 Sales value of landings made under the 2017 agreement

The value estimates are based on the UK sales value of the fish that could potentially be landed, and the fish that was landed, from the fishing possibilities agreed between the two parties in the bilateral agreement.

For the first time since the analysis began in 2014, the estimate of the potential sales value of the fish that can be landed from the quota exchange is notably different. The estimated potential value to the EU from the quota provided by Faroe in 2017 is £10m, whereas the estimated potential value to Faroe from the quota provided by the EU is £13m.

The estimated sales values of landings made by the UK, EU and Faroese fleets from the quota exchange element of the agreement in 2017 are:

- £1.6m of landings by the EU fleet, of which £1.5m was landed by the UK fleet; and
- £2.3m of landings by the Faroese fleet (excluding any landings made from Greenland waters).

In terms of uptake of access entitlements, the estimated sales values of the landings made from the other party's waters are:

- £5m of landings of EU pelagic quota was made by the EU fleet from Faroese waters; and
- £45m of landings of Faroese pelagic quota was made by the Faroese fleet from EU waters.

Further detail on the calculation of sales value is provided in Appendix A.

4 Summary

The analysis of the EU-Fisheries bilateral agreement shows that the Faroese fleet makes significantly more use of the fishing possibilities provided under the agreement than the EU fleet does. Of greatest importance to the Faroese fleet is the pelagic fishing possibilities in EU waters provided under both the quota exchange and access entitlement elements of the agreement.

In 2017, the Faroese fleet landed 54,216t of Faroese quota from EU waters via the access entitlements, which was 88% of the entitlements available. Since 2014, the Faroese fleet has utilised between 81% and 93% of the access entitlements (tonnes) available to it (Figure 4-1). The access entitlements not utilised by Faroe since 2015 were mostly unused access to EU waters for Atlanto-Scandian herring.

From the quota exchange possibilities in 2017, the Faroese fleet landed 10,890t of the EU quota received in exchange for Faroese quota. Since 2014, the Faroese fleet utilised between 49% and 84% of the EU quota provided to Faroe (Figure 4-1). The lowest uptake (49%) was in 2017 due to zero landings of Norway pout by the Faroese fleet. The calculations exclude the Greenland stocks provided to Faroe by the EU.

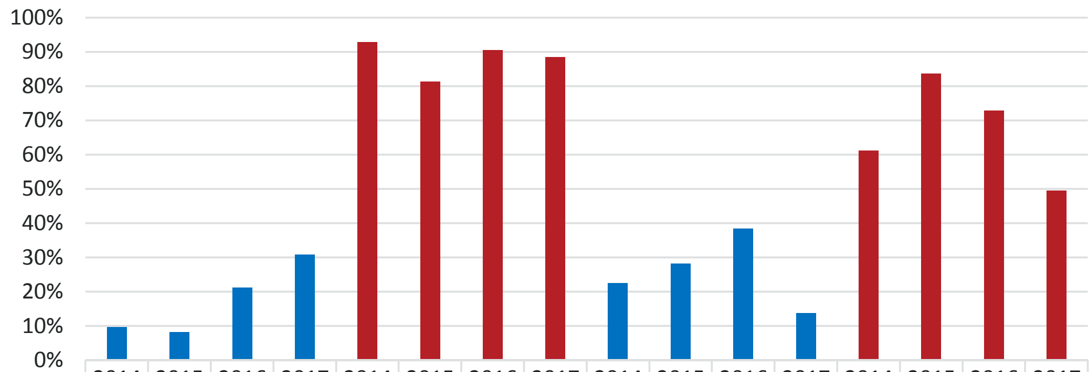
Utilisation by the EU fleet of the fishing possibilities provided by the bilateral agreement does not match uptake by the Faroese fleet in terms of tonnage or value. However, the demersal fishing possibilities in Faroese waters provided via quota exchange have been of value to the UK, and utilisation of pelagic fishing possibilities in Faroese waters by other Member States has increased in the four years since 2014.

In 2017, the EU fleet landed 20,293t of EU quota from Faroese waters via the access entitlements, which was 31% of the entitlements available. Since 2014, utilisation by the EU fleet of access entitlements (tonnes) has varied between 8% and 31%. In 2016 and 2017 the EU fleet increased its landings of EU blue whiting quota from Faroese waters under the access entitlement (Figure 4-1).

From the quota exchange possibilities in 2017, the EU fleet landed 1,311t of the Faroese quota received, of this figure 1,000t was landed by the UK fleet. Since 2014, utilisation of the quota exchange possibilities by the EU fleet has varied between 14% and 38%, with the low of 14% occurring in 2017. The low uptake in 2017 was largely due to a reduction in landings of blue whiting quota by the Danish fleet, although uptake of demersal quota by the UK fleet was also lower than it had been in previous years.

Unlike the fleets from other EU Member States and Faroe, the UK fleet has not utilised any of the pelagic fishing possibilities available to it under the bilateral agreement.

Figure 4-1: Percentage uptake of fishing possibilities (all stocks) by EU and Faroe, 2014-2017 (tonnes)



	Access								Exchange							
	EU				Faroe				EU				Faroe			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Percentage	10%	8%	21%	31%	93%	81%	90%	88%	22%	28%	38%	14%	61%	84%	73%	49%

Although the agreement is reciprocal, the fishing possibilities provided are more attractive and of much greater value to Faroe than they are to the EU. The access entitlements provide the Faroese fleet with either access to higher quality catch (mackerel) or better catchability (blue whiting). This can be expected to improve the profit margin for the fleet which means the vessels are prepared to travel to EU waters to fish. Furthermore, the quota exchange element provides an increase in quota for pelagic stocks that the Faroese fleet target, for example, blue whiting.

In contrast, the benefit to the EU fleet from fishing for its own quota in Faroese waters, or from fishing for Faroese quota received through the exchange process, is less clear. This is reflected in the EU fleet's relatively low utilisation of the fishing possibilities provided in the EU-Faroe fisheries bilateral agreement across the four years to 2017.

Appendix A: Quantitative analysis of 2017 EU-Faroe fisheries bilateral agreement

2017 EU-Faroe Bilateral Fisheries Agreement: Quota Exchange Analysis												
Bilateral Agreement				Landings by EU and Faroe		UK Quota and Landings			Sales Value of Landings[5]			
Beneficiary Party	Agreement	Species	Agreed quota 2017 (t)	Landings 2017 (t)	Landings as % of agreed quota	End of year UK quota 2017 (t)	UK landings 2017 (t)	UK landings as % of UK quota	Sales price per tonne of landings in 2017 (£)	Potential sales value of quota exchange to EU and Faroe (£'000s)	Estimated sales value of actual landings from other party's waters (£'000s)	Estimated sales value of UK landings (£'000s)
EU	Exchange	Cod and haddock	950	490.57	52%	817.00	490.60	60%	£1,777	£1,688	£872	£872
EU	Exchange	Saithe	2,800	291.91	10%	670.00	291.50	44%	£990	£2,772	£289	£289
EU	Exchange	Redfish	400	2.87	1%	7.00	2.90	41%	£1,043	£417	£3	£3
EU	Exchange	Ling and blue ling	2,000	58.31	3%	114.00	58.50	51%	£1,636	£3,272	£95	£96
EU	Exchange	Flatfish	100	9.34	9%	68.00	9.30	14%	£1,331	£133	£12	£12
EU	Exchange	Blue whiting	2,500	296.06	12%	1,100.00	-	0%	£213	£533	£63	£
EU	Exchange	Others	800	162.38	20%	204.00	146.70	72%	£1,513	£1,210	£246	£222
Total			**9,550**	**1,311.44**	**14%**	**2,980.00**	**999.50**	**34%**		**£10,025**	**£1,580**	**£1,493**
Faroe	Exchange	Ling and tusk	200	5.30	3%				£1,636	£327	£9	
Faroe	Exchange	Blue ling	150	-	0%				£1,170	£176	£	
Faroe	Exchange	Horse mackerel	1,600	117.00	7%				£435	£696	£51	
Faroe	Exchange	Norway pout	9,300	-	0%				£64	£597	£	
Faroe	Exchange	Sprat (new in 2016)	1,000	962.50	96%				£190	£190	£183	
Faroe	Exchange	Blue whiting	9,000	9,000.00	100%				£213	£4,580	£1,917	
Faroe	Exchange	Other white	150	-	0%				£1,513	£227	£	
Faroe	Exchange	Herring Skagerrak	400	400.00	100%				£420	£168	£168	
Faroe	Exchange	Herring North Sea	200	405.00	203%				£420	£84		
Faroe	Exchange	Northern deep prawns*	1,250	-	0%				£4,487	£5,609	£	
Faroe	Exchange	Greenland halibut*	110	-	0%				£2,243	£247	£	
Faroe	Exchange	Redfish*	50	-	0%				£1,043	£52	£	
Total			**23,410**	**10,889.80**	**47%****					**£12,952**	**£2,328**	

**Quota stocks in Greenland waters. **Landings as a percentage of agreed quota is 49% if the quota for Greenland stocks is excluded.*

[5] All estimated sales values are based on the average price of landings for each stock in the UK in 2017 where publicly available.

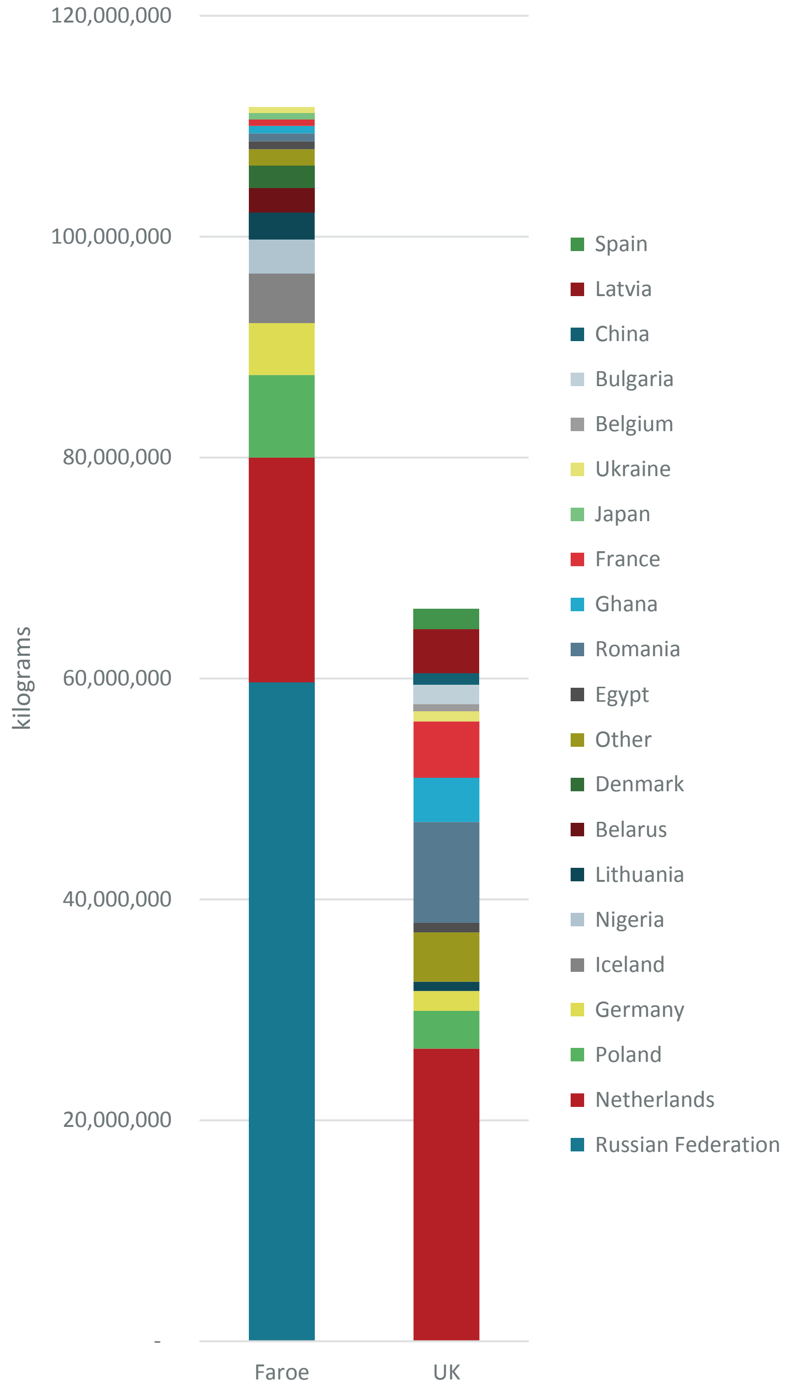
2017 EU-Faroe Bilateral Fisheries Agreement: Access Entitlement Analysis

Bilateral Agreement				Landings by EU and Faroe		UK Access and Landings			Sales Value of Landings[6]			
Beneficiary party	**Agreement**	**Species**	**Agreed access 2017 (t)**	**Landings 2017 (t)**	**Landings as % of agreed access**	**UK access 2017 (t)**	**UK landings 2017 (t)**	**UK landings as % of UK access**	**Sales price per tonne of landings in 2017 (£)**	**Potential sales value of access entitlement (£’000s)**	**Estimated sales value of actual landings from other party’s waters (£’000s)**	**Estimated sales value of UK landings (£’000s)**
EU	Access	Atlanto-Scandian herring	6,000	1,171.12	20%	1,314.00	-	0%	£420	£2,520	£492	£ -
EU	Access	Mackerel	38,576	473.17	1%	19,778.00	-	0%	£1,066	£41,122	£504	£ -
EU	Access	Blue whiting	21,500	18,648.57	87%	7,021.00	-	0%	£213	£4,580	£3,972	£ -
Total			**66,076**	**20,292.85**	**31%**	**28,113**	**-**	**0%**		**£48,222**	**£4,968**	**£ -**
Faroe	Access	Atlanto-Scandian herring	6,000	-	0%				£420	£2,520	£	
Faroe	Access	Mackerel	38,576	38,093.00	99%				£1,066	£41,122	£40,607	
Faroe	Access	Blue whiting	21,500	20,358.00	95%				£213	£4,580	£4,336	
Total			**66,076**	**58,451.00**	**82%**					**£48,222**	**£44,943**	

[6] All estimated sales values are based on the average price of landings for each stock in the UK in 2017 where publicly available.

Appendix B: Exports by Faroe and UK in 2017

Figure B-1: Destination of frozen whole mackerel exports from Faroe and UK in 2017 (kg).
Only countries which imported more than 500,000kg (500t) are detailed separately. Countries which imported less than 500,000kg are grouped under 'other'.



Sources: EUMOFA (www.eumofa.eu) and www.hagstova.fo

Please see Section 2 for a description of conditions that influence the quantity of exports to Netherlands.