

# A model for municipalities to promote fish farming

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6.2.2020

# A development project in Uusikaupunki



- Municipalities can promote fish farming as owners of large water areas and by helping to apply the permits
  - Real estate development is a possibility for municipalities and local businesses
  - Applying permits and hiring out water areas is a form of real estate development
- Producing public environmental data will support land and water planning and development
  - Will help to identify possibilities for different forms of use
  - Will help to identify the risks with different forms of use
- Areas suitable for fish farming are identified using GIS-models
  - Environmental impacts
  - Social impacts
  - Economical viewpoints such as stage of production, logistics, etc.
- Selected areas are studied also with collaborative practices
  - Citizens and other stakeholders are given a possibility take part in the process
  - Also private owners of water areas may participate and offer their property to hire out
- Natural Resources Institute of Finland (Luke) conducts GIS-analysis, Gaia creates operations model and facilitates public participation
- Funded by European Maritime and Fisheries Fund

## Starting points for the project



- Fish farming needs an environmental permit. These permits are increasingly difficult to get because of Water Framework Directive and the way it's implemented.
- The area in question is designated as a development zone for fisheries and fish industry of the Bothnian Sea in the regional land use plan. The plan provision states: "Measures in the area shall support multifunctionality and operational preconditions of fish industry".
- There is an existing harbor in the town in which fish is transported and gutted. The harbor is underutilized and the municipality would like to develop businesses there.
- At the beginning it was not decided how many companies would be optimal for the production chain and what the role of the municipality should be
- Relevant benchmark-cases from other businesses were analysed and fish farming companies were interviewed. Based on this data and legal analyses several elements of operations models were identified and analysed.

# Alternative models

Viewpoint of applicant for permit and operator

## MUNICIPALITY 1a

A development company owned by the municipality (owner of the water area) applies the permit and continues as a liable operator. The development company will take care of responsibilities such as environmental reporting and waste management and private company will do the fish farming. Responsibilities can be shared by the rental agreement.

## MUNICIPALITY & COMPANY 1b

A development company owned by the municipality (owner of the water area) applies the permit and transfers the permit with the liabilities and responsibilities to the private company before starting the operations. In the case of several private companies, responsibilities can be shared between the companies.

## COMPANY 2a

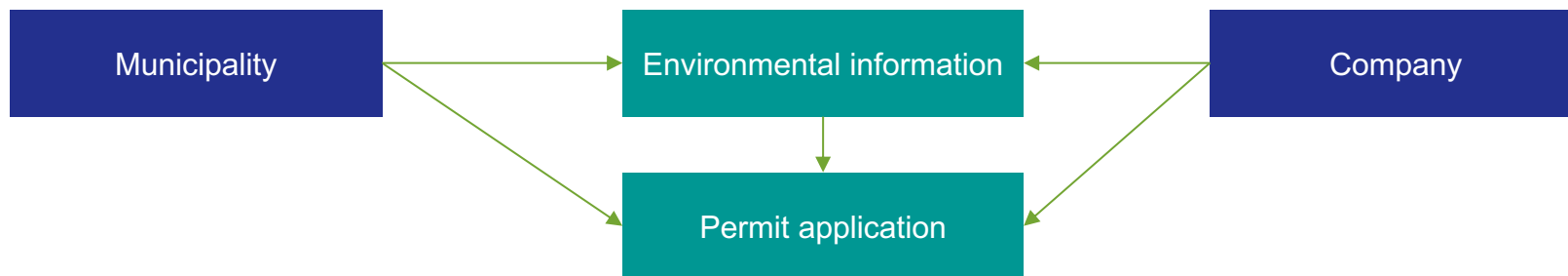
A company applies the permit and is an operator regarding liabilities and environmental responsibilities such as waste management and reporting.

## CONSORTIUM OF COMPANIES 2b

Several companies apply the permit jointly and all of them are operators. Liabilities and responsibilities can be shared between the parties.

# Producing environmental information is part of applying permit – and costly

- Finding new production sites requires environmental information.
  - This might be e.g. field research of species and habitats, EIA's.
  - Modelling the spread of nutrients is mandatory and will set the limits for the production capacity.
  - Modelling the spread of nutrients might need to include several scenarios and locations.
- This information can be produced before submitting the application or even selecting the private companies
  - This information can be directly utilized in the permit application. This can be a way to transfer preliminary investment costs from private companies with limited investment resources to public sector without giving state aid which is generally forbidden in the EU.



➤ **Producing environmental information can form a significant share of the costs of permit application which can vary from tens up to hundreds of thousands of euros. Environmental reports produced by the municipality are not considered state aid forbidden in the EU.**

# Recommendations



- If the development company owned by the municipality will apply the permit, the production chain can be sliced and distributed for different operators. In this case it is crucial, how the operators are invited to bid and how to ensure the co-operation of the production chain.
  - Opinion of fish farmers: Only involving one company is considered a better option, or at most separating the cutting activities to another operator
- The operator should be selected before applying the permit.
  - This will ensure that the permit is suitable for the needs of the business.
- Invitation to bid (e.g. auctioning) is a fair way to select the operator.
  - There should be a criteria ensuring that the company is able to put the project in practise.
- Under the Finnish law, the fair market value of the water property should be assessed by an independent party.
- The right of use can be rented or the water areas can be sold.
  - If rented, it is reasonable to define the price by annua proliferation of fish (actual or the maximum by the permit).
- If the development company owned by the municipality applies the permit and remains as a responsible operator, liabilities should be defined in the rental agreement.
  - And in any case it's reasonable to set e.g. deposit for restoration of environment and for waste management.
- If the municipality pays a share of costs of applying the permit, it shall not exceed de minimis set by the EU.
  - Environmental information related to selection of potential production sites may be produced without it being considered as state aid and thus added to the de minimis quota. This will support drafting the application.

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