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COMMITTEE ON FISHERIES

SUB-COMMITTEE ON FISH TRADE

Fourteenth Session

Bergen, Norway, 24–28 February 2014

REPORT ON THE EFFECTS OF ECOLABELLING SCHEMES ON FISHERIES

Executive Summary

This paper describes the findings of a consultancy paper on the economic impact of private ecolabels on returns to the fisheries sector. The paper also reports evidence on the utilization of the FAO draft Evaluation Guidelines as a benchmarking tool for comparing private ecolabelling schemes with the FAO Certification Guidelines for marine capture fisheries.

Suggested action by the Sub-Committee:

- Discuss findings on the recent use of the FAO draft evaluation framework; share any case studies, statistical information or country evidence of ecolabel impacts on governance and sustainable fisheries management;
- Advise FAO on future work on the draft evaluation framework for marine and inland capture fisheries; and
- Endorse ongoing activities of the FAO Fisheries and Aquaculture Department (FI) that monitor and analyse the impact of ecolabels, as well as supporting global private sector initiatives to benchmark voluntary ecolabels.

INTRODUCTION

1. A draft evaluation framework¹ to assess the conformity of public and private ecolabelling schemes with the *FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine and Inland Capture Fisheries* (FAO Guidelines) was presented to the thirteenth session of the Sub-Committee on Fish Trade (COFI:FT). A discussion followed in which some Members recommended the adoption of the draft evaluation framework proposed by the Expert Consultation, noting that the evaluation framework could be subject to further revision once more experience had been gained in its implementation, while other Members felt that the draft evaluation framework was not ready for adoption and would benefit from a pilot program to test its applicability (Para. 31, Final Report).
2. COFI:FT agreed that, at this stage, it was not necessary to convene a further expert consultation or a technical consultation to move forward on work on the evaluation framework (Para 32, Final Report), and that it would be useful to address the effect of various ecolabelling schemes on fisheries management and economic returns (Para 35, Final Report).
3. It was noted at the thirtieth session of the Committee on Fisheries (COFI) that the draft evaluation framework is publicly available. COFI called for swift progress towards the evaluation of ecolabelling and certification in the light of the FAO Guidelines.
4. Being aware that the draft evaluation framework is in the public domain, the Secretariat, with the assistance of an independent consultant, sought evidence of the usage of the draft evaluation framework as a benchmarking tool for voluntary public and private ecolabelling schemes. The consultant investigated evidence of any economic impacts on the fisheries sector from adoption of public and private ecolabels, namely price premiums received for certified fish or special market access for certified fish versus non-certified fish. The key findings are summarized below.

EVIDENCE ON UTILIZATION OF THE FAO DRAFT EVALUATION FRAMEWORK

5. FAO investigated evidence of benchmarking for 25 ecolabels, retail labels, and consumer guides for fish and fisheries products. A complete paper is provided as COFI:FT/XIV/2014/Inf.9, including an extensive list of references and website addresses. The following is the list of schemes that were reviewed: Blue Ocean Institute, EcoFish, Environmental Defense, Fair-Fish, FishOnLine, FishSource, Forest and Bird Society of New Zealand, Friend of the Sea, Global Trust, INCOFISH, Krav (Sweden), Leibniz Institute of Marine Sciences, Marine Ecolabel Japan (MEL), Marine Stewardship Council (MSC), Monterey Bay Aquarium Seafood Watch, Naturland Wildfish, Norge Seafood, Seafood Choices Alliance, the Australian Department of Environment guidelines for the ecological sustainable management of fisheries, Marine Aquarium Council to certify fisheries for the aquarium trade, The Responsible Fishing Scheme (SEAFISH), Unilever: Fishing for the Future, WalMart and Young's Seafood Fish for Life.
6. Five benchmarking exercises were publicly available. Two of these ecolabel schemes claim to use the FAO Guidelines for their benchmarking. The other two ecolabel schemes cited several reasons for not using the FAO Guidelines, namely that they:
 - do not have associated targets for the benchmarking criteria;
 - lack clarity or suggested measures of performance;
 - can lead to different interpretations and thus claims of 'in compliance' with the FAO Guidelines which cannot be verified or refuted; and
 - are necessarily broad to fit the many different operating conditions of the member countries.
7. The fifth benchmarking exercise is currently in development, namely the Global Seafood Sustainability Initiative (GSSI). This benchmarking exercise is utilizing both the FAO Guidelines and

¹ Expert Consultation to Develop an FAO Evaluation Framework to Assess the Conformity of Public and Private Ecolabelling Schemes with the FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine and Capture Fisheries, Rome, 24–26 November 2010.

the FAO draft evaluation frameworks for marine capture fisheries and aquaculture as minimum criteria for developing a global benchmarking tool. In addition, the private standard setting body, the International Organization for Standardization (ISO), is considering a recent proposal submitted to the ISO Technical Committee on Fisheries and Aquaculture (T/C 234) to develop a seafood ecolabel standard that utilizes the FAO Guidelines on marine capture fisheries as a reference. Recent developments under the GSSI and ISO are discussed in more detail later in this paper.

EVIDENCE OF ECONOMIC IMPACT FROM ECOLABELLING ON RETURNS TO THE FISHERIES SECTOR

8. Producers incur costs to obtain seafood ecolabel certification, and these costs can vary significantly depending on the criteria of the certification scheme. Under normal market conditions, it would be expected that a certified producer could receive price premiums to offset the higher costs of certification. However, it is not necessarily true that labelled seafood products command a price premium over identical unlabelled products that reach the final consumer. Although the emergence of ecolabels in the environmentally conscientious markets of the major seafood importing countries suggests that this is a consumer-driven phenomenon, evidence points to the demand for ecolabels originating more as a business branding practice along the seafood value chain.

9. FAO reviewed evidence of economic incentives for ecolabelled seafood products compared with similar seafood products without ecolabels. A limited number of studies illustrate price premiums for ecolabelled seafood products. The complete findings are available as COFI:FT/XIV/2014/Inf.9. A few studies were found that illustrated an economic price-premium between 10–15 percent obtained at the retail level for ecolabelled versus non-labelled seafood products in the same markets. For example, two studies conducted in the United Kingdom of Great Britain and Northern Ireland evaluated price premiums at the retail level for products with the MSC label². MSC-ecolabelled pollock received a 14 percent price premium over unlabelled pollock in the same market in 2011. A follow-up study examined prices for MSC-ecolabelled haddock, finding a 14 percent price premium at the retail level³.

10. Ad hoc evidence suggests that some price premiums are being received for ecolabelled products at the retail level in the main seafood import markets. However, it is more likely that the benefit to producers for ecolabelling their seafood products is improved market access and not price premiums. As seafood supply chains are becoming more integrated, with business contracts largely determining the link between seafood producers/processors and global retailers, the use of voluntary ecolabels has grown to be an important driver in international seafood markets. This trend has implications for small-scale producers/processors if they are not able to afford ecolabel certification. This trend may also have implications for developing countries, which currently supply the majority of internationally traded seafood products if they lose access to traditional import markets.

11. Members and observers are invited to share case studies or statistical information to the Secretariat to facilitate measurement and analysis of the impact of voluntary ecolabels on price premiums, governance and/or fisheries management in their countries or regions.

OTHER DEVELOPMENTS

12. **Global Seafood Sustainability Initiative (GSSI).** The GSSI mission is to deliver a common, consistent and global benchmarking tool for seafood certification and labelling programs. The GSSI stakeholders include approximately 30 private companies, a national government, academics and non-governmental organizations (NGOs). This consortium is interested in raising consumer confidence in the seafood supply chain, promoting sustainable fisheries practices, and encouraging improvement in seafood certification schemes. International standards exist for checking accreditation

² Roheim, C., Asche, F. & Santos, J.I. 2011. *The Elusive Price Premium for Ecolabelled Products: Evidence From Seafood in the UK Market*. *Journal of Agricultural Economics*, 62(3): 655–68.

³ Sogn-Grundvåg, G., Larsen, T.A. & Young, J.A. 2013. *The Value Of Line-Caught And Other Attributes: An Exploration Of Price Premiums For Chilled Fish In UK Supermarkets*. *Marine Policy*, 38: 41–4.

bodies and certification bodies; however, there seems to be a gap in standards for checking the certification schemes themselves, and this is the niche that the GSSI proposes to fill.

13. The GSSI benchmarking tool uses as minimum criteria the FAO Guidelines for capture fisheries and aquaculture, as well as the draft evaluation frameworks for capture fisheries⁴ and the evaluation framework for aquaculture⁵. Additional resources include ISO and International Social and Environmental Accreditation and Labelling Alliance (ISEAL) standards. The GSSI, which was launched in February 2013, plans to develop its benchmarking tool by 2015. GSSI aims to establish a global platform for future discussions, similar to the model of the Global Food Safety Initiative (GFSI), which has been operational for ten years.

14. FAO participates in the GSSI expert working groups: namely, on process, fisheries, and aquaculture. FAO participation in the GSSI initiative has encouraged the inclusion of stakeholders from all geographical regions, as well as addressing the special needs of small-scale producers. There are synergies to be gained through cooperation of all the major stakeholders, including FAO, in the development of the GSSI tool.

15. The proposed GSSI framework includes four main “Catalogue of Requirements”: namely, Standards Contents, Governance Systems, Implementation Systems and Impacts. In addition, the GSSI benchmarking tool is expected to address some of the acknowledged shortcomings of the FAO Guidelines for capture fisheries, such as the chain of custody and governance, by including additional criteria.

16. **International Organization for Standardization (ISO).** A proposal was submitted to the annual meeting of the T/C 234⁶ for development of an ecolabel standard. The proposal is for the development of ISO minimum requirements for the certification of products from sustainable marine fisheries. The proposal does not apply to aquaculture or seaweed products. Topics covered under the proposal include environmental, economic and social aspects, and quality of the products. Each topic is defined by a list of criteria.

17. FAO participates in ISO annual meetings, providing updates on FAO work related to the T/C 234. As the newly proposed work order to develop an ISO ecolabel standard was submitted to the annual meeting in Kochi, India, October 2013, the results of this exercise were not available at the time this paper was prepared. The voting on the ecolabel standard proposal will be completed in February 2014, prior to COFI:FT. Thus, the Secretariat will be able to report on the results of the vote.

18. **World Trade Organization (WTO).** The Trade and Environment Committee (CTE) of the WTO was tasked with investigating voluntary environmental labelling schemes (ecolabels) by the Doha Declaration⁷. Ecolabels⁸ are a vehicle for conveying environmental information to the consumer, which is not evident from the product itself; namely, that the seafood was produced in an environmentally sustainable way compared with “like” seafood products that were not sustainably produced. The Doha Declaration noted that ecolabels could be misused and that the ecolabelling schemes, whether developed by governments, industry or NGOs, should not create unnecessary barriers or disguised restrictions on international trade. The CTE invited FAO to provide information on voluntary certification schemes and their implication for international seafood trade at their

⁴ The FAO draft evaluation framework for capture fisheries was presented to, but not approved by, the twelfth session of COFI:FT, 2012.

⁵ “Technical guidelines on aquaculture certification” were approved by the twenty-ninth session of COFI, 2011. The FAO Evaluation Framework for Aquaculture was developed by an expert consultation in Rome in December 2012. The draft evaluation framework for aquaculture was presented to and approved by (with noted reservations by a few countries) the seventh session of the COFI Sub-Committee on Aquaculture in October 2013.

⁶ “Minimum Requirements for the Certification of Products from Sustainable Marine Fishery”, Food Industry and Health Care Department, France. Proposal for new work item submitted to the ISO/TC 234 annual meeting, Kochi, India, 29 October 2013.

⁷ Paragraph 32(iii), WTO Doha Declaration, 2001.

⁸ WTO “Labelling” http://www.wto.org/english/tratop_e/envir_e/labelling_e.htm

meeting in June 2013. The CTE expressed concerns about the prevalence of seafood ecolabels and thanked FAO for sharing its work in this area. Voluntary environmental standards, which are not required by governments, do not fall directly within the multilateral rules-based trade regime of the WTO. However, as the Agreement on Technical Barriers to Trade (TBT) handles product standards and labelling, seafood ecolabels automatically fall under the TBT's "Code of Good Practice for the Preparation, Adoption and Application of Standards". Thus, private standardizing bodies are "invited" to follow the TBT Code. Finally, some WTO members have called for a separate agreement on fisheries, similar to the Agreement on Agriculture, that would include the environmental aspects of the fisheries sector. However, negotiations on a separate fisheries sector agreement have not progressed under the Doha round.

19. Market access issues are likely to increase with the growing number of voluntary ecolabels. Ecolabels are becoming a required part of business transactions between major producers and global purchasers, such as brand owners, supermarket chains and other seafood retailers. The development of ecolabels as a prerequisite for obtaining supply contracts in the major import markets may have consequences on market access for products from uncertified fisheries, whether they are sustainably managed or not. Impacts would most likely affect developing countries and small-scale fishers who may not be able to afford ecolabel certification or who do not operate within a capture fishery that is otherwise documented as sustainably managed.