Recommendation in relation to rising production costs

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Introduction—Scenario

Production costs in aquaculture have considerably increased since mid-2021. The prices for the raw materials for fish feeds have considerably increased to the extent that feeds have become unaffordable, and this phenomenon is probably linked to the restart of global production activities after the COVID-19 pandemic, along with other speculated reasons. Furthermore, some raw materials have become unavailable.

The aquaculture sector has been hit hard by the price increase in energy, which resulted in higher operational costs (oxygen, packaging material and transportation costs); this energy price hike began a few months before the war in Ukraine broke out, which made everything worse.

The increase in production costs is affecting all European aquaculture farms, and it is becoming unbearable. Specifically, the energy price hike affects the viability of all farms, particularly the energy-intensive ones, including those that produce on-land trout, turbot or bass and bream, or those that use RAS or hatcheries. The increase in production costs is bringing them out of scale, and it could lead to the collapse of an important part of the aquaculture sector in Europe.

The AAC stresses that to prevent a large percentage of European aquaculture farms from closing, it is necessary and vital to immediately implement interventions to help the aquaculture sector to cope with the energy crisis and with the increasing production costs.

Recommendations

The AAC recommends that the European Commission and the member states should take the following actions in the short and medium terms. These actions will be essential in ensuring the survival of the aquaculture sector, which creates jobs, drives economic activity in rural areas and contributes to the supply of nutritious food to the European Union (EU).

- Reduce the tax and cost of energy supplies and fuels, which are extremely heavy for some member states, for aquaculture companies and for all value chain operators to shoulder, as in other key sectors. In particular, a revision or better yet the momentary suspension of the CO_2 offsetting quotas at the EU level is deemed necessary. These quotas are subject to a strong speculation in the stock market, probably driven by the big competitors in EU.

- Revise the energy price formation at the EU level, wherein the current prices must be tied 100% to natural gas prices, as well as to the quota produced from hydroelectric, wind, solar energy. Facilitate access to aquaculture farms and finance the introduction of renewable energies into these farms. Moreover, sustainable exchange modalities, such as 'energy communities', should be offered.

- Simplify the process of univocal authorizations or dual-purpose licenses for both aquaculture and energy production; promote the use of these licenses in aquaculture, in order to encourage the exploitation of different forms of energy (e.g. hydroelectric, photovoltaic, biomass and wind).

- In addition to the existing framework for providing state aid to the aquaculture sector (de minimis), the European Commission must set up a temporary state aid framework (similar to

that implemented during the COVID-19 pandemic) that will allow for more flexibility to the member states and will provide support to companies affected by the Russian invasion.

- The European Commission must explore, despite the limited time, the possibility of all available financial support options apart from the state aid in order to overcome the crisis.

- Member states must launch the European Maritime, Fisheries and Aquaculture Fund (EMFAF), which offers support in compensating aquaculture operators for their lost income or for their additional expenses due to events that cause significant disruption in the market. A horizontal simplified methodology used to calculate additional costs should be considered to avoid further delays.

The current situation might worsen and lead to shortages in energy supply (e.g. natural gas, electricity and oil). The AAC stresses that if such a phenomenon occurs, aquaculture should be considered an essential activity at the very beginning; this is to ensure that it continues to provide nutritious and healthy food to its market. It is better to anticipate the occurrence of the above scenario than to react later in the middle of a 'panic'.

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