

DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 6 Samhain 2018

Tuesday, 6 November 2018

The Joint Committee met at 3.30 p.m.

MEMBERS PRESENT:

Deputy Jackie Cahill,	Senator Rose Conway-Walsh,
Deputy Marcella Corcoran Kennedy,	Senator Paul Daly,
Deputy Martin Kenny,	Senator Michelle Mulherin.
Deputy Willie Penrose,	
Deputy Thomas Pringle,	

DEPUTY PAT DEERING IN THE CHAIR.

Business of Joint Committee

Chairman: Apologies have been received from Deputy Charlie McConalogue. We will deal with some housekeeping matters in private session before resuming in public session.

The joint committee went into private session at 3.38 p.m. and resumed in public session at 4.02 p.m.

Scrutiny of EU Legislative Proposals

Chairman: We will deal now with scrutiny of EU legislative proposals. Schedule A is COM (2018) 350 and COM (2018) 365. It is proposed that these proposals warrant further scrutiny by way of a letter to the Department requesting that the committee be kept up to date on progress regarding the proposals. Is that agreed? Agreed. It is proposed that COM (2018) 625 does not warrant further scrutiny. Is that agreed? Agreed. It is proposed that the proposals listed in Schedule B do not warrant further scrutiny? Is that agreed? Agreed. I propose that we suspend briefly to allow the officials from the Department of Agriculture, Food and the Marine to take their seats.

Sitting suspended at 4.03 p.m and resumed at 4.04 p.m.

Impact of Brexit on Agriculture, Food and the Marine: Discussion

Chairman: I remind members, witnesses and those in the Public Gallery to ensure their mobile phones are completely switched off. We will now discuss the impact of Brexit on agriculture, food and the marine. I welcome from the Department of Agriculture, Food and the Marine, Mr. Paul Savage, head of the Brexit and international trade division; Ms Hazel Sheridan, senior superintending veterinary inspector; Mr. Barry Delany, senior inspector, horticulture and plant health division; Mr. Kevin Gilligan, head of human resources division; Ms Josephine Kelly, head of sea fisheries policy division; and Ms Louise Kissane, deputy head of accommodation division. I thank the witnesses for coming before the committee to brief and update members on the impact of Brexit on agriculture, food and the marine.

I draw the witnesses attention to the fact that by virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by the committee to cease giving evidence in relation to a particular matter and continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I invite Mr. Savage to make his opening statement.

Mr. Paul Savage: I thank the Chairman and members for the opportunity to attend to brief the committee on the latest position on Brexit from the perspective of the Department of Agriculture, Food and the Marine. I propose first to comment in overall terms on the main issues of concern that Brexit gives rise to from an agrifood and fisheries perspective, before referring to the sectoral support measures that the Department has put in place to date. I will then refer briefly to the current state of play in the EU-UK negotiations, before outlining the preparedness activities in which the Department is currently engaged.

I should make clear that the whole-of-Government preparations for Brexit are being co-ordinated by the Department of Foreign Affairs and Trade and that the key interlocutors for Ireland in the context of the negotiations are that Department and the Department of the Taoiseach. It is also the case that these negotiations are at a critical juncture and it is important that I do not say anything today that intrudes upon or has the potential to prejudice those negotiations in any way.

On Brexit and the implications for the agrifood and fisheries sectors, it almost goes without saying at this juncture that these are potentially very serious indeed. Numerous studies, for example, by Teagasc, the Department of Finance and Copenhagen Economics, point to the particular exposure of the sector to the UK market and the potential economic impact of Brexit, whether this takes place in hard or soft form. The Department of Finance's analysis shows the agrifood sector to be the most exposed from both an export and import perspective. Teagasc's research work points to very serious potential impacts on farm incomes. The findings of Copenhagen Economics point to the significant proportion of the overall impact on Ireland's GDP that is likely to be accounted for by the agrifood sector.

We are talking about a highly export oriented sector, trading to approximately 180 countries worldwide. The total value of our exports in 2017 came to €13.6 billion, an increase of 74% compared with 2009. The ambition for the sector, as outlined in Food Wise 2025, is to grow this figure to €19 billion by 2025. The United Kingdom remains the most important export destination, with some 38%, or €5.2 billion worth, of total exports in 2017. When we examine the exposure at subsectoral level, we see from the most recent figures that 48% of our beef exports, 21% of dairy exports, including 46% of cheddar cheese exports, more than 60% of prepared consumer foods exports and almost 100% of mushrooms go to the UK.

It is important to remember that trade is not all going in one direction. Ireland was also the UK's largest export destination in 2017 for agrifood, with about €4.1 billion, or almost 48%, of our imports across a wide range of product categories coming from the UK. The close correlation between these export and import figures serves as a reminder of the tightly integrated nature of the Irish and UK agrifood sectors. It also reminds us of the uniquely supportive trading environment that we enjoy, courtesy of the European Union's customs union and Single Market, which facilitates tariff and friction-free trade.

It is clear, therefore, that the best interests of the agrifood sectors in Ireland, and in the UK for that matter, lie in trading arrangements post-Brexit that are as close as possible to those that prevail currently. That is what Ireland wants from the negotiations and it is also what the EU wants. It is also clear, however, that the trading relationship cannot be the same outside of the Single Market and the customs union and that it will inevitably give rise to greater friction and higher costs along the supply chain than are currently the case. In any discussion on the future relationship with the UK, we will work to keep these to a minimum.

A key challenge that could arise in a trade context post-Brexit is, therefore, the imposition

of tariffs on Ireland-UK trade, which would have a particularly negative impact on the agrifood sector as this is the sector in which tariffs are highest. Other significant challenges include potential divergence in regulations and standards and the imposition of import control and export certification requirements on animals, plants, and products of animal and plant origin, although the latter will depend on the requirements on which the UK may decide.

In the case of fisheries, the potential trade and other impacts are overshadowed by a very particular further set of challenges in the form of potential loss of access to UK waters, loss of quota share in all of our commercial fisheries and stock depletion in Irish waters as a result of increased activity by other EU vessels. For example, on average 34% of Irish landings by volume are taken from UK waters and in the case of some species, such as mackerel and prawns, the proportions are much higher, at 64% and 42%, respectively. It is imperative, therefore, that current access and sharing arrangements are maintained post-Brexit.

In overall terms, Ireland's key asks from an agrifood and fisheries perspective continue to be continued free access to the UK market, without tariffs and with minimal additional customs and administrative procedures; minimisation of the risk from UK trade agreements with third countries; maintenance of current access to fishing grounds in the UK zone in the Irish Sea, Celtic Sea and north of Donegal; and protection of Ireland's quota share for joint fish stocks. The activities of the Department on Brexit have been multifaceted and underpinned by significant organisational changes. Brexit is now the responsibility of a dedicated Brexit and international trade division, which co-ordinates all activity across the wide range of Department responsibilities.

An internal Brexit response committee, chaired at assistant secretary general level, and comprising all relevant Departmental divisions has been established. All Brexit impact analysis as well as ongoing planning and preparedness activities have been carried out through this committee.

Stakeholder consultation is also a central component of the Department's response. A national stakeholder consultative committee involving all agrifood and fisheries sectors' stakeholders, again chaired at assistant secretary general level and usually attended by the Minister and Secretary General, meets on a regular basis. Indeed, it will meet for the tenth time on Thursday of this week. Its work has been complemented and deepened by the Department's active participation in the All-Island Civic Dialogue on Brexit process, as well as its hosting of sectoral focus groups which have assessed in detail the supply chain and logistical implications of Brexit for individual sub-sectors.

Brexit has been added as a standing item to the agenda of the Food Wise 2025 high level implementation committee, which is also due to meet to discuss the issue on Thursday of this week.

The Minister and the Department have also been engaging extensively with other EU member states and with the European institutions to ensure that the concerns of the agrifood and fisheries sectors are fully understood and are kept to the forefront of the EU agenda. This has been happening in an informal way around regular meetings of the Council of Agriculture Ministers as well as through formal bilateral engagement by the Minister and officials with counterparts in European capitals and in Brussels.

The Department also works closely with the Department of Foreign Affairs and Trade as well as with a number of other Departments and agencies in the context of the whole-of-Gov-

ernment approach to Brexit that I mentioned earlier.

The most immediate impact of Brexit for the agrifood and fisheries sectors has been in the form of the difficulties caused by the significant drop in the value of sterling against the euro. Much of the Minister's and the Department's focus has therefore been on ameliorating this impact through support measures aimed at improving competitiveness. A second important dimension has been to intensify our efforts to support product and market diversification as we seek to reduce the sector's exposure to the UK market.

In budget 2017, the Minister addressed the competitiveness aspect through a range of measures which included a €150 million low-cost loan scheme, new agri-taxation measures and increased funding under the rural development and seafood development programmes.

A further series of dedicated measures was announced in budget 2018, amounting to a package of more than €50 million. This included additional funding for Bord Bia to support, for example, its market prioritisation initiative and for Teagasc to support development of the new national food innovation hub, as well as capital investment support for the food industry. It also included a contribution to the joint Department of Agriculture, Food and the Marine and the Department of Business, Enterprise and Innovation €300 million Brexit loan scheme, 40% of which is being made available to food businesses.

Furthermore, in his recent budget 2019 announcement, the Minister, Deputy Creed, outlined a €78 million package for farmers, fishermen and food SMEs, and to cover additional costs related to Brexit. This includes: €44 million in direct aid to farmers through increased spending on areas of natural constraint, the introduction of a beef environmental efficiency pilot scheme, and additional funding for the horticulture sector; €27 million in capital funding for the food industry through supports for competitiveness and innovation of €13 million, further funding to progress the Teagasc food innovation hub mentioned earlier of €6.6 million, support for artisan and micro food and beverage programmes of €3 million, as well as an additional €5 million in funding for Bord Bia which brings Bord Bia's total grant in aid to €46.6 million, representing a 60% increase in funding for marketing and promotion of our food offering since 2014; and €7 million to support the Department's Brexit preparedness work, including the commencement of a phased process of recruitment of additional staff to carry out the greatly increased volumes of import controls and, possibly, export certification arising from Brexit, as well as the provision of the necessary additional IT hardware and software.

The Minister also acknowledged the announcement in the budget by his colleague, the Minister for Finance, Deputy Donohoe, of a key Government Brexit response, the future growth loan scheme, which will be rolled out in 2019, and for which he had made provision of €25 million in 2018. The scheme will provide long-term, unsecured investment finance for farmers, fishermen, and small scale companies in the food and seafood sectors.

I mentioned earlier that the second dimension of this initial response has been to provide support for product and market diversification. I have referred to the budgetary measures in this regard in the form of support for innovation and for Bord Bia's ongoing market diversification activities. There has also been very extensive and practical complementary action taken by the Minister, Deputy Creed, and the Department in this area. We are continuing to work very closely with the agrifood industry to increase the sector's global footprint and to reduce its exposure to the UK market.

Trade missions are an essential part of this work. In the last few days, the Minister, Deputy

Creed, has returned from leading the first agrifood trade mission to Indonesia and Malaysia and in the last two years he has led similar, very successful missions to the Gulf region, China, Canada, the United States of America, Mexico, Japan and Korea. The Minister of State, Deputy Doyle, has also been active in this regard and is, in fact, this week leading Irish food and sea-food participation in major trade expos in Shanghai and Qingdao in China.

We are taking other direct, practical actions to support the sector's market diversification efforts, for example, through our seven point market access plan, which includes the allocation of more departmental resources to market access work, an online portal through which essential information across a wide range of markets can be centrally accessed, and the oversight of market access work by a high level committee chaired by an assistant secretary general.

Turning briefly to the current state of play in the EU-UK negotiations, it is probably an understatement to say that they are at a critical stage and that real challenges still remain. As I already indicated, the Department of Agriculture, Food and the Marine is not the lead Department in these negotiations but I can assure the members the Department is engaging closely, through the whole-of-Government structures, to ensure those involved in the negotiations are sensitised to the concerns of the agrifood and fisheries sectors. I am confident that this is the case.

In the meantime, the preparedness planning being undertaken by the Department of Agriculture, Food and the Marine is proceeding in accordance with recent Government decisions and in close consultation with other Departments and agencies, as per the whole-of-Government approach to Brexit. The focus from our perspective is on the staffing, infrastructural and information technology requirements that will arise in the context of the implementation of import controls at ports and airports on an east-west basis under the so-called "central case" scenario. This envisages no hard border on the island of Ireland, a transition period to the end of 2020, and an EU-UK free trade agreement from 1 January 2021, in accordance with stated UK commitments and red lines. These requirements are significant, and will arise in respect of the import of live animals, plants, and products of animal and plant origin from the UK into Ireland and the EU, once the UK has become a third country, the conditions for which are set out in EU legislation.

I mentioned earlier that budget 2019 included an allocation of €7 million for the first phase in a process of recruitment of the necessary staff that will run until 2021, as well as for the provision of IT hardware and software. The Department is also continuing to engage with the Office of Public Works and with other Departments and agencies in relation to the additional physical infrastructure that will be required at ports and airports to provide integrated solutions that will address the requirements of all these bodies. It is also possible that there could be significant export certification requirements in respect of exports of agrifood and fisheries products to the UK post-Brexit.

To date and in its most recent published notice on this issue, the UK has indicated that it does not intend to impose export certification requirements. However, it will require pre-notification of products of animal origin. It is not clear at this juncture what pre-notification will involve. The Department has taken a prudent approach by assuming that certification will be required, and has estimated the staffing and IT resources that may be needed to meet any requirements.

It is also worth pointing out the Department's extensive and ongoing input to the Government's recently launched communications campaign on preparedness, under the heading - Getting Ireland Brexit Ready. The Minister, Deputy Creed, spoke at the first Brexit outreach event in Cork in early October and the Department and its agencies have facilitated break-out sessions in relation to agrifood and fisheries at all four of these events to date, including that held recent-

ly in the Convention Centre in Dublin, which was attended by the Taoiseach and the Tánaiste.

Notwithstanding the current focus on preparation for the “central case” scenario, which envisages an orderly Brexit taking effect from January 2021, the Department is also considering the potential response that may be necessary in the event of a disorderly Brexit at the end of March 2019. The focus in this regard will be on the arrangements that will be necessary to fulfil our legal obligations as efficiently as possible while also ensuring the minimum possible disruption to trading arrangements. Similar to the work already undertaken in relation to the “central case” scenario, the Department will be working closely with other Departments in making progress on these arrangements as required over the coming period.

For fisheries, the Minister’s priority has been, and remains, to maintain existing levels of access to waters and resources. However, in a worst case scenario of a disorderly departure in March 2019, those reciprocal arrangements could be endangered. Such issues could not, of course, be dealt with in isolation from the overall scenario of a disorderly Brexit, and any measures taken would have to be carefully considered by ourselves in partnership with relevant member states, the task force and stakeholders.

In conclusion, I hope that I have given the members a comprehensive overview of the challenges faced by the agrifood and fisheries sectors as a result of Brexit, as well as a good understanding of the wide breadth of the actions already taken by the Department of Agriculture, Food and the Marine, and those that are ongoing. I and my colleagues are happy to answer any questions the members may have.

Chairman: I thank Mr. Savage and call Deputy Cahill.

Deputy Jackie Cahill: I thank Mr. Savage and his delegation for presenting a detailed report to us. When the word and the possibility of tariffs is mentioned it sends a shiver up one’s spine. The UK market, no matter what happens, is always going to be a market of great importance to us as the UK is our nearest neighbour. One sees the difficulty our beef business is in at the moment. Some 48% of our exports are going to the UK. When we get a few dry days the meat factories are able to cut the price of cattle. What they will do regarding tariffs in a post-Brexit scenario is too frightening to contemplate. One thing is certain, however. Our beef industry, as we know it, will not survive a scenario where we have hindered access to the UK market. There is no way our beef industry would be able to sustain any surcharge on our products getting onto UK shelves or into the UK food service industries.

The Fianna Fáil members present met the Labour Party agricultural spokesman. In terms of the green impact of all this, climate change is rightly at the centre of all agricultural discussions and many economic discussions. Some people in the UK believe they can source their food from different parts of the globe and that this will not have no impact in the context of climate change. This is something that must be put into the mix with respect to every scenario. If the UK decides to import their food from half way across the world, be it lamb or butter from New Zealand or beef from South America, that will have an impact on climate change and an adverse impact on us. While the UK has indicated that it will not have export certification, what will happen if standards start to deviate between the UK and the member states of the EU? The latter probably happen over time with the UK being a non-EU country. When we were trying to eradicate brucellosis, the standards that obtained in the Six Counties were different from those that operated in the Twenty-six Counties and that definitely delayed the eradication of brucellosis here. That was just an animal health issue. If standards deviate, how will we not need to have certification going both ways?

Regarding Food Wise 2025, with all the various challenges coming down the tracks in the context of Brexit, climate change, Mercosur, etc., it makes a mockery of matters to be even focusing on the targets laid out in that plan. Farmers' incomes will definitely not be maintained if we try to reach those production targets. I note from the witnesses' paper that there has been a huge increase exports from 2009 to 2017. When it is set out in black and white, it can be seen that the increase in production and exports in this country has been massive. Unfortunately, the primary producer is not experiencing such gain from that.

There has been much talk about trying to find alternative markets in a post-Brexit scenario. No analysis has been carried out in respect of the fact that other major agricultural exporters in the EU will also be displaced by that development. The Danes, the Dutch and even the Poles are major exporters to the UK. If their access to the UK is hindered, they will be also be trying to find alternative markets. The Danes are a major exporter of pigmeat to the UK market. We are logically focusing on how much our products will be displaced but our European counterparts have considerable business with UK. Has any analysis been done of the level of business that would be lost by the Danes, the Dutch and the Poles post-Brexit? While the UK would be a major exporter of lamb to France and while there may be some opportunities in that market, there will generally be overwhelming minuses as regards the balance of imports and exports. That is a matter of concern because those countries are very efficient producers. If they are looking for alternative markets, it will make Bord Bia's task all the more difficult.

We have reduced our dependence on the beef sector to just under 50% but that taken a long number of years. When I sat on the board of Bord Bia, much focus was placed on reducing that dependence. While such dependence has been reduced, to further reduce it to, for example, 40% would probably involve a decade's work. Therefore, it is not feasible in a short few months to find alternative markets.

The British will cite EU bureaucracy as one of their main reasons for exiting. I note from the Mr. Savage's paper that the paperwork involved for certain individuals and the administrative cost will increase for businesses and the agrifood sector. Once paperwork is required at points of entry and exit, it will add extra costs and there will be delays. I saw a recent programme covering the Sweden-Norway border, which is a border we were told was working extremely efficiently but there were extremely long delays along that border. We can expect a similar, if not worse, scenario.

A great deal of product is brought from the Six Countries to the South to be processed. If we have quality assurance under all our various schemes and we operate them under the Twenty-six Counties banner here and if the UK operates different standards, how can such product from the North be brought to the South, processed and sold under our green label, whether it be under the Kerrygold brand, Origin Green or whatever? If it coming from outside the EU, how can it be marketed under our umbrella if it has not been scrutinised to the same level and does not have to meet the same standards? A great deal of product, especially on the meat and dairy side, is being brought to the South. How can Lakeland Dairies, Glanbia or the other co-operatives that process Northern Ireland milk products, with milk possibly being the principal product, put the label Origin Green or Kerrygold on it when it comes from a country that operates standards that are different from the standards under which our product is produced? We are asking many more questions than we are getting answers. The whole scenario is frightening to contemplate but the key question is: how this will work in practical terms and how can we make maintain such access?

Deputy Martin Kenny: I thank the witnesses for their presentation. We are all aware of

the issues with Brexit and the difficulties it poses particularly for our agrifood and fisheries sectors. We need to get into some of the detail of that. I am concerned about the issue of veterinary standards, particularly between the North and the South. There is considerable movement of live animals and product across the Border. What is our level of readiness in the context of two different standards applying and where will that end, so to speak? How can we protect the very high-quality standards we have reached in order to be able to market our product within the EU?

One of the main objectives the UK is seeking if it leaves the EU is to be able to strike new trade deals around the world and import product from wherever. How can we know there will not be leakage of that back in here? That is one of the major concerns. It relates to the Deputy Cahill's point regarding standards. Britain has a population of more than 60 million and it has to get food from somewhere. Currently, we are providing much of that food, particularly in certain categories, especially beef and dairy products. It would probably take time for the UK to be able to replace our products. Has any assessment been carried out in respect of the timescale we face in that scenario? Despite some key Brexiteers thinking they can strike a trade deal and have the ship arriving the following week with the product, in the real world it does not happen like that. I would be interested to know because in any of these matters, if one has an idea of the timescale, at least one has an idea of how prepared we can be for it.

From speaking to hauliers, I am conscious that much of the product that moves we export to Britain but also when we are exporting to the Continent, much of it goes through Britain. Will an arrangement be made? For instance, if a consignment of foodstuff goes into a container, arrives in Britain, goes across Britain and on to the Continent, will there be some kind of free-pass mechanism for hauliers to be able to do that without checks in the knowledge that their product is not stopping in or being exported to Britain?

The big issue that faces the fishing sector is, as the officials have outlined, around access to waters. What happens to British waters will mean that we will face another impact, that is, that all the Dutch, Belgian and Spanish boats that all fish in what will become UK waters will have to go somewhere else. Clearly, the place where they will go, if they are to stay in the Atlantic, is into waters that would have been traditionally, prior to us becoming part of the Common Market, Irish territorial waters. Will that put more pressure on us? In that context, will a renegotiation of the Common Fisheries Policy be required? Will we need to look at that to see where we stand in respect of quota and everything else? It will have a significant impact. As the officials will be aware, many sectors, particularly the small fishing boats and the inland fisheries, are finding it difficult enough to survive, and if there is pressure put on their quota again, it would have a devastating effect on that industry.

Deputy Willie Penrose: I thank the officials for the detailed, comprehensive presentation. We are grateful for that but we are probably being grossly unfair to the officials by asking them to engage in crystal ball gazing because it is extremely difficult to figure out what is going on, never mind what will happen when one of the major protagonists does not know what it wishes to achieve. The British are unable to agree among themselves what they want. It is difficult. We can all be a bit flippant, but if one is playing a game and the other side does not know whether it is playing with the wind or against it, one cannot play.

The officials have set out what has going on at intergovernmental level, at departmental level and at EU level and nobody can claim that there is any ambiguity about our position, what we want and what is absolutely critical in terms of our red lines. The EU clearly knows what is required. It has been told often enough at various levels. Mr. Barnier has been here, as have

various other people. They are clear in terms of there being no Border and various other matters, such as the common travel area. All of that has been laid out. We have debated that *ad nauseam*. It is no use talking to ourselves. We have to talk to those who will make decisions. We are not in a position that we can compel anybody to do anything. All we can do is make our arguments. That is the problem. As Deputy Cahill stated, we spoke to the British Labour Party spokesperson, Mr. Drew, MP. He is a very bright fellow who knows exactly what goes on and is obviously hopeful, and we are all optimistic, but there is a difference between optimism and realism and that is what this will boil down to.

Have the officials any views - this is probably an unfair question and they can toss it away if they like - on the prospect of a significant extension of the transition phase which would allow the UK to negotiate those future trade agreements which we want to achieve? When acting under pressure, sometimes a person is in a position where if he or she does not make concessions he or she looks to be the stubborn one. Time is important. In that context, I always go back to the Greenland example. It took it three years and it had damn all interconnection and only a few hundred agreements. We have many thousands of agreements with Britain and the EU. In my view, it does not make sense. If one wants to do it right, one would take seven to ten years. I see the transition phase as being desperately important. That will allow matters to continue with customs and free trade. That may not suit certain Brexiteers who gave no thought, certainly, to the Good Friday Agreement and the Northern Ireland dimension. I think they have admitted that or certainly they have been exposed in terms of their lack of knowledge of how important that is.

There must be concern about the possibility of a cheap food policy, to which my colleagues have alluded. The UK always had an objective of doing something. It may well be one of the stirring influences as to why it pursued this. We have heard about and studied the Brazilian forests that have been razed to permit agricultural animals to be fed in those areas and to bring in food so there is a double whammy there in terms of the carbon food print. One can add to that the long distance the food has to travel and other issues in terms of the phytosanitary and veterinary regulatory framework on the environment which is of critical importance. Indeed, as Deputy Martin Kenny alluded to, even the North-South dimension to that is critical.

In simple terms, we want no hard border on the island of Ireland and no obstacles on the east-west direction. Of course, it is in the interests of the farming and agricultural sector that on which we are focused that there is the maximum level of access between the EU and the UK.

I note the Department has been involved in identifying and seeking out potentially profitable markets and opportunities. The officials mentioned Indonesia. Are we making any progress in that regard in Malaysia and various other places? How successful has it been? Agreements have been reached and various other advances made with some of them. I suppose there are protocols to be put in place. Are we any nearer to making inroads in regard to that?

As Deputy Cahill stated, agricultural products and by-products attract significant tariffs under the WTO, far greater than any other products. The Deputy is right to start shivering when he hears the word "tariff" because it would be a significant punitive imposition.

I note the Brexit loan scheme was rolled out and evaluated by the Commission but, of course, its evaluation looked at the matter in terms of whether it constituted a state aid. It is time that some of those Commission officials, many of whom are faceless bureaucrats, cop on. They would want to start relaxing the rules a little. Here is a situation not of our making and if the people, through the Oireachtas, try to help out industries that are being threatened by this

new market environment, there should be something there. Has any thought been given by the Department to the Mercosur threat in terms of a post-Brexit scenario and the impact that will have on trade policy in the future?

Senator Paul Daly: I welcome the delegation and thank it for the report. There is no point in me going over old water. We all know how unique this situation is and how precarious the negotiations are. In a nutshell, the words “Nobody knows” encapsulates it. With that in mind, I will tease out further a few items in the report and I will ask for some indications.

I appreciate that in this situation we must prepare for every possible outcome. With regard to preparedness, the officials seemed to focus their presentation on budgetary allocations. I am not being critical but want to tease things out further. The one budget allocation of which I am very aware is the 2018 low-interest Brexit preparedness loan but we have now learned that the first funds will not be drawn down until January 2019, only two months before the Brexit date. What is the position with regard to the other budgetary expenditure areas? If they are all in the same boat as that one, we are not going to be prepared. I ask the witnesses to outline the Department’s preparedness *vis-à-vis* time rather than budgetary allocations or aspirational preparations. How close are we to being ready to face whatever meets us at the end of March, particularly with regard to the possibility of a hard Brexit?

The witnesses have referred to the losses that might be incurred by our fishermen in the event of a hard Brexit and an inability to access British waters. At the same time, fishermen in the UK would lose their access to the greater European waters. How are we preparing for that, in terms of policing our own waters, for example? Has much thought or preparation been put into that?

A lot of emphasis is being put on sourcing new markets as a way of getting us over the bridge. Food Wise 2025 makes reference to increasing our exports by 50% from their 2017 levels but we will have to source a lot of additional markets to achieve that, even without Brexit. How much work has been done on finding new markets because we would need to travel the world over to achieve the Food Wise targets, apart altogether from Brexit?

We are preparing for the worst while hoping for the best. If we do get the best, namely a soft or good Brexit with which the Department and the agriculture sector is happy, if world markets do not read it as a good Brexit for Britain and the British economy and sterling takes another nosedive that will have a devastating effect in terms of us trying to hold onto our British markets. Have preparations been made for that possibility?

Chairman: One of the most significant consequences of the British exit will be the hole in the CAP budget going forward. A lot of work has been done to develop and build alliances around Europe to try to minimise the effect on the CAP budget. Where are we in that regard at the moment?

Mr. Paul Savage: I will go through the questions in the order in which they were put and will defer to colleagues where appropriate. In response to Deputy Cahill, the prospect of tariffs is both difficult and unwelcome. As I said in my opening statement, in addition to the exposure of the sector to the UK market itself in terms of the volume of trade, we also face the likelihood of a further negative impact by virtue of the fact that the tariffs are highest in the agrifood sector. That is an extra hurdle and an extra immediate impact that we will see in the event of tariffs becoming a reality, which is more likely to happen in the context of a hard Brexit. These are difficulties that we have foreseen for some time and that is why we have said, in the context of

our discussions with member states and with the EU institutions, that we want to have a situation in the future that is as close as possible to the current trading arrangements. In terms of the future relationship, we want to see continued access to the UK market without tariffs and with minimal other impingements in terms of customs and administrative procedures. Our preference is for a non-tariff outcome. That has also been reflected in the EU's own negotiating guidelines. The most recent guidelines from the Commission have set out the fact that when we look at what is known as the central case scenario, the Commission has undertaken to engage with the UK over the period as it evolves its position. In terms of the red lines that are set out, the basis of a future relationship will be a free trade agreement, essentially. There will be a free trade agreement between the EU and the UK and that is what the EU will be working on. That agreement will be based on no tariffs or quantitative limits on products. There is a realisation on everyone's part that ultimately, we do not want to have an outcome that will have a negative impact on trade. We do not want to see the advent of what would be serious tariffs for the agri-food sector. That is informing the approach and the Commission has taken the view that if we are going to operate on the basis of the red lines that have been set out by the UK, that confines us to a free trade agreement negotiation with no tariffs or quantitative limitations. That is the broad framework of the negotiation arrangements at the moment.

The issues of the green impact, climate change and the UK seeking to import products from other parts of the world are key concerns. The climate change impact can be viewed as a knock-on issue in terms of the outcome of the Brexit process. We have been acutely aware of this issue in the context of our own engagement with the Commission on trade agreements with third countries and the EU 28. In the context of products coming from distant markets, we are concerned with the impact of production processes and long-distance transport on emissions, particularly as our domestic production processes are relatively carbon efficient. We are very aware of these issues and are focusing on minimising the risks from UK trade agreements with third countries. That said, our primary focus is on the economic and regulatory impacts of products that are produced to different standards coming into the EU after Brexit.

The Deputy also asked, in the context of export specifications, what will happen if standards deviate. In such a scenario, there will be a need for greater controls in the movement of goods between the two jurisdictions. On Brexit day plus one, the two blocs will be operating on the basis of the same regulatory environment, but if standards deviate over time that increases the risk of and potential need for import controls. That is informing our position and we want to try to have arrangements in the future that are as close as possible to those prevailing currently. That also feeds into the preparedness debate in terms of having the relevant structures in place for import controls and, potentially, export certification if the UK decides to go that route. The UK has said in the past that it wants to have a common rule book in terms of how products will move back and forward between the UK and the EU but it qualified those remarks subsequently by referring to different kinds of regulatory alignment or divergence, depending on circumstances. It might keep to alignment in the case of smoothing movement through borders but it might look for divergence in other areas. Once we get into looking at divergence in other areas then we are talking about a greater need for control on movements between the two jurisdictions.

Reference was made to Food Wise 2025 and whether the targets therein are relevant any more. Some have argued that Brexit is a game changer and that Food Wise 2025 should be reconsidered in that context but the Department and the sector generally has made a deliberate decision not to throw the baby out with the bath water. A wide range of actions are being implemented under Food Wise 2025, some of which are key and necessary in the context of our

response to Brexit. We will focus on those. That is why the high level implementation committee is now looking at Brexit as a standard item on its agenda. There is an increased focus on the kinds of follow-up measures that are necessary to deal with Brexit in the broader context of Food Wise 2025 being implemented. It is not a case of saying the targets are not relevant anymore. It is also worth pointing out in the context of Food Wise 2025 there is a focus on how we are doing things. It is not so much about the headline targets. In Food Harvest we talked a lot about targets for increasing production. In Food Wise it is more about how we do things. It is about sustainability underpinning everything we do. It is about using human capital, focusing on competitiveness, developing markets and bringing innovation to bear on the sector so we can develop new products and generate new possibilities in new markets. There is very much a focus on how to do things. The gist of Food Wise is if we do all those things and apply all those principles and implement them effectively, there is no reason we cannot see growth projections of the kind we have said, which is €19 billion in exports by 2025. That is the right approach. It is being done in conjunction with the sector. There is a conscious effort to try to focus on the specific requirements we need to put into place in response to Brexit.

Alternative markets and other producers being displaced were mentioned and so was our own beef sector. A question was asked about the impact on the broader European market of products from different member states being displaced as a result of Brexit. It is true and it is a point we have emphasised in the context of our discussions with member states. We have been doing a lot of work over the past 18 months to two years. The Minister has met most of his colleagues formally in bilateral meetings in capitals and in informal Council meetings of agriculture Ministers. We have stressed the point. From an Irish perspective, it is not just about the bilateral trading relationship that each of the individual member states may have, particularly those in north-western Europe that have close trading relationships with the UK. It is about the broader knock-on impact on markets generally and, from our point of view, on the European beef market. We have 250,000 to 270,000 tonnes of beef going to the UK that will now look for another home. If the first choice of another home is an EU member state, it will have a destabilising effect across the entire European market. We have talked to other member states. They have come to the realisation that it is something that affects their own sectors. Poland exports a lot of poultry to the UK, and when we mention that to its representatives in the context of the beef market, they could see it is an issue that could give rise to concerns for them also. There is a danger. There is a shared appreciation among member states that it is a potential impact if we do not get the right outcome and if product is being diverted from the UK market. That is why we have asked for the kind of outcome we have and why we have taken the approach of trying to achieve arrangements that are as close as possible to those that prevail.

If one is looking at destabilisation or changes in the European market and if one looks at the efforts we have been making over the past number of years to try to develop other potential markets, our focus has been on non-EU markets. There has been much attention focused on third countries in Asia, America, Canada, Mexico and other areas. We are trying to follow up on EU trade agreements with Japan, Korea, Mexico and Canada. We very much tried to develop those markets in response to and following up on progress that has been made by the Commission on free trade agreements. Our focus is very much beyond Europe in terms of the possibilities and growth opportunities that are there. It is very much a focus of Food Wise 2025 to try to reduce the potential impact on that front. It is not done overnight and it requires quite a long investment of time and effort. That effort is ongoing. We are hopeful it can continue to bear fruit.

In terms of costs to businesses and the sector, costs and delays at borders were referred to.

We are trying to keep the trading arrangements close to the current ones. The point of doing that is to try to minimise the costs or delays that might be associated with the movement of goods. Whatever trading arrangement there is in the future, it will not be the same as what we have now in the customs union and Single Market so there will be inevitable frictions that are not there at the moment. All of our efforts are focused on trying to minimise those and bring about arrangements that are as close as possible to those that prevail.

Processing and the movement of product from North to South was mentioned. A question was asked about the difficulties if the EU operates different standards and what the difficulties or impediments might be in terms of North-South movement. It came up again in another question. In the context of the current state of the negotiations, we are very much focused on achieving and agreeing a backstop in the context of allowing the withdrawal agreement to take shape and move into the next phase. The focus is on avoiding a hard border on the island of Ireland. The discussions on the backstop are aimed at doing that. We are operating on the basis there will be no hard border on the island of Ireland in accordance with the commitments the UK has already given. That means we will have a common regulatory area on the island so the movement of product from North to South will continue as it does in the context of that common regulatory area being in place as a result of the backstop being in place. In that context, if the backstop is working and if we have that common regulatory function, those issues do not arise with regard to frictions in terms of North-South movement.

That covered a little bit of Deputy Kenny's question on veterinary standards North and South and animals and products going up and down and what will happen if there are different standards. The reason for the focus on the backstop is to provide assurance on the avoidance of a hard border on the island of Ireland. If we have that and a common regulatory area in place, it avoids the divergence between the situations North and South.

Deputy Kenny also asked about the UK trade deals and the idea of leakage into the EU. That happens on a couple of fronts. There is the issue of the economic impact of trade deals that might be done with third countries with product coming in more competitively than might be the case in terms of Irish exports. There is a second element which is if product is coming into the UK from third countries, it raises issues with regard to standards and controls that might be required in terms of UK trade with the rest of the EU. The more we have products which may be produced to a different standard coming into the UK, the more divergence there is between the UK and the EU and us which then gives rise to the potential for further import controls. It is a possibility. That is why we have sought to have the minimisation of those customs and administrative procedures as well as minimising the risk from UK trade agreements with third countries.

UK food deficiency was mentioned. It will have to get it from somewhere. There is an issue with how much time it will take for the UK to produce a product it is getting from Ireland or to get it from elsewhere. I do not think any specific assessment has been done of precisely how long it might take or what the likely developments in that area will be. At present, the UK is about 60% self-sufficient in food. It is importing a lot of food from other countries, including Ireland. As part of our approach, we are very committed to making sure the relationships we have in place in terms of trade with the UK continue after Brexit. There will be changes regardless of what happens here. Hopefully we will avoid tariffs and there will not be any limitations in terms of traded volumes. We are also trying to minimise the other non-tariff related restrictions or frictions that might also arise. We hope relationships continue. There is a lot of work being done by Bord Bia and others on advising companies on how to maintain customer

relationships with UK counterparts. The continuation of those relationships will be much easier if we can achieve what we want here which is a tariff free and volume free trading arrangement into the future. The prospects are much better if we can get that.

Hauliers were mentioned and how the land bridge to the EU might operate and what sorts of checks or facilitation there might be. We are acutely aware of the land bridge issue. It will potentially have a significant impact. Many Irish agrifood exports to the EU are going via the UK land bridge. There is good reason for that in terms of short shelf life and the perishability of products. The journey times across the UK to those continental markets are much shorter using the land bridge than would be the case in the event of direct sea transfer. It would be up to three times longer in some cases. It is crucial to try to make sure the land bridge continues to function effectively. There are two dimensions to that. One is what we can do from an EU perspective in terms of facilitating the movement and smooth transit of goods at either end of that journey. There is also the issue of how the journey of products across the United Kingdom will be facilitated. We have been engaging with the Commission initially and other member states on how those arrangements might work. Obviously, much will depend on what the United Kingdom does. It has indicated its intention and is formally going through the process of joining the customs transit convention, or common transit convention, which allows for smoother, more electronically based movement of product across the UK between two member states. The fact that it has committed to that arrangement means the prospects for limited intrusion or interference with product going across the landbridge are improved. However, we will have to engage with the UK on how that will work. From our point of view in the EU, we are looking at how we can facilitate product coming from other member states across the landbridge into Ireland at our ports here. We are looking at arrangements that would facilitate that and the extent to which other member states could work along the same lines in terms of facilitating our exports across the landbridge. It is a key issue from our point of view. It is addressed in the exit negotiations because the European guidelines acknowledge the unique difficulties relating to the geographic location of Ireland. It is being considered in that context and that is why it is under discussion.

On fisheries, Deputy Martin Kenny raised the issue of access to waters and the effect on Irish waters if that is lost. I think the Deputy was referring to extra fishing or greater fishing effort being displaced into Irish waters. He mentioned the renegotiation of the Common Fisheries Policy. We are acutely aware of the overall concerns relating to access to waters. The Commission has been linking the issue of access to waters with the broader trade and future relationship negotiations. That is what we will continue to do. We will seek a solution through those overall discussions rather than allow the fisheries issue to be treated as a separate issue outside the negotiations. We are aware of it. Among the issues in question are access to waters, the sharing of fish stocks and the impact of increased fishing effort in Irish waters. We are trying to avoid a negative outcome on those issues and to maintain the sharing arrangements currently in place. Ms Kelly may comment further on this issue when I have finished my initial response.

Deputy Penrose asked what I agree may be an unfair question on the prospects for the extension of a transition period. It is difficult to call at this stage. We are operating in a very uncertain environment. I would rather not comment on the prospects for an extension of a transition agreement. It will depend on how the negotiations evolve in the coming weeks and months. We hope that the transition period will be as long as is necessary to agree on the future relationship between the EU and the UK. As the Deputy stated, it can take a considerable period of time to agree trade agreements or arrangements. We do not know how long it will take to agree this complex agreement because we are trying to disentangle one party from a trading arrangement and that has not been done before. I do not know what are the prospects for an extension

of the transition period. We all hope that we can get things done in the time available to us.

Deputy Penrose also mentioned concerns in regard to cheap food policy and the effect on standards of imports from third countries. I have responded on that key issue. We want to avoid it because of its potential to intensify or increase the implications in terms of controls.

The Deputy referred to the Department and Ministers opening up markets and the success of trade missions. There has been some progress recently in the development of markets as a follow-up to trade missions. We combine political, business and economic components in trade missions. Often, progress is facilitated by the high-level political contacts which are engaged in on trade missions. For instance, developing political relationships is particularly important in China. We have visited China frequently in recent years and that has helped us develop relationships which have led to trade possibilities. The Chinese market opened for beef this year as a result of many years of engagement with the Chinese authorities as well as strategically placed trade missions to try to push those agendas forward at crucial times, particularly when there is a political dimension to the discussions.

A point I mentioned earlier and wish to emphasise is that we very consciously tailor and examine our trade missions in the context of European Commission engagement with various trading blocks and countries around the world. The Commission is trying to push ahead with a more open trading agenda and develop possibilities and reduce market access obstacles in various markets. We have tried to follow on from that. In recent years, as members will have seen, trade agreements have been reached with Korea, Japan and Canada, as I mentioned. We have followed up on those agreements. Trade missions led by the Minister and involving a large number of agrifood companies have tried to establish partnerships with companies in those sectors of those economies to try to leverage what the Commission achieved in free trade agreements. We have made a conscious effort to try to target the areas of potential. In addition, a significant amount of money has been invested in Bord Bia in recent years to fund market development activities, particularly in the context of Brexit. A Bord Bia study examined which markets we should prioritise in terms of potential across various sectors, including seafood, meat, dairy and prepared consumer foods. It came back with a market prioritisation report which identified 15 key markets across each of those product categories where there is significant potential for us to get in and develop the markets. It is now conducting a deeper dive into five key markets in each of those sectors on which we can focus a greater amount of resources to try to develop possibilities. We are using the available data, the analysis and the research of Bord Bia, combined with what is going on at Commission level, and using those to target our trade mission destinations.

The Deputy mentioned the issue of tariffs which I addressed in response to Deputy Cahill.

Deputy Penrose referred to the Mercosur threat. We are taking it very seriously. As members are aware, for many years we have been fighting any development on Mercosur, particularly an agreement or tariff rate cut on beef. In the context of the Commission's work, we continue to emphasise the very serious implications Mercosur would have for the Irish and European beef sectors. We remind the Commission and others not just of the threat that arises from Mercosur, but also the broader context of the cumulative impact of concessions that the EU has made or is considering across a range of trade areas and agreements in which it is currently involved. We view Mercosur as a serious threat and continue to oppose it. We continue to insist that it is taken account of in the negotiations. As members are aware, there has been something of a hiatus in the negotiations recently, related to the Brazilian elections and other matters, but we continue to make that point in the context of the negotiations.

Senator Paul Daly addressed the issue of preparedness and budgetary allocations. I think he asked about the €25 million made available in budget 2018 and the impact of various measures. As stated by the Minister for Finance, Deputy Donohoe, that allocation has been incorporated in the future growth scheme that will come into place in early 2019. It is a new product and arrangement which has backing from the European Investment Fund and is being operated by the Strategic Banking Corporation of Ireland, SBCI. There have been several players and steps in the process of getting that product into place which are now coming together. We expect it to be in place in early 2019.

On the direct impact of or follow-up on other schemes, the €150 million low-cost loan scheme announced in budget 2017 is now fully subscribed by farmers and others availing of the opportunities it provided. In 2018, we had the joint €300 million loan scheme run by our Department and the Department of Business, Enterprise and Innovation. That was launched formally in March of this year and it is in progress. Companies are applying for loans as part of it and approvals are ongoing. Effectively, we had a fully subscribed scheme from 2017. There is an operational scheme in place processing loans for companies as a result of the 2018 allocation. The €25 million we talked about will come on stream as part of the future growth loan scheme in early 2019.

Reference was made to fisheries and to the United Kingdom losing access. I covered this in an earlier answer. Reference was made to policing or patrolling our own waters. I might ask Ms Josephine Kelly to comment on that if she wants. Again, it is a matter of the resources that we would require to deal with whatever happens as a result of Brexit.

On new markets, I was asked about Food Wise 2025, the ambitions in this regard and the amount of emphasis we are putting on the programme. I probably covered that in my earlier response. We are putting a lot of effort into it. There is a market prioritisation exercise by Bord Bia and there are trade missions. I mentioned in my opening statement the fact that we now have a market access portal in the Department. On the Department's website, companies and exporters can examine the requirements and issues they have to deal with in gaining access to different markets. That is the practical follow-up we are doing in conjunction with some of the more high-profile stuff that occurs on trade missions.

On the query about a soft Brexit and whether a fall in the value of sterling, which could fall in any case, would have a big impact. It may well have a big impact. In the short term, we have been focusing in our base response on dealing with the impact of the fall in the value of sterling against the euro. I do not know the extent of the fall or the impact after Brexit. It may take time to see that impact but it is important that we be ready to try to respond to the sterling fluctuations in the same way as we have done over the past two years. It difficult predict the currency movements. One could argue a soft Brexit might have the opposite effect and strengthen sterling. I do not know. Markets might decide it is a good outcome from a UK perspective also, and it might have a limited or no impact. We will have to see how this develops. Our track record on responding to these kinds of changes is pretty strong.

The Chairman asked about the hole in the CAP budget and the position on that. I have not been as closely in touch with my colleagues on the CAP side and the negotiations on the direction of the reform, or the multi-annual financial framework discussions. There have been discussions on how the hole might be filled. We and the Minister have indicated readiness to contribute more to the CAP budget, obviously in regard to securing future funding. There is a debate on this ongoing at member state level in the context of the multi-annual financial framework. I am not entirely sure about the current progress in that debate but our position on it is

clear, certainly in terms of where we are going.

Chairman: Some of our members arrived late. Do they want to make a contribution?

Senator Michelle Mulherin: Yes. Many of the items have been covered, and I have read the comprehensive submission. When I came in, Mr. Savage was responding to one of my colleagues on concerns raised about Food Wise 2025. Is there a threat to it? Mr. Savage acknowledged a serious threat from Mercosur, which has to be dealt with and which is ongoing.

I did not hear Mr. Savage mention anything about steps we might be required to take in regard to climate action. This is very pressing. We have a special committee at which delegates tell us we should be reducing the size of our national herd, etc. It is a matter of having some interface between the two positions. Is it correct that since Mr. Savage is dealing with an imminent and urgent situation as regards Brexit and its potential impact on agriculture and food trade, considerations on climate action and how it might have ramifications for beef production in particular are a luxury? My question on Mercosur has already been asked.

Deputy Marcella Corcoran Kennedy: I apologise for being late. With regard to fisheries waters, is the Department looking to our inland waterways and the development of freshwater fishing, particularly when one realises the amount of plastics in the waters around the country? Could we be focusing on this? It might promote more consumer confidence.

Mr. Paul Savage: Senator Michelle Mulherin said she came in when I was answering on Food Wise 2025 and Mercosur. I will not necessarily go back over those unless there was a specific question. On Food Wise 2025, the point I was making was that it is not a case of throwing out the baby with the bath water. Brexit is obviously a great challenge for the sector but we are still intent on applying the principles in Food Wise 2025 to the development and growth of the sector. We still talking about applying the principles we talked about in terms of innovation, competitiveness and human capital and about underpinning these with sustainability. Our focus will be on the actions necessary to deal with Brexit. We are not talking about having a new strategy but just tailoring-----

Senator Michelle Mulherin: To clarify, Mr. Savage is considering the threats in respect of Food Wise 2025, targets and ambitions for growth but there is clearly another dialogue on the subject that is threatening agriculture as we know it. I am not saying things cannot be worked through. I am talking about demands coming from certain quarters in respect of agricultural production, including beef and dairy production. Mr. Savage did not mention that whole blend. The impact on Food Wise 2025 has often been asked about at this committee.

Mr. Paul Savage: Is the Senator talking about climate action-----

Senator Michelle Mulherin: Yes.

Mr. Paul Savage: -----and the development objectives for the sector being at variance with climate change objectives? It is slightly outside my personal brief. I am certainly focused on Brexit, its impact and what it means for the sector. That is very much the focus in terms of the practical response also. To make a general comment, I certainly do not agree that climate change considerations are somehow secondary and suddenly have been relegated in the context of how we envisage the development of the sector. Individuals throughout the sector, and certainly officials in the Department and the Minister, are acutely aware of the challenges and the need to balance development plans for the sector with our climate action responsibilities.

Food Wise 2025 is underpinned at every turn by the need to ensure sustainability in the way we go about our food production. That will continue to inform the process and what we are doing on the ground in terms of the development of the sector. One could not say that climate change aspects have suddenly been relegated. The climate change challenges still face us and we have to meet the two objectives. We say very clearly, in the context of Food Wise 2025, that sustainability and development go hand in hand. One cannot have one without the other. One needs the economic development of the sector but it has to be underpinned by sustainability, not least because consumers all over the world are looking for assurance on the sustainability of our production methods and the extent to which we can stand over claims about our sustainability. We understand that and the competition that exists between the two objectives. We do not see the two as mutually exclusive because they have to go hand in hand. The climate challenge is not being relegated in any way in our minds. We are still doing a lot of work as a Department on trying to push that agenda forward. Obviously, my concentration is on Brexit and its impact but it would not be fair to say we are relegating climate considerations while we focus purely on the Brexit response.

Chairman: What about Deputy Corcoran Kennedy's question?

Mr. Paul Savage: On freshwater fishing, I might defer to my colleague, Ms Josephine Kelly. We focus very much on the sea fisheries side. The freshwater side is-----

Ms Josephine Kelly: It is the responsibility of the Minister for Communications, Climate Action and Environment.

Chairman: Might it be a question for another day?

Mr. Paul Savage: Yes, in another context.

Deputy Marcella Corcoran Kennedy: Maybe it could be forwarded on. It is extraordinary that it pertains to a different Department.

Chairman: That was always the case.

Implementation of Common Fisheries Policy and the Sustainability of Irish Fisheries: BirdWatch Ireland

Chairman: I welcome Mr. Fintan Kelly, policy officer of BirdWatch Ireland, and thank him for appearing before the committee today. Mr. Kelly requested to address the committee to discuss the implementation of the Common Fisheries Policy and the sustainability of Irish fisheries.

Witnesses are protected by absolute privilege in respect of the evidence they give this committee. If they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of a long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House, or any official by name or in such a way as

to make him or her identifiable.

I ask Mr. Kelly to make his opening statement.

Mr. Fintan Kelly: I thank the members of the joint committee for extending the invitation for me to address them today. I am policy officer with BirdWatch Ireland and have a bachelor's degree in environmental science from NUIG and a master's degree in environmental biology from Utrecht University. I have been working in environmental policy since 2012. In a fisheries context I have been working on the implementation of the Common Fisheries Policy for several years. I sit on EU-level stakeholder forums such as the North Western Waters Advisory Council.

The EU's reformed Common Fisheries Policy, CFP, entered into force in January 2014. The political agreement between the EU Council of Ministers and the European Parliament reflected the will of EU citizens that European fisheries policy needed radical reform. This new dawn in EU fisheries policy was underpinned by overwhelming evidence and wide consensus that overfishing must end, and that the failure to do so would have grave consequences for the fishing industry, the marine environment and the food supply chain. The announcement marked the culmination of a process which began in 2009 with extensive public consultations.

In practical terms ending overfishing really means that when decision makers like the Commission and fisheries Ministers agree the fishing limits for a given fish stock, the upper limit of fishing is set at a sustainable level advised by the best available scientific advice. Typically, advice on fishing limits is supplied by the International Council for the Exploration of the Sea, ICES, a global organisation of 5,000 scientists from over 690 marine institutes in 20 member countries that develop science and advice to support the sustainable use of the oceans. In an Irish context ICES works in tandem with staff from the Marine Institute to provide scientific advice on the management of fish stocks.

Within the CFP the upper point at which fishing limits must be set is called the maximum sustainable yield, MSY. Maximum sustainable yield is the maximum yield or catch that can be taken from a fish stock over time without depleting the size of the fish population. At this point the population can replace the fish which are taken from the stock. Above this point more fish are removed than can be replaced and the size of the stock reduces over time. This results in a smaller population, which means less fish for fishermen to catch. The fewer fish there are the harder it becomes to find and catch them, reducing the profitability of fishing. If a stock is overfished it may become severely depleted and may even collapse.

The ongoing recovery of sea cod in Irish waters is a positive example of how, when we take positive action to reduce fishing pressure, even severely depleted fish stocks can start to recover. Sea cod in Irish waters has gone from having a catch advice of zero tonnes from 2000 to 2017 to catch advice of 695 tonnes in 2018.

Ending overfishing or ensuring that fishing limits are not greater than the maximum sustainable yield is not an environmental or conservation objective *per se*. It is a fisheries management and economic objective which will secure the best economic, social and environmental outcomes for fishers and EU citizens. This position is supported by the Irish programme for Government which states that the sea that surrounds our island is our greatest natural resource and that developing the potential of the blue economy will be a priority for the Government. The implementation of the CFP, which the Government has recognised as forward looking and progressive, is seen as being integral to the realisation of this objective. In line with the CFP

the Government has committed to, “setting quotas at Maximum Sustainable Yield and on a scientific basis, implementing the obligation to land, and an effective system of Regional decision making.”

I will now deal with overfishing in the EU and the December AGRIFISH Council. Within the CFP, Article 2.2 requires that fish stocks are restored to levels that can support the maximum sustainable yield, “by 2015 where possible and, on a progressive, incremental basis at the latest by 2020 for all stocks.” The EU has already failed to meet the 2015 deadline and with just over a year remaining before the 2020 deadline it is critical that the Irish Government follows scientific advice in upcoming negotiations.

Every December fisheries Ministers like Ireland’s Minister, Deputy Creed, meet in Brussels to negotiate fishing limits for the north-east Atlantic for the year ahead. According to the New Economics Foundation, NEF, which has analysed December Council decisions between 2001 and 2017, on average seven out of every ten fishing limits set by member states were above the limits advised by scientists. While the percentage by which the levels of total allowable catch, TAC, were set above advice declined throughout this period, the proportion of TACs set above advice did not.

One of the NEF’s conclusions was that “Member States are the main drivers of overfishing, either because they are actively pushing for fishing limits to be set above scientific advice or they are failing to prevent it.” In its opinion recurring issues identified within past negotiations which drive overfishing include: a lack of transparency in the negotiations; decision making based on short-termism; effective lobbying from industry; and perverse competition between member states.

During last year’s December Council fisheries Ministers continued to agree fishing limits for 2018 that were above the scientific advice. Of the fishing limits analysed by the Pew Charitable Trusts, 44% were set exceeding the scientific advice. This is, however, a reduction from 54% set exceeding advice in 2017 and 57% set exceeding advice in 2016.

Another report commissioned by the Pew Charitable Trusts shows that while the extent to which fish stocks are being overfished improved between 2013 and 2017, the number of overfished stocks remains too high. This is in line with the findings of the Scientific, Technical and Economic Committee for Fisheries, which found that while stock status has significantly improved in the north-east Atlantic, progress has slowed in the last few years and many stocks remain overfished and/or outside safe biological limits. In its opinion the progress that has been achieved seems too slow to ensure that all stocks will be rebuilt to MSY by 2020.

Based on the NEF’s assessments of EU December Councils between 2001 and 2017, it is clear that Ireland has historically played a negative role in the negotiations. For 2018 Ireland was the country with the highest percentage of fishing quotas in excess of scientific advice. Ireland was involved in decisions that allow fishing at 18% above maximum sustainable yield. The United Kingdom, Belgium and the Netherlands agreed fishing limits at 15%, 8% and 8%, respectively, above advice.

The UK, Ireland, the Netherlands and Denmark were the worst offenders in terms of the total tonnage of fishing limits set above advice. According to the NEF, Ministers representing these member states have received the largest quota increases above advice in terms of tonnes and are therefore the most responsible for impeding the transition to sustainable fisheries in the EU. Ireland has negotiated a fishing quota for 2018 which is over 31,000 tonnes above sci-

entific advice. This now means that Ireland has received a total fishing quota of over 700,000 tonnes above scientific advice since 2001. Ireland now must surely be considered among the worst offenders when it comes to the percentage of fishing limits set above scientific advice, having in the previous two years also ranked worst and joint worst.

As in previous years the Minister for Agriculture, Food and the Marine, Deputy Creed, celebrated the fact that he had been able to secure Ireland's fishing industry the right to overfish in 2018, stating:

The total €152 million value of the whitefish quotas secured for the Irish fishing fleet amounts to an 8% increase in value from last year and a 3% increase in volume. I am satisfied that this is a good and balanced result overall.

Much of the economic debate relating to Common Fisheries Policy reform has in the past focused on the short-term economic cost of reducing fishing pressure and transitioning to maximum sustainable yield rather than on the economic benefits of reaching MSY. This is clearly apparent in the Government's submissions to the European Commission's proposals on fishing opportunities over recent years. The Government's economic arguments are based on the sustainability impact assessments prepared by Bord Iascaigh Mhara, BIM. These assessments only calculate the cost of quota reductions for the year ahead and fail to consider the medium to long term economic gains of achieving MSY. This evidence, according to the New Economics Foundation, is methodologically weak as it omits cost reductions, quota uptake, and price elasticities.

Fish can be one of Ireland's and the EU's greatest renewable resources if managed correctly. Aside from their innate value as living things and fundamental components of marine ecosystems, fish can provide multiple benefits to society in the form of food, revenue and jobs. Overfishing results in smaller catches, lower revenues and fewer jobs. As the World Bank has put it, "biological overfishing has led to economic overfishing, which creates economic losses." MSY, from an economic standpoint, must be the goal we strive for if we wish to achieve the point of greatest economic return. Fishing at or below MSY levels which deliver sustainable catches is a precondition to landing more fish. According to the World Bank, globally fisheries accrued an economic loss of about \$83 billion in 2012, compared with what could have been generated by managing fisheries in line with scientific advice. From an EU perspective it is estimated that in 2015, by failing to exploit fish stocks below MSY, the EU caused a total loss of 8.6 million tonnes of catch and €7.1 billion in revenues over the previous five-year period.

The economic benefits relative to 2012-2014 of rebuilding EU fish stocks to MSY could provide Ireland with an additional 200,000 tonnes of fish landings annually. This would generate an additional €270 million in earnings, potentially supporting 2,200 new jobs. Based on the Scientific, Technical Economic Committee for Fisheries most recent annual economic assessment of EU fisheries the revenue generated by fisheries in the north-east Atlantic in 2016 was estimated at €2.66 billion, an increase of 8% from 2015, with the Irish fleet generating €265 million. The net profit generated by the EU fleet was estimated at €417 million, an 84% increase on 2015. The recovery of some fish stocks is one important factor in the positive outlook for the sector. In this context the arguments which have been made in the past of the economic cost of transitioning to MSY are less convincing.

The positive outlook for the sector means that there can be no excuses in delaying our legal obligations. The economic benefits of rebuilding fish stocks will accrue even in the short-term due to the increased profitability of greater catches and the reduced costs of catching more abundant stocks. Now is an ideal time to take the steps necessary to achieve compliance with

the CFP. The sooner we transition to MSY the sooner we can enjoy the economic benefits. 2018 will be a critical year for the CFP. Given that the 2020 deadline to end overfishing is just over a year away, this year's upcoming fisheries negotiations will play a critical role in realising the goals of the CFP.

Every two years EU fisheries Ministers negotiate the total allowable catches for deep sea stocks. This November the TACs for 2019 and 2020 will be agreed. In effect, this means that this November's negotiation will be the CFP's deadline for these stocks. Ireland's main interest in the November Council is achieving quota for deep sea fish so that we can trade it with France and Spain in exchange for other fish quota. Ireland receives quota for five deep sea species and six different stocks. Of these stocks four have been overfished for many years and one has zero catch advice for 2019-20. Fishing for orange roughy is prohibited since the collapse of the stock in 2002. The Irish fishing industry does not target deep sea fish stocks. The Government needs to set deep sea fishing limits in line with scientific advice in November for 2019 and 2020. The failure to do so will ensure that the EU will fail to meet its 2020 objective to end overfishing a year out from the deadline.

Every year in December EU fisheries Ministers set the TACs for the majority of commercial EU fish species. Last year, 124 TAC decisions were made or confirmed at this meeting. These negotiations are not public; only their outcomes are. This lack of transparency means that Ministers are not on the hook when they ignore scientific advice and give priority to short-term interests that risk the health of fish stocks. The Government must negotiate fishing limits for 2019 which are compatible with achieving the CFP's 2020 deadline. BirdWatch Ireland asks that the members of the committee raise these concerns with the Minister when he presents the Government's sustainability impact assessment of the EU Commission proposal this November.

Deputy Willie Penrose: I thank Mr. Kelly. My knowledge of this issue was severely lacking until I met him a month or six weeks ago. He has presented a very detailed and comprehensive paper to us. It is very thought-provoking, and he expresses a lot of knowledge of the topic. We thank him for that.

Some of the points made by Mr. Kelly are at odds with what we understood to be the position. I am old enough to remember Mark Clinton and Michael O'Kennedy as Ministers for agriculture. Their job was to come home with the beef, to use a euphemism, and if they did not they were slated at domestic level. It was a triumph if they came home with allowances for increases in catch and potential catches and agreements on the price of milk which might amount to two pence per gallon at the time.

I do not want to misquote Mr. Kelly. Have we ignored well formulated scientific advice over a long period of time? Have we acted contrary to that advice? Have we failed to comply with our legal obligations? We are generally brought before the European Court of Justice, ECJ, if that is the case, or alternatively an infringement procedure of some description is initiated at EU level by the Commission or another body.

Is the witness suggesting that the measures, in the context of economic arguments prepared by BIM which were based on the sustainability impact assessment, are not sufficient or are deficient, and are in fact unbalanced because they fail to take into account the counter-arguments on sustainability the witness has made? He has said that the greater the level of sustainability achieved the better the opportunity for fishermen to harvest more fish and achieve a greater output, resulting in an increased income. I may well be misinterpreting the witness; if I am he can correct me.

Is it the case, as Mr. Kelly has argued, that the Government has breached its commitments on MSY in the CFP? I have no degree of expertise in this area, so I ask Mr. Kelly to forgive me for asking questions he may think are irrelevant or simple. Do I understand it that the MSY is, in effect, a very good management tool that could lead to a significant increase in income for fishermen, as opposed to the current system? While it appears that there has been some improvement in TAC over the last five years, how much more does Mr. Kelly believe can be achieved? What should the Minister do when setting the TAC? What can the Department do to assess the TACs? Mr. Kelly said November is the critical month and that is why he is here. He is concerned about the lack of transparency in how the TACs are set and the deliberative process in which the Department engages in achieving them. He wants to see how they are formulated in respect of the overall CFP and, in particular, how they relate to the MSY. Am I correct in saying there is a correlation between the two? What questions should we raise with the Minister when he comes before the committee to present the sustainability impact assessment?

Senator Paul Daly: I thank Mr. Kelly for his statement. As a nation and an island, how does Ireland compare with other member states on breaches of the maximum sustainable yields? It might be somewhat ironic that a politician is asking this question, but how is it the case that the Minister negotiated an increase with the same body that sets the maximum sustainable yield? On the one hand, this organisation sets the 2020 target, yet our Minister can negotiate an increase in our yield which breaches the aforementioned target. As I said, I accept that a politician is asking the question and perhaps it should be the other way around, but I am interested in Mr. Kelly's opinion as someone who has studied the matter extensively.

Chairman: I do not profess to have any degree of expertise in this particular area. As Deputy Penrose said, the Minister attends meetings of the committee every November and is due to attend on 27 November on this matter. As Mr. Kelly rightly pointed out in his detailed presentation, unless there was significant improvement in the quota achieved, it was seen as a defeat, which seems to be completely at odds with what he is saying here and what we were told over time. When the Minister and his officials appear at the end of November, we need to ask clear and specific questions on this issue. Will Mr. Kelly highlight some of them?

Mr. Fintan Kelly: I am not used to this format but I will try to remember all the questions members asked. Deputy Penrose made a statement relating to the old approach, that is, the highly political approach to negotiations. He used the term, "bringing home the bacon", which is still the predominant approach as far as I can see. Member states, the European Parliament and the Commission collectively worked through CFP reform. There was overwhelming public pressure from EU citizens to see an end to overfishing. The 2015 deadline and the final 2020 deadline to end overfishing were set.

As a result of that initial public pressure, there was an improvement in the situation, with a lower level of overfishing in 2012. Directly after the CFP was agreed, however, there was an increase in the level of overfishing, although this has come down to below the 2012 figures in the past two years. That reflects the role the public played in 2012, the pressure that was put on decision makers to end overfishing and the subsequent fall back into past behaviour. The Minister felt under pressure to deliver the quota for the industry and was probably under pressure from other political parties if he did not deliver that, which was definitely one of the driving factors.

Chairman: Would the industry not look for an increase in quotas to maintain sustainability in any event?

Mr. Fintan Kelly: Having sat with the Minister and representatives from the industry in

Clonakilty, and having sat on advisory councils with the industry, I have found that the general approach is to maintain or increase our level of catch. All stakeholders would agree that getting to MSY is beneficial to everyone. While we would say that over the past few years we needed to make progressive incremental gains, when it comes to the accounts being done at the end of the year in November or December, there is a tendency to slip back into that short-termism. The BIM sustainability impact assessment was mentioned. That reflects the predominant approach where BIM will look at the Commission's proposal. The Commission will reflect on the scientific advice that ICES has supplied, which might recommend a decrease in the amount of fish that can be caught for some stocks, depending on the health of the stock, and for others an increase, depending on fluctuations in the population. The Commission will bring forward a proposal which BIM and the Government will consider. The cost of the reductions for the year ahead will then be presented to the Oireachtas committee. There is not a calculation, therefore, of what the benefits will be over a two, five or ten year period if we were to follow the scientific advice.

We have raised this matter with BIM and the Department for a number of years. It is a major oversight and it severely hinders the narrative of the discussion. In my presentation, I tried to steer away from birds or some of the more ecological arguments one might expect from an organisation such as BirdWatch Ireland. I focused on the economics because this should not be a negative outlook. Rather, it is an overwhelmingly positive opportunity for us to grow our blue economy. At this year's SeaFest, I noted the Minister presented the Government's objectives, which, like Food Wise 2025, were focused on increasing the profitability of Ireland's aquaculture sector. We would like to see that kind of approach taken to improving the sustainability of our fisheries or wild fish populations. Based on some of the figures we put forward, there is a potential for an increase of 2,200 jobs in our coastal communities, many of which are in marginal areas without many other opportunities, unfortunately. We feel that perspective should definitely be taken but, unfortunately, it has not been taken.

Some other points were made about the legal obligations and whether I was implying that Ireland is failing to live up to them, which is a serious issue. My point was that based on what we can see from the decisions that are being made, Ireland seems to be playing a particularly negative role. It consistently performs worse than the EU average in the number of stocks with which we are involved that are above scientific advice. Looking at the trajectory of where that leaves us heading towards 2020, it appears we are heading for a situation where, collectively, the member states will not reach the 2020 target. Given Ireland's major role in this development, we should be accountable and that is what I am asking of the Oireachtas joint committee. It should be highlighted with the Minister that the November Council is the 2020 deadline because there will not be another negotiation before 2020. If the Minister suggests we should not follow scientific advice, he should make clear what are the long-term economic arguments for taking that position and what are the political implications for Ireland of coming to the table with the attitude that we will not be legally compliant.

Similarly, in the case of the December Council, the negotiations that will take place in December of this year and again in December 2019 will bring us up to the 2020 deadline. While the deadline may seem to be some time away, there will be only two meetings in Brussels beforehand and considerable progress remains to be made. In recent years, we have met departmental officials and have always made clear that we are sympathetic to the position in which the Minister finds himself. We are not asking for a guillotine approach such as was taken in 2015 when all the stocks were in MSY. We have always argued for a clear plan that makes clear we are heading in the direction of having all stocks in MSY by 2020. I focused a good deal on set-

ting the fishing limits at the maximum sustainable yield, MSY, but also on being more cautious or even on being more positive at setting them below the MSY. In doing that effectively we would leave more fish in the population and our stocks should increase over time. If our stocks are increasing over time and getting back to historical levels that would have massive positive impacts not only on the ecosystem but on our fisheries.

Chairman: Mr. Kelly has given us some food for thought for our discussion with the Minister when we will engage with him at the end of the month. It is a new direction that we have not been brought previously. It is something we will have to take up with the Minister directly. Mr. Kelly said that he has met Department officials on a regular basis. What reaction did he get from them in this respect?

Mr. Fintan Kelly: Even though I am being highly critical of the Department and the Minister, Deputy Creed, or so it might seem, we have a very positive relationship with the Department. We meet the Department staff in Clonakilty several times a year. We also meet staff in the Marine Institute quarterly. I met the Minister several times last year and I also met him just the other week. The reaction from him and his staff is that they understand what we are asking them to do but they have a different approach. They believe they are getting there incrementally. We believe, based on the evidence, that we are not making the necessary progress and the old habits of the short-termism and the political realities are hindering the progress. There should be much greater focus on the opportunities. If the Department was to come before the Oireachtas committee today and present figures of increased profitability and jobs to the value of just under €300 million for any sector, I believe there would be excitement. Bord Bia would have national campaigns and I am sure booklets would be printed. That is the approach that we believe the Department should take regarding the MSY and the Common Fisheries Policy, CFP.

Chairman: It is something that we will discuss with the Minister in the next few weeks. I thank Mr. Kelly for coming before the committee today. He has given us some very thought provoking information.

As there is no further business, the meeting is adjourned until 3.30 p.m. next Tuesday, 13 November.

The joint committee adjourned at 5.53 p.m. until 3.30 p.m. on Tuesday, 13 November 2018.