

Exploration of Transboundary Management Guidance Committee (TMGC) Trading of Fish

Groundfish Committee Objective: Provide guidance for the U.S. TMGC regarding the concept of quota trading with Canada. The topic of trading is on the TMGC's agenda for its annual meeting in late August/early September.

Background: The idea of trading arose during TMGC discussions about ways to obtain additional flexibility in the annual process of developing shared TACs for transboundary Georges Bank stocks.

- At its August 2010 meeting, the TMGC briefly discussed the topic, and decided that any trading should not modify the current method of developing the shared TACs, but, if desired, should be a separate process that would occur after agreement upon the annual TACs.
- The TMGC put this subject on its draft agenda for 2011, and agreed that the U.S. and Canadian members would independently explore the concept further prior the 2011 TMGC meeting. The U.S./Canada Transboundary Resources Steering Committee approved the TMGC agenda for 2011.
- The Groundfish Committee discussed the concept of transboundary quota trading at its March 17, 2011 meeting, were supportive of the concept, and requested that the appropriate staff develop a pros/cons paper to explore the issue further.
- Initial feedback from the Northeast Fisheries Science Center indicates that trading does not raise biological concerns (see attachment).

Example: After the TMGC agrees upon a shared TAC, and the TACs for the two countries are calculated (using the agreed upon method used since 2004), then trades could be made (e.g., US trades some of its haddock, an underutilized stock (to Canada), in return for Canadian yellowtail flounder, (underutilized by Canada)). The trade would be valid for the duration of a single fishing year (U.S. and Canadian fishing years).

Policy and Process Questions:

- (1) *Should trading occur only as part of the annual process of developing recommendations for the following fishing year catch levels (prior to the fishing year), or should in-season trading be allowed?*

Council/NMFS staff recommendation: Trading should be allowed only prior to the fishing year in order to simplify the process and minimize uncertainty in the fishery.

- In-season trading would make it difficult for businesses to plan and represent a source of uncertainty for the fishing industry as well as cause industry confusion when changes in the catch limits occurred.
- The complexity would make the administrative burden high because the division of U.S. annual catch limits into various components affects both the groundfish fishery and other non-groundfish fisheries. For example, a yellowtail trading in-season would impact the scallop fishery and the common pool, and sectors.

-The fact that the Canadian fishing year is from January through December, means that the U.S. and Canadian fishing years only overlap during the period from May through December, further complicating issues.

-Lastly, a simpler trading system would reduce the risk of unintended consequences, given that trading would be a new element in the FMP.

- (2) *Should trading be allowed that balances an overharvest from the previous fishing year, (instead of deduction from the relevant Total Allowable Catch(TAC))?*

Council/NMFS staff recommendation: No.

-Such a system may erode the incentive for a country to catch less than the TAC.

-If the US or Canada routinely exceeded its TAC and then sought trades to pay-back, it could erode the good working relationship between U.S. and Canadian TMGC members.

-Given the different timing of the U.S. and Canadian fishing years, this would be complicated.

- (3) *Should the Groundfish Committee provide a recommendation to the TMGC regarding a potential trade for a particular fishing year, or is the TMGC authorized to recommend trades (the usual process of consideration of TMGC recommendations will be followed after the TMGC meets: i.e. Committee and Council consideration)?*

Council/NMFS staff recommendation:

-It would be best to enable the Groundfish Committee and public to express their opinions regarding the trading of upcoming fishing year transboundary TACs prior to the TMGC meeting (in addition to the usual process whereby the Groundfish Committee and Council consider the recommendations of the TMGC after the TMGC meeting).

-Although it would be possible that such a public discussion could influence U.S. negotiations with Canada (because the Canadians may be aware of the U.S. discussions), the element of surprise is not an important aspect of the U.S. TMGC negotiations with Canada.

- (4) *Should the U.S./Canada Transboundary Resource Sharing Understanding (Understanding) be modified if the TMGC incorporates trading into the process of setting annual shared TACs? Does the FMP/regulations need to be modified?*

Council/NMFS staff recommendation:

-If the process of setting shared TACs, as documented in the Understanding is modified then the Understanding should be revised to fully reflect the process, including trading. Modification of the Understanding would not be a complex process, but would involve the drafting of an addendum to the current Understanding by the TMGC, and review by the US/Canada Transboundary Resources Steering Committee and the Council.

-The FMP/regulations would not need to be modified. As currently written, the regulations take a general approach regarding the recommendations of the TMGC as follows: 648.85(a)(2)(i)(c) "To the extent practicable, by August 31 of each year, the TMGC shall recommend TACs for the U.S./Canada shared resources for GB cod, haddock, and yellowtail flounder. Prior to October 31 each year, the Council may refer any or all recommended TACs back to the TMGC and request changes to any or all

TACs. The TMGC shall consider such recommendations and respond to the Council prior to October 31.”

-If trading were adopted by the U.S. and Canada as an additional step that may be utilized by the TMGC in their annual recommendations for transboundary TACs, it would represent a modification to the TMGC process, but not require a change to the FMP. Just as the complex scientific process that results in catch recommendations are not detailed in the FMP or regulations, but are detailed in publically available documents, the steps in the management process that results in the development of the catch recommendations should not be detailed in the FMP or regulations, but be publically available.

What is the principal benefit of trading?

Council/NMFS staff recommendation:

Trading provides an additional option for the TMGC to consider to increase catch of transboundary stocks for both the U.S. and Canada, in a manner consistent with the biological goals of the Understanding, under certain conditions. The likely conditions that would prompt a trade are when the shared TACs that results from the Understanding do not match the anticipated catches for U.S. and Canada. A trade would probably result in better alignment between the total allocated TAC and actual levels of catch.

ATTACHMENT

Some NEFSC comments on the concept:

“1) From a strictly stock assessment point of view, a dead fish is a dead fish and it doesn't matter which side of the line it was caught. Since we assume that each of the three management units is self-contained, and that there is no spatial heterogeneity within the areas, there is no difference to the models due to trading.

2) Biologically there will be a spatial difference in F due to trading. However, there is already a spatial difference in F due to differential filling of the quota on each side of the line, as well as spatial differences due to closed areas and timing of fishing seasons. I do not see trading causing any additional problems on the spatial heterogeneity of F .

3) I think the intent of trading is to increase the probability that the overall quota is filled. As long as the overall quota is set in a reasonable way then it will not be a problem. We have had examples where quotas were set too high (e.g. yellowtail due to retro, haddock due to change in growth), but these issues will be the same whether there is trading or not. There should be a higher probability of filling the too high quota under trading, but as we've seen already the too high quota is the main problem and I expect that trading would typically be a minor additional impact. However, as a thought exercise, what if the too high haddock quota a few years ago due to assuming incorrect weights at age had been traded and fully caught? I think the F would have been way above F_{ref} and the stock would have declined quite a bit. I'm not sure trading would have allowed complete filling of the total quota, but it potentially could have caused quite high F .

4) I am not sure how large an impact the trading would have on fish distribution. Given the already large differences in F in space and time due to closed areas and fishing season regulations, combined with the common movement of fish across the Hague Line, I cannot predict if trading will have any noticeable impact on fish distribution. My guess is that the noise in the surveys will swamp any difference due to trading, but that is just a guess.”