C3 AREA 4 VESSEL USE CAP- INTERIM MEASURE

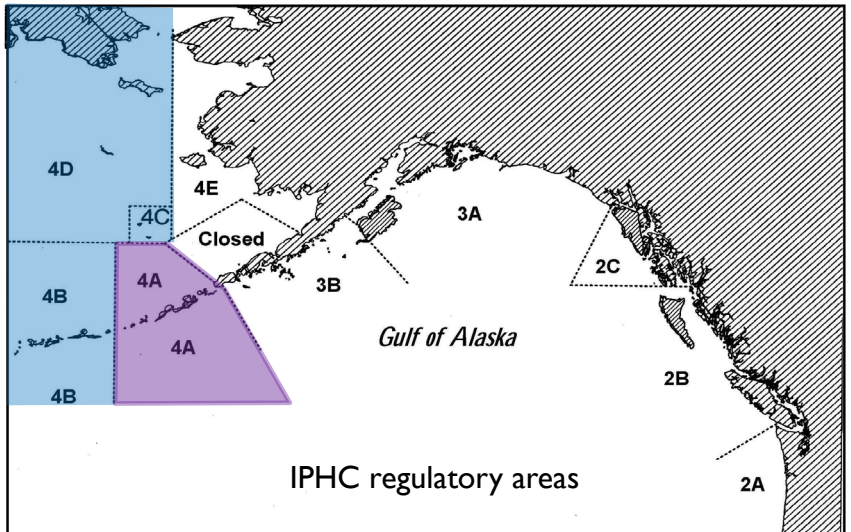
ANNA HENRY, FEBRUARY 2023

VESSEL CAPS

- Vessel caps specified in 50 CFR § 679.42(h)(1):
  - "No vessel may be used, during any fishing year, to harvest more IFQ halibut than one-half percent of the combined total catch limits of halibut for IFQ regulatory areas 2C, 3A, 3B, 4A, 4B, 4C, 4D, and 4E"
  - "No vessel may be used, during any fishing year, to harvest more than 50,000 lb. (22.7 mt) of IFQ halibut derived from QS held by a CQE."
  - Separate southeast cap of 1% of the 2C Halibut IFQ TAC (not included in proposed action)
  - Exception if an individual IFQ holder receives IFQ allocation in excess of the vessel cap they may harvest their allocation on one vessel
- Intended to prevent large amounts of IFQ from being fished on only a few vessels.
- To protect small producers, part-time and entry-level participants who may otherwise be eliminated from the fisheries because of potential excessive consolidation of harvesting privileges under the IFQ program

RECENT VESSEL CAP ACTIONS

Council meeting	Rationale/Purpose and Need	Council Action	Included IPHC Areas	Affected Fishing Years
May 2020 special meeting	Due to health concerns and logistical challenges associated with the global pandemic, vessel capacity was uncertain in IPHC regulatory Areas 4B, 4C and 4D and this action would reduce the risk that a portion of the harvest was foregone due to limited vessel capacity	Request emergency regulations to remove vessel use caps for IFQ halibut	4B, 4C, 4D	2020
February 2021/ February 2022	Impacts on harvesters, processors, and communities as a result of travel restrictions, health mandates, and operational challenges directly attributable to the global pandemic.	Request expedited regulations to remove vessel use cap regulations for IFQ halibut	4A, 4B, 4C, 4D	2021 2022



IPHC regulatory areas

RECENT VESSEL CAP ACTIONS

Council meeting	Rationale/Purpose and Need	Council Action	Included IPHC Areas	Affected Fishing Years
June 2022	In recent years, utilization of halibut quota in Area 4 has declined and conditions including lack of processing capacity, COVID-19 concerns in communities with limited medical infrastructure, increased killer whale predation, increases in operating costs, and reductions from historical TACs have all contributed to fewer vessels participating in the Area 4 fisheries. The council is considering adjusting the vessel cap for Area 4 halibut to recognize these conditions and increase utilization of quota in the region.	Consider adjusting the vessel cap for Area 4 halibut (option 1: 4,5, or 6% of Area 4 TAC, option 2: 150% coastwide cap). Requested NMFS evaluate options for extending the temporary rule to waive vessel use caps in Area 4 while the Council considers permanent changes to this provision.	4A, 4B, 4C, 4D	Long-term solution? Not yet scheduled
October 2022 (Current Action)	To provide continued flexibility to IFQ participants in IPHC Area 4 while the Council analyzes options for a long-term adjustment to the vessel use caps initiated in June 2022. In recent years, utilization of halibut quota in Area 4 has declined and conditions including limited local markets, increases in operating costs, and reductions from historical TACs have all contributed to fewer vessels participating in the Area 4 fisheries.	Consider removing vessel cap limitations for IFQ halibut harvested in Areas 4A, 4B, 4C and 4D through the 2027 fishing season	4A, 4B, 4C, 4D	Interim solution 2023-2027

CURRENT ACTION

Alternative 1- No Action

- Vessel use caps as defined under 50 CFR § 679.42(h) (1) will remain in place.

Alternative 2

- Remove vessel cap limitations specified at 50 CFR Section 679.42(h)(1) for IFQ halibut harvested in Areas 4A, 4B, 4C and 4D through the 2027 fishing season. If the Council decides to take subsequent action to permanently modify vessel cap limits in area 4, such action will supersede if taken before 2027.

OTHER IFQ RESTRICTIONS

- The proposed action would not modify other aspects of the IFQ program
- Other restrictions intended to prevent excessive consolidation of harvesting privileges and maintain the diversity of the IFQ fleets

Transfer restrictions

- Transfers, or leasing, of CV IFQ has generally been prohibited except under a few specific conditions.
- NMFS promulgated emergency rules to allow the temporary transfer of halibut and sablefish IFQ for all QS holders for the 2020 and 2021 fishing seasons.

Vessel class

- Harvesting vessel size is limited by quota class category
- “Fish up” (landing of IFQ derived from smaller class QS on larger class vessels) and “fish down” (landing of IFQ derived from larger class QS on smaller class vessels) provisions in area 4 mean these limitations are less constraining

Quota use caps

- Use caps limit the amount of QS that can be held or used by an individual
- Harvesting 100 percent of the TAC will require numerous individuals to hold QS

A NOTE ON DATA IN THIS ANALYSIS

- Council policy is to include data up to the latest complete fishing year in analytical documents.
- The RIR that was prepared for the temporary final rule removing vessel use caps for the 2022 fishing year included data through 2021.
- Given document posting deadlines, it was not possible to include data for the complete 2022 fishing year in the current analysis.
- This analysis includes partial 2022 data, to provide additional information about the fishery that has occurred since the temporary rule was published. Unless otherwise noted, 2022 data are complete through December 11, 2022.
- Revenue data are not available for 2022.
- This is a unique circumstance associated with this specific analysis and does not signal any shift in the usual Council policy to include only data for complete fishing years in analytical documents.

VESSEL CAPS

Table 4 Annual catch limits and vessel use caps for IFQ halibut, 2013-2023

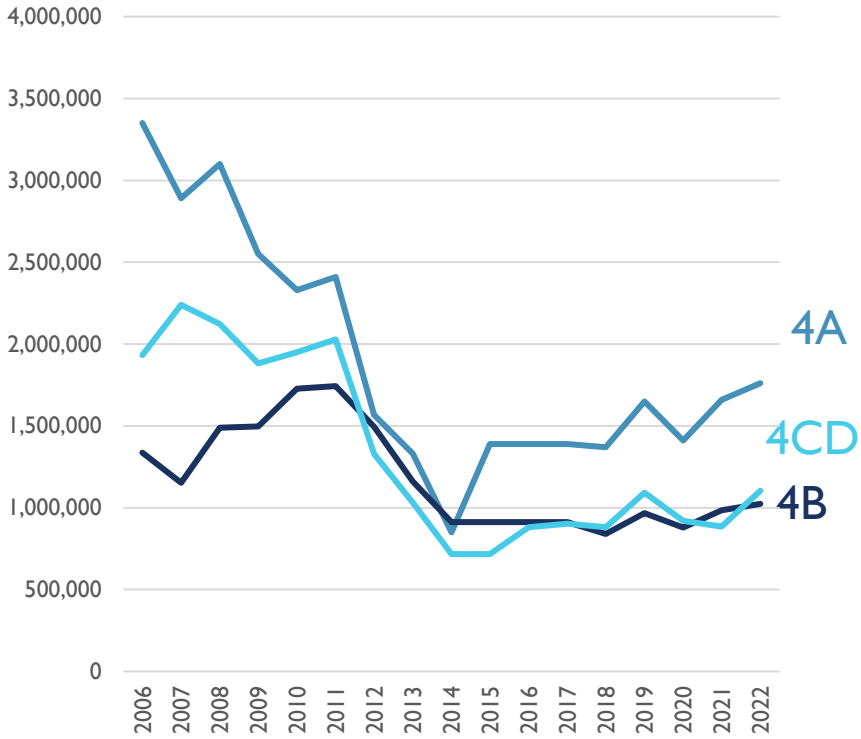
Year	All Areas		Area 2C	
	Total Catch Limit (lbs)	Vessel Cap (lbs)	Area 2C Catch Limit (lbs)	Vessel use cap (lbs)
2013	21,810,800	109,054	2,970,000	29,700
2014	15,954,370	79,772	3,318,720	33,187
2015	17,136,920	85,685	3,679,000	36,790
2016	17,152,320	85,762	3,924,000	39,240
2017	18,295,400	91,477	4,212,000	42,120
2018	16,630,200	83,151	3,570,000	35,700
2019	17,710,000	88,550	3,610,000	36,100
2020*	16,079,200	80,396	3,410,000	34,100
2021**	18,569,600	92,848	3,530,000	35,300
2022**	20,298,000	101,490	3,510,000	35,100
2023***	17,806,000	89,030	3,410,000	34,100

Vessel cap limitations removed in *4B, 4CD, **4A, 4B, 4CD

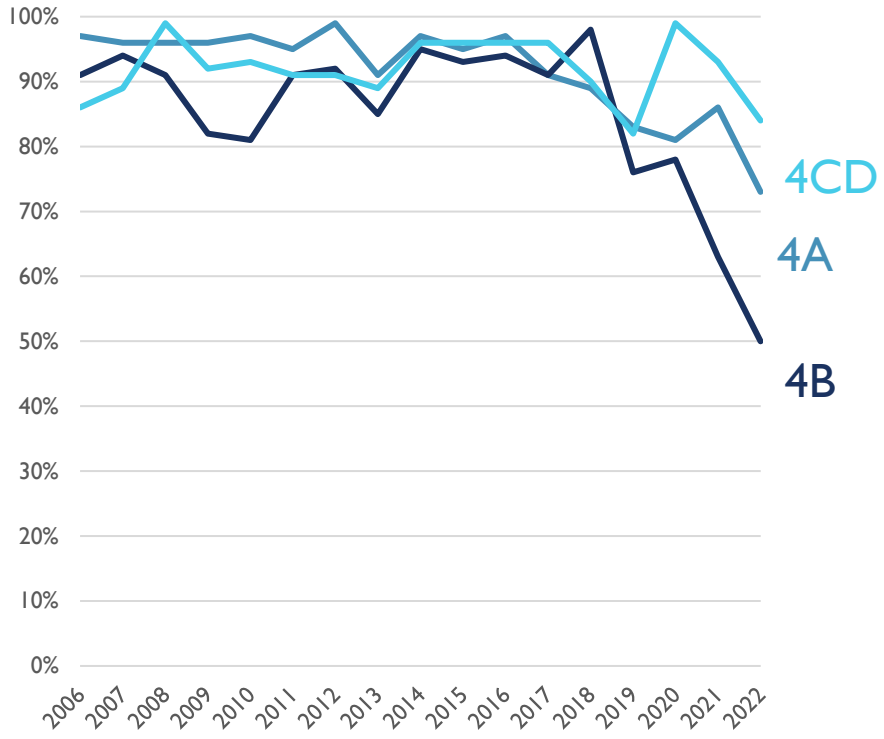
***2023 preliminary estimates, final allocations and caps will be published by NMFS when available

IFQ HALIBUT ALLOCATION AND HARVEST IN AREAS 4A, 4B, 4C/4D

TAC



% Harvested



From Table 2 IFQ halibut allocation and harvest in Areas 4A, 4B, 4C/4D since 2006.

TAC AND HARVEST

Area	Year	Allocation (pounds)	Minimum no. of vessels to harvest 100% (if cap in place)	No. of vessels harvesting IFQ	Percent of TAC landed
2C	2015	3,679,000	100	439	96%
	2016	3,924,000	100	433	97%
	2017	4,212,000	100	423	96%
	2018	3,570,000	100	401	95%
	2019	3,610,000	100	405	94%
	2020	3,410,000	100	376	94%
	2021	3,530,000	100	363	93%
	2022	3,510,000	100	368	92%
3A	2015	7,790,000	91	441	99%
	2016	7,336,000	86	431	99%
	2017	7,739,000	85	415	98%
	2018	7,350,000	89	399	98%
	2019	8,060,000	92	406	98%
	2020	7,050,000	88	374	97%
	2021	8,950,000	97	385	97%
	2022	9,550,000	95	381	92%
3B	2015	2,650,000	31	196	98%
	2016	2,710,000	32	194	97%
	2017	3,140,000	35	192	96%
	2018	2,620,000	32	182	93%
	2019	2,330,000	27	169	94%
	2020	2,410,000	30	144	93%
	2021	2,560,000	28	148	94%
	2022	3,350,000	34	155	86%

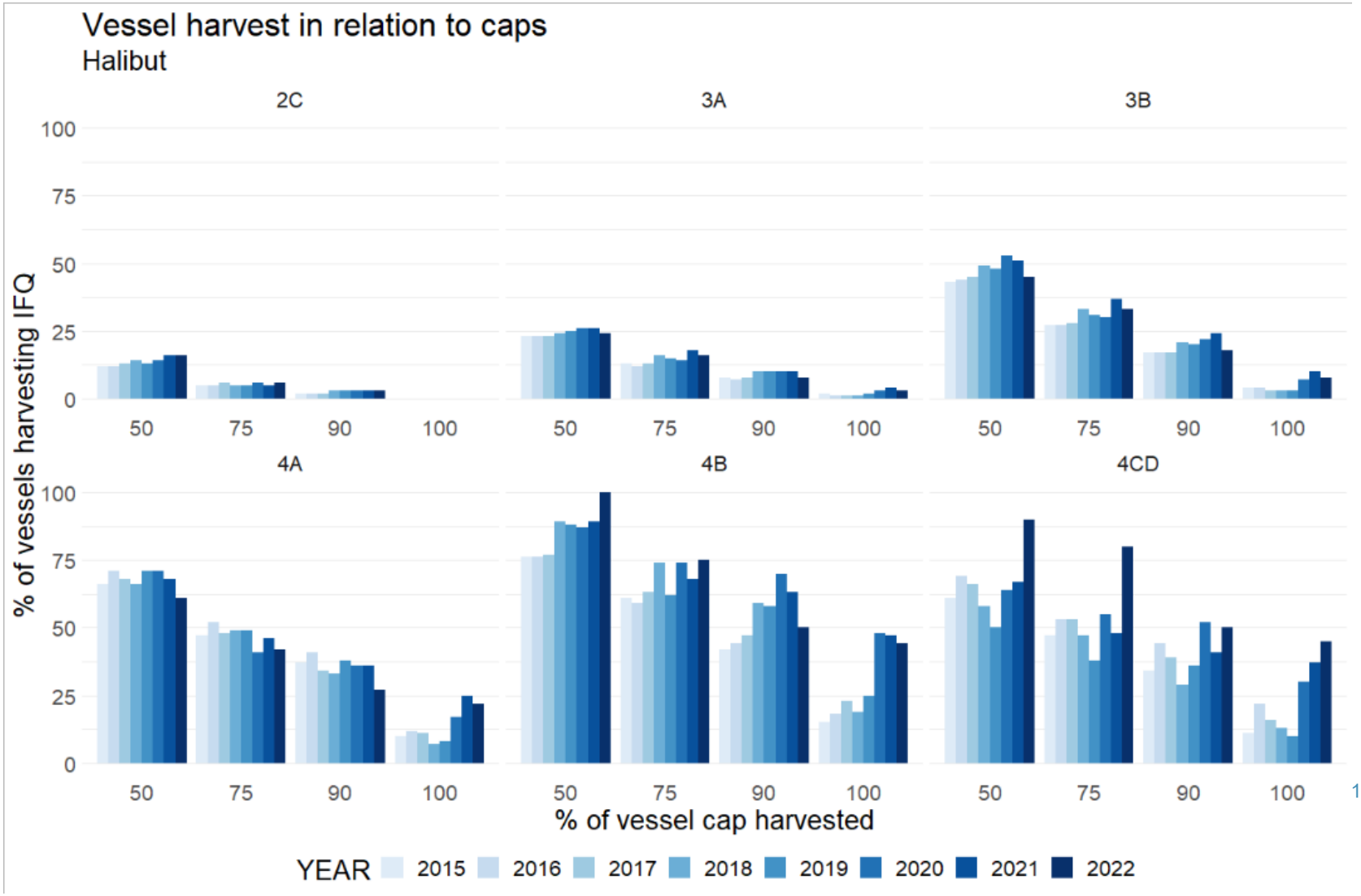
Table 5 p.22

TAC AND HARVEST

Area	Year	Allocation (pounds)	Minimum no. of vessels to harvest 100% (if cap in place)	No. of vessels harvesting IFQ	Percent of TAC landed
4A	2015	1,390,000	17	68	95%
	2016	1,390,000	17	69	97%
	2017	1,390,000	16	65	91%
	2018	1,370,000	17	67	89%
	2019	1,650,000	19	63	83%
	2020	1,410,000	18	58	81%
	2021*	1,660,000	18	59	86%
	2022*	1,760,000	18	59	73%
4B	2015	912,000	11	33	93%
	2016	912,000	11	34	94%
	2017	912,000	10	30	91%
	2018	840,000	11	27	98%
	2019	968,000	11	24	76%
	2020*	880,000	11	23	78%
	2021*	984,000	11	19	63%
	2022*	1,024,000	11	16	50%
4C/D	2015	715,920	9	38	96%
	2016	880,320	11	36	96%
	2017	902,400	10	38	96%
	2018	880,200	11	38	90%
	2019	1,092,000	13	42	82%
	2020*	919,200	12	33	99%
	2021*	885,600	10	27	93%
	2022*	1,104,000	11	20	84%

Table 5 p.22

VESSEL HARVEST



COMMUNITIES

- Fewer vessels and communities of ownership since 2019

Table 11 Community of Vessel Ownership by Address for Vessels Harvesting Halibut IFQ in 4ABCD, 2015-2021 (number of vessels)

Geography	2015	2016	2017	2018	2019	2020	2021	2022	Annual Average 2015-2022 (number)	Annual Average 2015-2022 (percent)
Adak	1	1	1	1	1	1	0	1	0.9	1.04%
Akutan	3	3	1	1	2	0	1	0	1.4	1.64%
Anchorage	4	3	2	2	3	2	2	2	2.5	2.98%
Atka	4	3	3	0	0	0	0	0	1.3	1.49%
Cordova	2	2	2	1	1	1	1	1	1.4	1.64%
Craig	1	1	1	0	0	0	0	0	0.4	0.45%
Delta Junction	3	3	3	2	3	3	3	3	2.9	3.42%
Dutch Harbor	1	2	2	3	2	3	3	3	2.4	2.83%
Gambell	0	0	0	0	0	1	0	0	0.1	0.15%
Homer	9	11	13	15	13	12	13	13	12.4	14.73%
Juneau	3	2	2	3	1	1	1	2	1.9	2.23%
Ketchikan	1	1	0	0	0	0	0	0	0.3	0.30%
Kodiak	10	12	10	10	11	8	7	5	9.1	10.86%
Petersburg	1	1	2	1	1	1	0	1	1.0	1.19%
Port Lions	0	0	0	0	0	1	0	1	0.3	0.30%
Saint George Isl	1	1	1	2	1	0	0	0	0.8	0.89%
Saint Paul	8	6	9	10	8	1	1	0	5.4	6.40%
Savoonga	0	0	0	0	9	9	7	0	3.1	3.72%
Seward	1	1	1	2	1	0	0	1	0.9	1.04%
Sitka	3	3	3	3	3	2	3	3	2.9	3.42%
Soldotna			1	1	1	1	1	1	1.0	1.19%
Unalaska	5	4	3	4	4	4	5	2	3.9	4.61%
Wasilla	3	3	3	3	2	2	1	2	2.4	2.83%
Yakutat	1	1	1	1	1	1	1	1	1.0	1.19%
Alaska Total	65	64	64	65	68	54	50	42	59.0	70.24%
All Other States Total	26	27	25	26	24	24	25	23	25.0	29.76%
Grand Total	**91**	**91**	**89**	**91**	**92**	**78**	**75**	**65**	**84.0**	**100.00%**

NMFS Restricted Access Management (RAM) division IFQ landings database sourced through AKFIN. Data updated through 12.11.22

COMMUNITIES

- Fewer communities processing halibut in Areas 4A, 4B, 4CD since 2019

Table 16 Communities processing Area 4A IFQ

Community	2015	2016	2017	2018	2019	2020	2021	2022
Adak	x	x	x	x	x			
Akutan	x	x	x	x	x	x	x	x
Atka	x		x					
Dutch Harbor	x	x	x	x	x	x	x	x
False Pass	x							
Homer	x	x	x	x	x	x	x	x
King Cove	x	x	x	x	x	x	x	x
Kodiak	x	x	x	x	x	x	x	x
Sand Point	x	x	x	x	x	x	x	x
Seward				x	x		x	
St Paul	x	x	x	x	x			

Table 17 Communities processing Area 4B IFQ

Community	2015	2016	2017	2018	2019	2020	2021	2022
Adak	x	x	x	x	x	x		
Akutan	x	x	x	x	x	x	x	x
Atka	x	x	x					
Dutch Harbor	x	x	x	x	x	x	x	x
Homer					x		x	
King Cove	x	x	x	x	x	x	x	x
Kodiak	x	x	x	x	x			
Sand Point		x						
St Paul			x					

Table 18 Communities processing Area 4C/4D IFQ halibut

Community	2015	2016	2017	2018	2019	2020	2021	2022
Akutan	x	x	x	x	x	x	x	x
Dillingham							x	
Dutch Harbor	x	x	x	x	x	x	x	x
False Pass	x							
Homer		x		x	x	x	x	
King Cove		x	x	x	x	x	x	x
Kodiak	x	x	x			x		x
Sand Point	x			x		x		
Savoonga			x		x	x	x	
Seward					x		x	
St Paul	x	x	x	x	x			
St George	x	x	x		x			

Source: NMFS Restricted Access Management (RAM) division IFQ landings database sourced through AKFIN, updated 1.4.23

EX-VESSEL VALUES

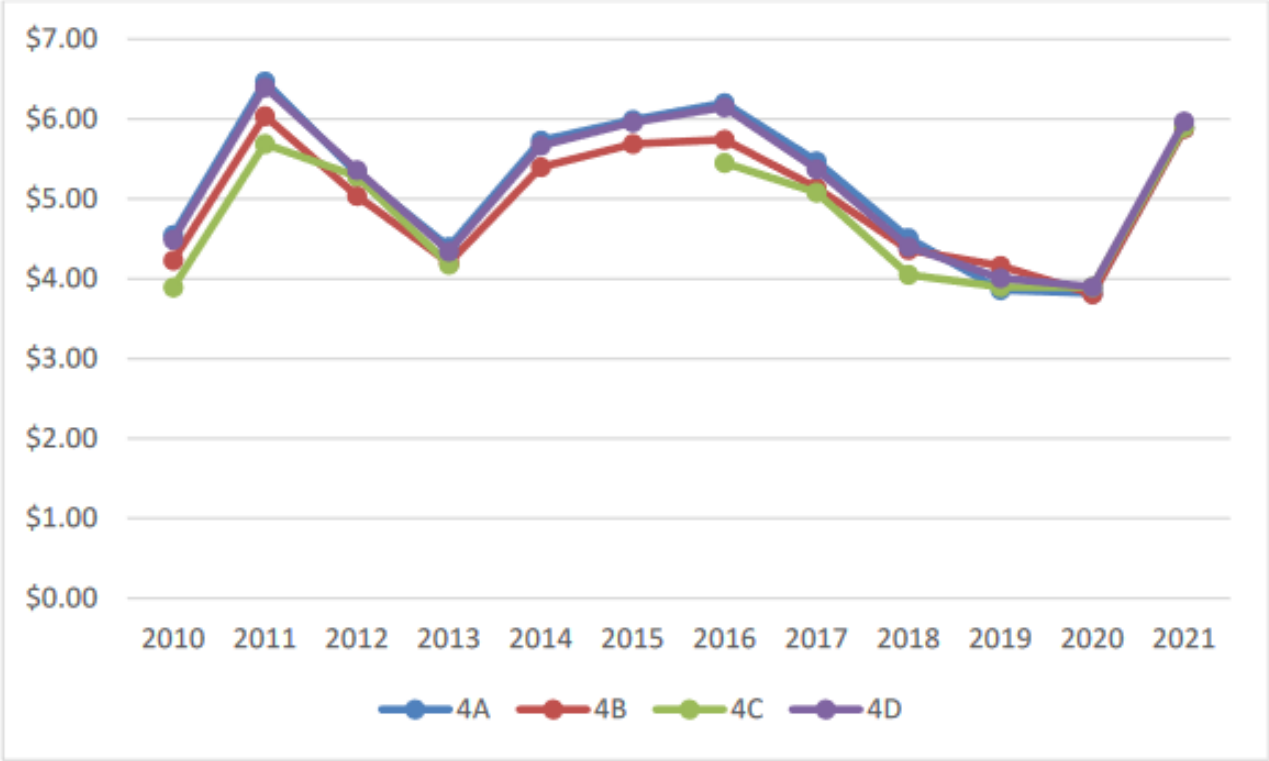


Figure 5 Commercial halibut ex-vessel value (nominal dollars), 2010 through 2021

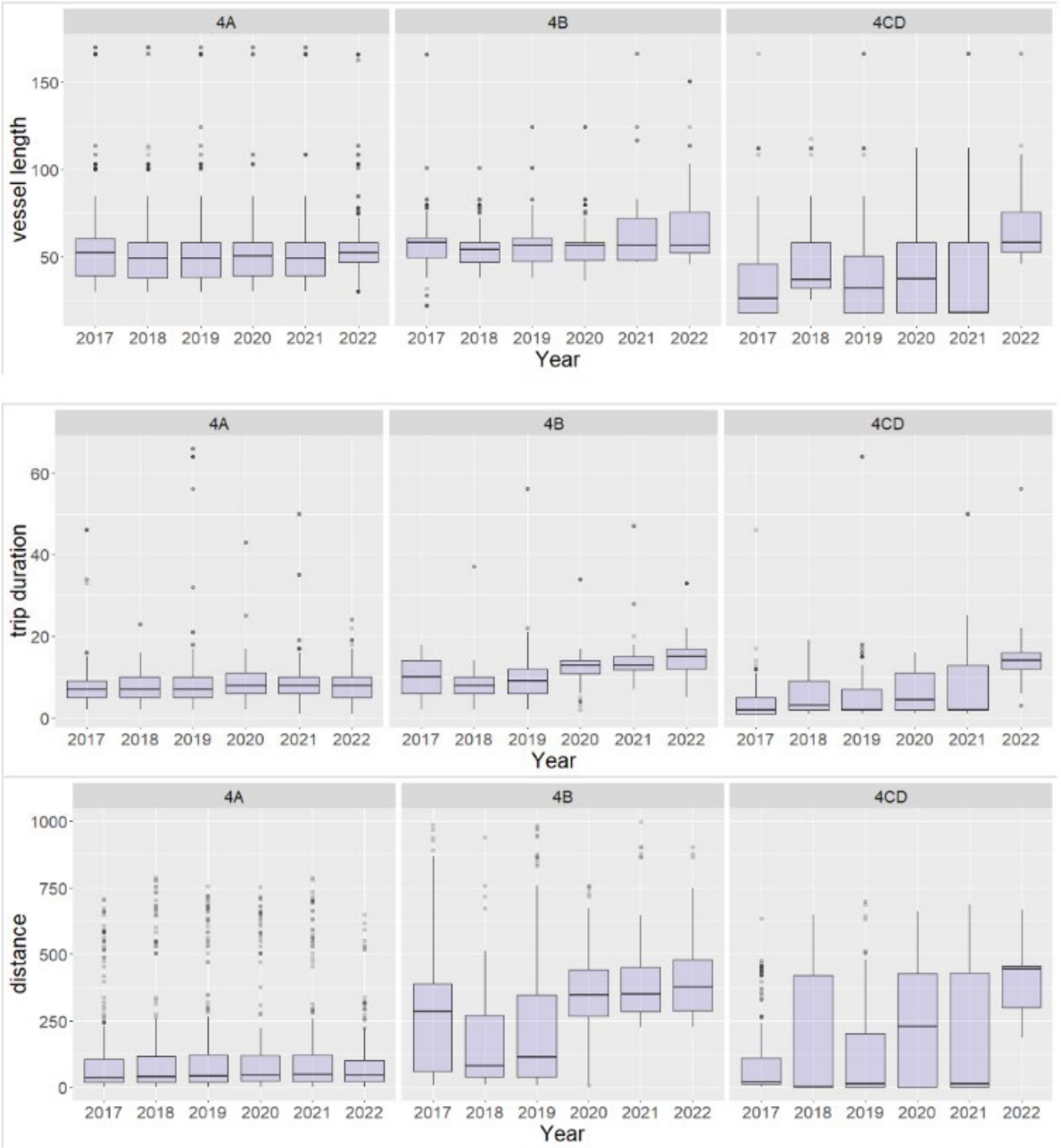


Figure 6 Distribution of effort parameters, by trip in the IFQ halibut fishery in Areas 4A, 4B and 4CD from 2017-2022.

POTENTIAL IMPACTS

- Changing regulatory environment makes it difficult to predict likely impacts
- What would have occurred without the recent harvest flexibility? (temporary transfer flexibility and the exemption from the vessel use cap)
- Challenging to isolate the evidence of the impacts of vessel caps from the impacts of other management, environmental, and market factors in the fisheries
- Participation and harvest patterns in 2020-2022 do not clearly identify the direct impact of an Area 4 vessel use cap exemption (and likely impacts of future exemptions) because of other factors which may have influenced participation decisions.
- Decline in participating vessels and an increase in the proportion of vessels that met or exceeded the vessel use cap
- The number of active halibut IFQ processors in Area 4 has declined
- Vessels harvesting halibut IFQ in Area 4B and 4CD have taken longer trips and traveled farther from fishing grounds to processing locations in recent years.
- Whether these trends are due to limited vessel and processor capacity and other underlying conditions or the increased flexibility from the temporary removal of regulatory restrictions in recent years is unknown.

POTENTIAL IMPACTS

Alternative 1-No Action (maintaining vessel caps)

- Limit IFQ consolidation on vessels
  - Maintains the necessity for a minimum number of vessels to prosecute the fishery and may preserve opportunities for smaller operations, crew and new entrants
  - Due to potential changes in the fishery after three years of exemptions from vessel caps and other underlying conditions, vessel use caps may not ensure additional opportunity for vessels and crew, particularly in remote Area 4 halibut IFQ fisheries.
- May limit opportunities for efficiency and increase the likelihood that annual allocation is left unharvested if the supply of vessels is low enough that the entire allocation cannot be spread out amongst participating vessels while meeting vessel limitations
  - Depends on how many vessels do not operate because individual operators cannot justify the costs to operate a vessel given increases in costs or other changes in profitability and processing capacity

POTENTIAL IMPACTS

Alternative 2- removing halibut IFQ vessel caps in Area 4A, 4B, 4CD

- May allow greater IFQ consolidation on vessels
  - May decrease the participation of smaller scale vessels and reduce the number of available crew jobs and opportunities for new entrants
- It is possible that landings would also consolidate to fewer processors and communities based on geographic location of vessels and historic relationships or landing patterns.
- May lead to some vessels permanently leaving the fishery and long-term shifts in participation after a potential cumulative eight years (2020-2027) without vessel caps in place.
- Some participants may re-enter the fishery in 2023 due to reduced concerns over health and safety as the threat of COVID-19 wanes- this may be more likely without constraints of vessel caps
- If participants are able to consolidate IFQ onto fewer vessels this increases the likelihood of achieving economies of scale and harvesting IFQ more profitably. This may be particularly helpful for these areas in the BSAI where the costs and risks associated with reaching the fishing grounds and prosecuting the fishery are often higher and the availability of processing facilities are limited.
- May lead to higher TAC utilization %

POTENTIAL IMPACTS

Alternative 2- removing halibut IFQ vessel caps in Area 4A, 4B, 4CD

- Removing vessel caps through 2027 may provide increased stability for planning purposes for stakeholders and participants, especially compared to the annual actions taken by the Council over the past three years.
- A multi-year action also reduces the analytical time and meeting time consumed by individual, annual actions, allowing the Council to provide relief to vessel cap constraints in the short-term, while working on a more substantial, longer term solution.
- Removing vessel caps through 2027 reduces the Council's ability to adapt to changes in the dynamics of the fishery on an annual basis as has occurred for the past three years.

QUESTIONS?

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