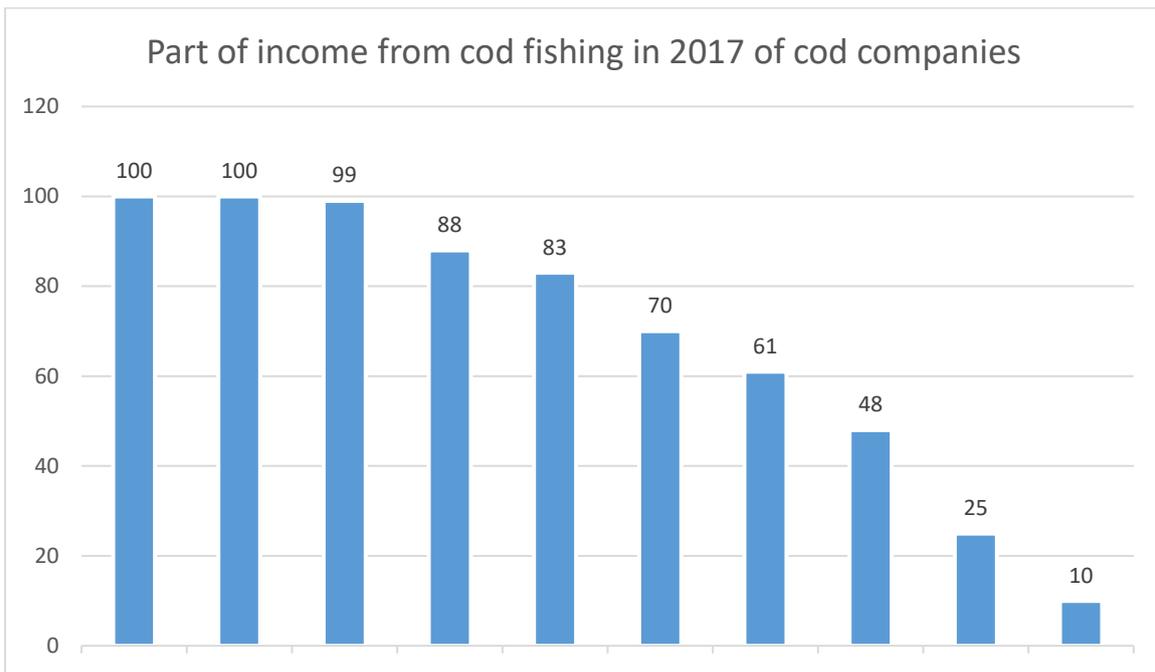
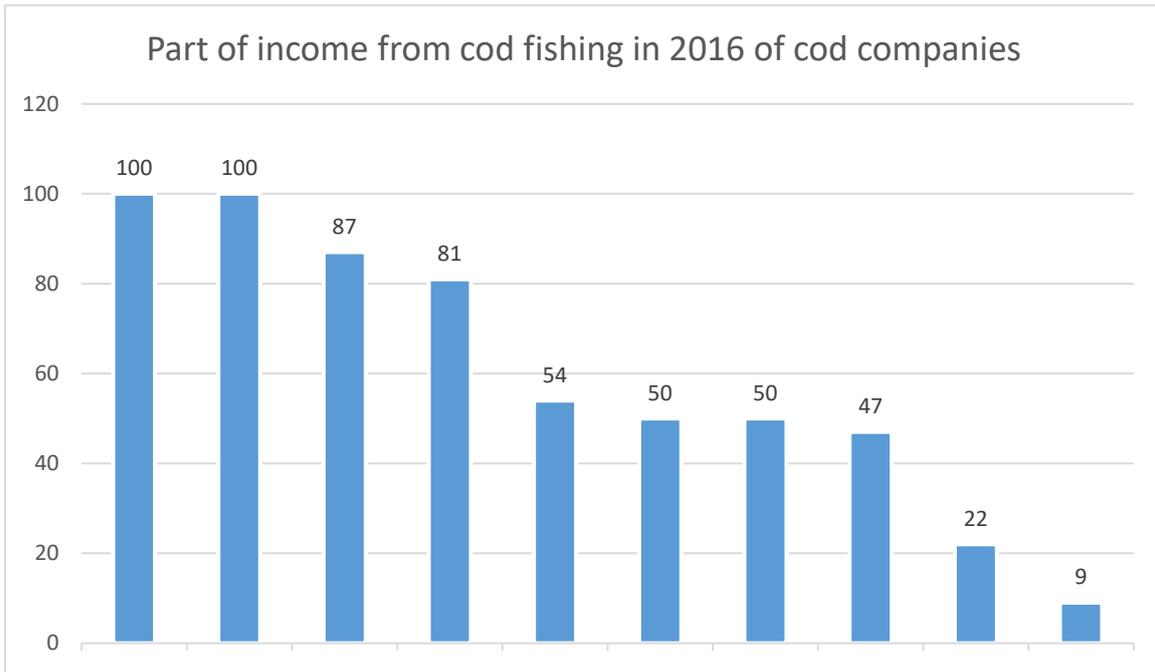


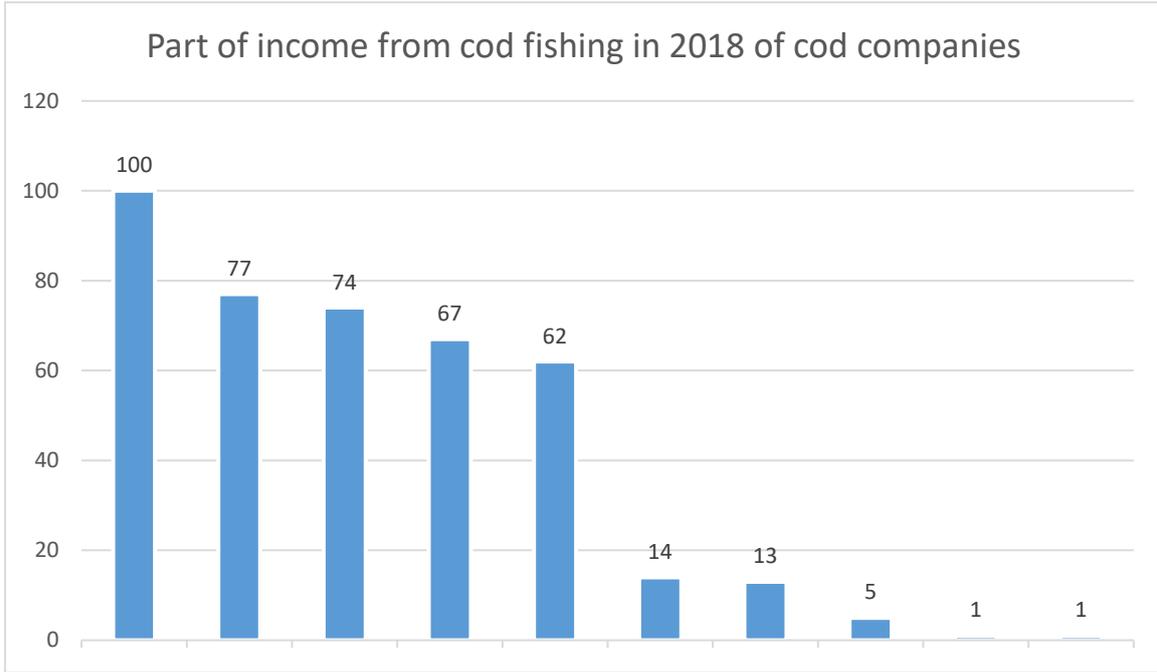
ACTION PLAN

For the fishing fleet segments showing an imbalance between fishing opportunities and fishing capacity

2019 annual report on sustainable balance between fishing capacity and fishing opportunities of Lithuania shows an imbalance in fleet segment NAO DTS 24-40, which consists of 24-40 m length demersal trawlers fishing in Baltic Sea, and in fleet segment NAO DFN 10-12, which consists of 10-12 m length vessels, fishing by passive gears in Baltic Sea coastal area, and of 24-40 m length vessels, fishing by passive gears (gillnets) in Baltic Sea. The main reason of this imbalance is very poor status of Eastern Baltic cod resources. In 2019 the second half of the year directed fishing for cod was banned. From 2020 the directed cod fishing is prohibited all year long. ICES advice does not provide a promising outlook for this stock in the medium-term even at no fishing, so it is obvious that recovery of the Eastern cod stock will take time.

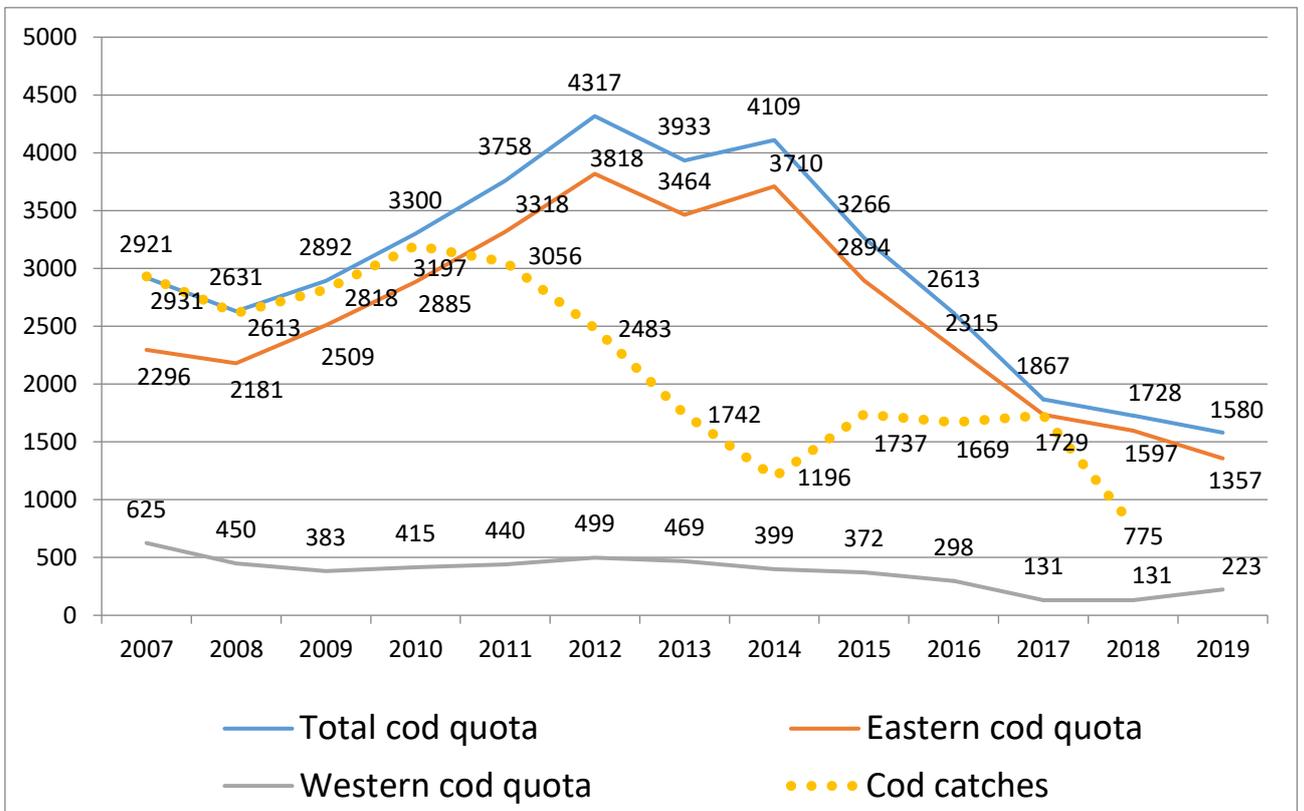
In Lithuania 14 companies (10 of which are cod fishing companies) are engaged in fishing in the Baltic Sea outside coastal area and 55 small scale fishing companies (most of them fishing cod among other species) – in territorial waters of the Baltic Sea. In 2018 20 vessels had cod catches in the Baltic Sea outside coastal area: 14 fishing vessels were targeting cod (mainly fleet segment DTS 24-40 and a vessel of 24-40 m length of the segment DFN 10-12), 6 vessels caught cod as by-catch or have relatively small catches of cod (up to 50 tons). The economic viability of 10 companies engaged in cod fishing outside coastal area is already very poor. Economic indicator Return on Investment (ROI) demonstrates decreasing trend. Return on Fixed Tangible Assets (ROFTA) also has a continuously declining tendency. This indicates the risk for the possible overcapitalization or inefficient use of capital in the segments DTS 24-40 and DFN 10-12. These companies are dependent on income from cod fishing and this source of income is diminishing every year. The diagrams below show a part of income (as percentage) from cod fishing of those 10 companies in 2016, 2017 and 2018. We do not include in diagrams the year 2019 because in the second half of this year cod fishing was banned and in order to receive compensations for the temporary cessation of fishing activities from 1 June cod fishing vessels stopped any fishing activity.





Lithuanian cod quota was always fully utilized and only from 2012 the situation of Eastern cod stock changed and catches significantly reduced.

Lithuanian quotas for Baltic cod and their utilisation in tonnes



In 2012 utilization of Eastern cod quota was 65 percent, in 2013 – 50 percent and in 2014 – only 32 percent. Since 2012 catches of cod were constantly decreasing: 3056 t in 2011, 2483 t in 2012, 1742 t in 2013 and 1196 t in 2014. In 2015 cod catches increased up to 1737 t and then remained relatively stable until 2018, when significant drop of cod catches was recorded. The drop of cod catches in recent years was noticeable in all Baltic countries and is caused by reasons beyond fishermen's control: cod became very slim (skinny) and small, demand and prices decreased, it's more difficult and less profitable to catch it. Despite this, the first 3 diagrams show that the income from cod fishing is crucial for most Baltic Sea fishing companies, because they do not have at all herring or sprat quota or it's insufficient. Our salmon quota is very small and caught [mainly] in the coastal area, so it is not an alternative for demersal fleet fishing outside coastal zone. The catches of flounder are limited and can't ensure the sufficient level of income.

Two companies for historical reasons have more when 60 % of Lithuanian sprat and herring quotas. The rest 12 companies were targeting mainly cod and thus have only about 25-30 % of Lithuanian sprat and herring quotas. The change of quota allocation method to allocate a larger share of pelagic quota to 12 cod fishing companies is not a viable solution both from legal perspective, as it could undermine the principle of legal certainty, and from economic point of view, as it would affect negatively pelagic fishing companies.

Possible tools to achieve the balance

International experience indicates that a system of transferable fishing concessions (TFC) can be an effective tool to address overcapacity. In Lithuania the TFC system was introduced in 2016. The allocation key of TFC is based on historic catch levels, partly taking into account the economic and environmental criteria. In 2019 TFCs were allocated for the fishing companies and they are valid till 2034 (for 15 years). In Lithuania TFC can be allocated only for the holder of a fishing licence and it's not linked with a vessel, so the operator can decide himself how many vessels he needs to utilise his quota. In this way the operator can optimise his business, reduce expenses and that helps to balance active fishing capacity.

Two Lithuanian fleet segments have capacity ceilings: capacity ceiling for small scale coastal fishing vessels below 12 m length and capacity ceiling for all other vessels fishing in Baltic Sea. The capacity ceiling for the Baltic fishing fleet (vessels of more than 12 m length) will be reduced till the level of the capacity of active vessels. Such an action would ensure that no further new entries will be allowed in the Baltic fishing fleet segment.

The tools to address overcapacity mentioned above are not sufficiently efficient and proportional in such circumstances of cod fishing crises. The reduction of the capacity ceiling can only help to keep the capacity from increase. TFCs of cod have lost their value due to the ban of directed cod fishing and very small by-catch quota, so fishermen don't want to leave business without any reward. The profitability of cod fishing fleet segment is negative, several companies went bankrupt during last years, others are in the desperate situation and will bankrupt soon without any help. The most efficient, socially fair tool to reduce overcapacity would be scrapping scheme with public compensation for permanent cessation of fishing. This solution would be acceptable by stakeholders. If relevant amendment of Regulation (EU) No. 508/2014 allowing vessel scrapping schemes was adopted this year, our target for 2020 would be to reduce the tonnage of Baltic Sea vessels by 22 percent and the power by 20 percent. This target would be achieved by scrapping of 9 vessels, which correspond to minimum requirements as set out in the European Commission's proposal.