



NOAA
FISHERIES

Tab B, No. 7

Gulf of Mexico IFQ Programs

Goals and Objectives

Alisha Gray and Jessica Stephen, PhD
NMFS|Southeast Regional Office



October Motions

- To direct staff to initiate a plan amendment for discussion at the January 2024 meeting that considers requirements for obtaining an IFQ account and holding and obtaining shares and allocation (**Amendment 59**).
- To direct staff to initiate a plan amendment that evaluates options for equitably distributing shares currently held by NMFS, and recovering and redistributing shares associated with inactive accounts (**Amendment 60**).
- Amendment 59 will also update the goals and objectives
 - Goal 1 – Improve opportunities for participants to enter the program
 - Goal 2 – Reduce discards
 - Goal 3 – Maintain flexible fishing options and economic stability
 - Goal 4 – Market Information Transparency
 - Goal 5 – Reduce costs per unit harvest

Draft Purpose & Needs for Amendment 59

- Purpose: Update the goals and objectives of the Gulf IFQ programs based on program reviews and to revise the programs' participation requirements.
- Need: The needs are to update the goals to reflect the changes in the program over time and to promote participation by and improve opportunities for entities engaged in the harvest of IFQ species.

Open & Maintain an IFQ Shareholder Account

Necessary to have clear rules to work within the electronic system

First Five Years

- Open account
 - Required a reef fish permit
 - Name(s) must match permit exactly
- Maintain account
 - No requirements

Current

- Open account
 - Must be a US Citizen or permanent resident alien
 - Names must match reef fish permit *to harvest*
- Maintain account
 - Reaffirm US Citizen or permanent resident alien and contact information every two years

Action 1: Open & Maintain an IFQ Shareholder Account

Permit refers to the commercial reef fish vessel permit.

NMFS closes accounts without shares after 18 months of no activity.

Alt. 1: No Action

- Matches current regulations
- Only requirement is US citizenship*

Note that citizenship or permanent resident alien is a MSA requirement regardless of other options chosen. Hereafter referred to as US Citizenship requirement.

Alt. 2: Reef Fish Permit to Obtain Account

- Matches first five years of each program
- Can transfer permit and still hold an account

Alt. 3: Reef Fish Permit to Obtain and Maintain Account

- Most restrictive, permit always required

Open & Maintain an IFQ Shareholder Account

- Alternatives for opening and maintaining an account will affect alternatives for actions to obtain and maintain shares and allocation
 - After all actions are listed, will describe different potential combinations to achieve goal
- Considerations
 - Under Action 1, Alternative 3, NMFS would close existing accounts that do not meet these standards for maintaining an IFQ shareholder account
 - Accounts without shares or allocation can be closed administratively
 - Accounts with shares or allocation would require a divestment procedure

Participation – IFQ Shareholder Accounts

	2018*	2019	2020	2021	2022
IFQ Shareholder Accounts with Allocation	984	899	912	902	879
IFQ Shareholder Accounts with Shares	753	679	673	667	662
IFQ Shareholder Accounts with Permits	631	608	609	588	529
IFQ Shareholder Accounts with Landings	458	431	426	414	388

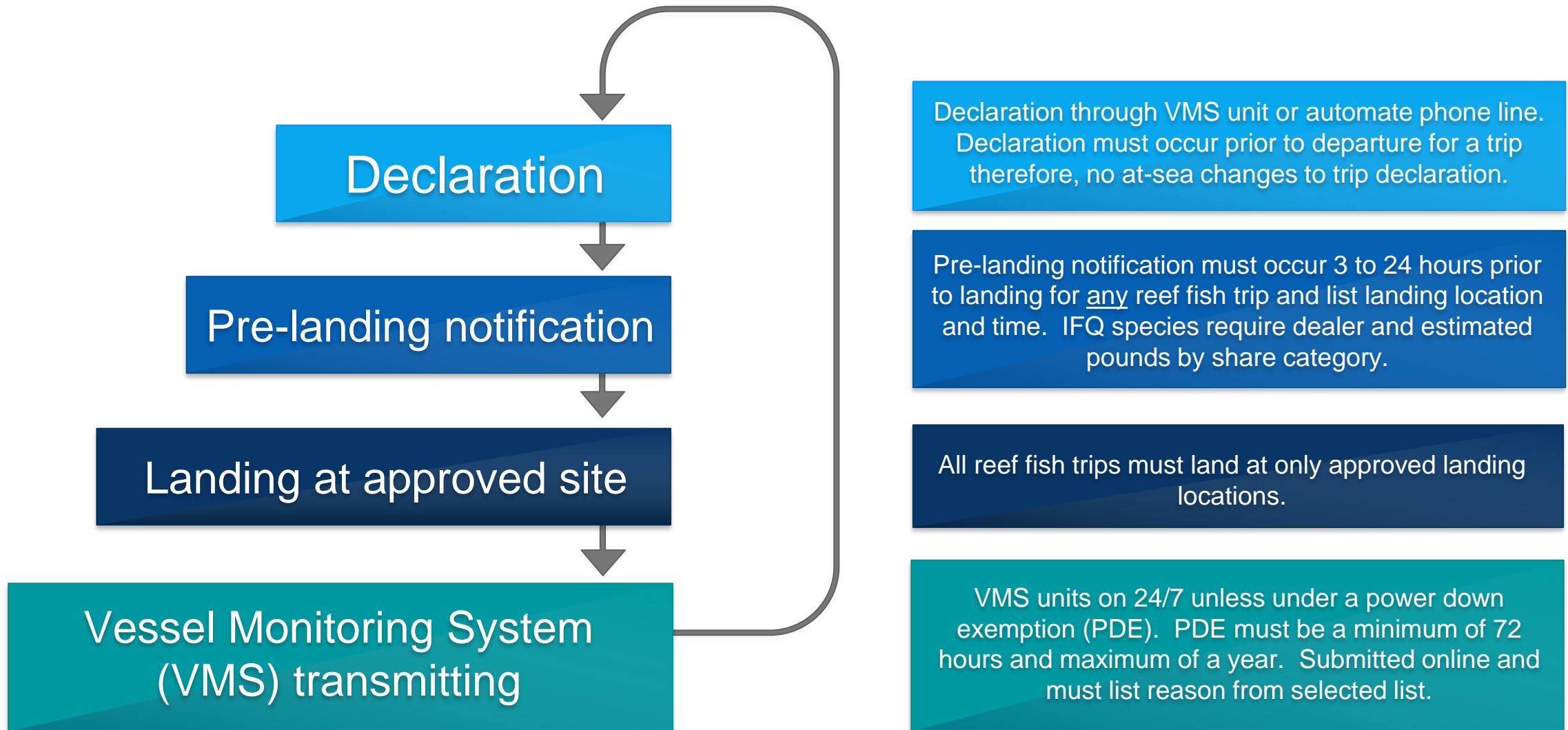
	2018	2019	2020	2021	2022
% ALL Accounts with Shares	77%	76%	74%	74%	75%
% ALL Accounts with Permits	64%	68%	67%	65%	60%
% ALL Accounts with Landings	47%	48%	47%	46%	44%

- *Decrease from 2018 to 2019 was from shares being reclaimed from 74 accounts under to Amendment 36A.*

Action 2: Active Participation Background

- Active participation was mentioned in regards to the ability to hold shares or allocation
 - Active participation will be at the IFQ Shareholder Account
- This action will look at ways to evaluate and define active participation within the IFQ programs
- The IPT considered potential measures to evaluate active participation and time periods under which to consider the participation
 - Recommend time period consider unforeseen health issues or vessel repairs
 - Major disasters (e.g., hurricanes, oil spills, red tide) may require additional measures to be taken into consideration when an event occurs

Fishing Trip Process



Action 2: Active Participation Options

Landings

- Minimum pounds landed?
- Sub-option: only IFQ Species
 - IFQ system would be official records for determination
- Sub-option: Any reef fish species
 - Landings would be based on logbooks and would need alternative real-time access to these data
- Time period for determination
 - Should consider greater than 1 year to allow for vessel repairs or replacing damaged vessel
 - Should be a rolling time period

VMS Activity

- VMS 'pings' every hour unless under an authorized power down exemption (PDE)
- Activity could be determined by having a minimum number of pings per time period
- Activity may also be determined by X amount of trips or pings past a demarcation line

Declarations or Pre-landings

- Vessels must declare before any fishing trip (commercial, for-hire, or private angler)
 - Declarations must include sector, fishery (reef fish) and gear
- Activity = minimum commercial declarations or pre-landing notifications per time period
 - Not a one to one match of trips to pre-landings
 - Declarations do not necessarily indicate the trip was taken

New development will be needed to ingest VMS information for location, activity or declarations into the IFQ system for monitoring.

Participation – Permits/Vessels

	2018	2019	2020	2021	2022
Reef Fish Permits	845	842	837	831	829
Vessels with reef fish landings	549	517	496	466	432
Vessels with IFQ landings	509	476	470	438	403
“Latent” permits	296	366	341	335	397

	2018	2019	2020	2021	2022
% ALL permits with landings	65%	61%	59%	56%	52%
% ALL permits with IFQ landings	60%	57%	56%	53%	49%
% Reef Fish landings with IFQ landings	93%	92%	95%	94%	93%
Estimated latent %	35%	43%	41%	40%	48%

Action 2: Active Participant Considerations

- IPT recommends:
 - Methodology to track active participation should be clear to fishermen
 - Active participation should be related to harvest or fishing behavior of IFQ species
 - Limit the number of potential loopholes
 - Should not be so restrictive that a damaged vessel or health considerations removes you from the program
- Does the Council have other suggestions for active participation requirements?

Share requirement background

- This series of alternatives looks at what would be required to obtain (increase) and maintain (hold) shares
- Shares are the long-term privilege that results in allocation each year
 - Share value is often an order of magnitude greater than allocation
 - Example: a pound of allocation may be \$4, while a pound of shares¹ is \$40
- The amount of shares held is limited by the share category caps
 - Share caps are by individuals, business, and account level
 - An individual's share cap is the summed amount across the different businesses and accounts based on the percentage of ownership in those businesses or accounts

¹ Share percentages are converted to an equivalent pound at transfer (share percentage * quota = equivalent pound). The total share value is then converted to a price per equivalent pound.

Action 3: Share requirements

Alt. 1: No Action

- Current regulations only requirement is US citizenship to obtain and maintain shares
- Allows for disconnect between long-term privilege (share) and harvest in the program

Alt. 2: Reef Fish Permit to Obtain shares

- Matches first five years of each program
- Does not restrict holding shares after permit is transferred to another vessel
- Allows for disconnect between privilege (shares) and harvest in the program

Alt. 3: Reef Fish Permit to Obtain and Maintain shares

- More restrictive, permit always required
- Simple to apply and track
- Connects long-term privilege (shares) with ability to harvest

Alt. 4: Reef Fish Permit *and activity* to obtain and maintain shares

- Most restrictive, permit required plus proof of activity within the program (Action 2)
- Connects long-term privilege (shares) and actual harvest

Share requirements can be different from allocation requirements.

Participation – IFQ Shareholder Accounts

	2018	2019	2020	2021	2022
IFQ Shareholder Accounts with Allocation	984	899	912	902	879
IFQ Shareholder Accounts with Shares	753	679	673	667	662
IFQ Shareholder Accounts with Permits	631	608	609	588	529
IFQ Shareholder Accounts with Landings	458	431	426	414	388
IFQ Shareholder Accounts with Shares and Permits	417	408	387	370	363
IFQ Shareholder Accounts with Shares and Landings	272	248	227	218	201

	2018	2019	2020	2021	2022
% Current Share Accounts with Permits	55%	60%	58%	55%	55%
% Current Share Accounts with Landings	36%	37%	34%	33%	30%

Share requirement considerations

- Only shareholder accounts are able to hold shares within the system
 - The original program was not designed to allow dealers to control shares
 - Some dealers were already vertically integrated (dealer and shareholder) at program start
 - Dealers who wish to hold shares must obtain a shareholder account
- Action 1, Alternatives 2 and 3
 - Requires dealers to obtain a reef fish permit to open (Alt. 2) and maintain (Alt. 3) a shareholder account
- Action 3, Alternatives 2-3
 - Requires dealers to have a commercial reef fish permit to hold (Alt 2.) and maintain (Alt. 3) shares
- Action 3, Alternative 4
 - Requires additional measure of activity in the fishery to hold and maintain shares

Allocation requirements background

- This series of alternatives looks at what would be required to obtain (increase from transfer) and maintain (hold) allocation
 - Allocation action will not impact allocation derived from shares
- Allocation is annual
- Allocation results from shares and can be transferred to accounts without shares
- There is no limitation on allocation transfers
- Allocation Cap
 - There is not an allocation cap in Red Snapper IFQ
 - The allocation cap for Grouper-Tilefish IFQ is equal to the sum of the allocation resulting from the share caps and applies to only what is held at a single point in time (it does not included landed allocation)

Action 4: Allocation requirements

Alt. 1: No Action

- Current regulations only requirement is US citizenship to obtain and maintain allocation
- Allows for disconnect between short-term privilege (allocation) and harvest

Alt. 2: Reef Fish Permit to Obtain Allocation

- Matches the first five years of the program
- Continue to hold *annual* allocation after permit is transferred and receive allocation from shares
- Allows for disconnect between short-term privilege (allocation) and ability to harvest

Alt. 3: Reef Fish Permit to Obtain and Maintain Allocation

- More restrictive as it requires permit to continue to hold allocation
- Connects short-term privilege (allocation) with ability to harvest

Alt. 4: Reef Fish Permit *and activity* to Obtain and Maintain Allocation

- Most restrictive, requiring permit and 'proof' of activity
- Connects short-term privilege (allocation) with actual harvest

Allocation requirements can be different from share requirements.

Participation – IFQ Shareholder Accounts

	2018	2019	2020	2021	2022
IFQ Shareholder Accounts with Allocation	984	899	912	902	879
IFQ Shareholder Accounts with Permits	631	608	609	588	529
IFQ Shareholder Accounts with Landings	458	431	426	414	388

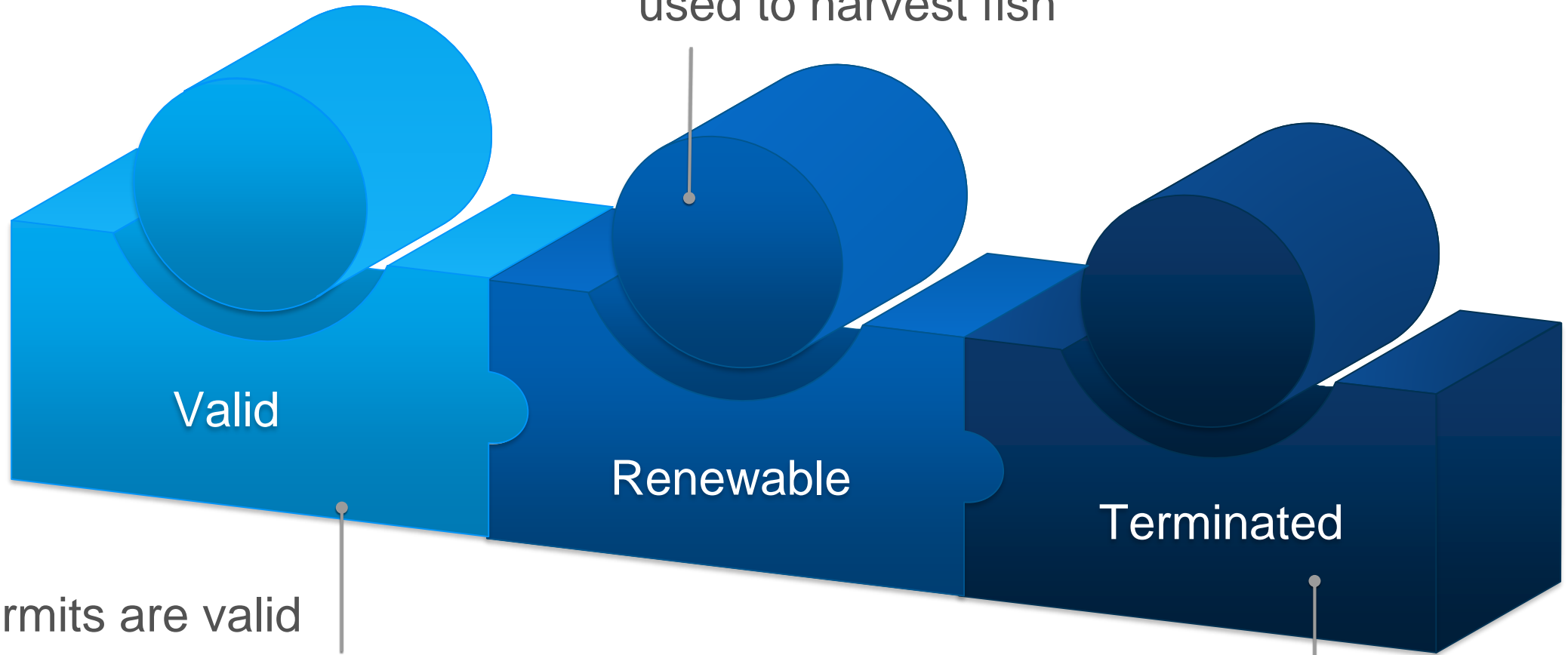
	2018	2019	2020	2021	2022
% ALL Accounts with Permits	64%	68%	67%	65%	60%
% ALL Accounts with Landings	47%	48%	47%	46%	44%

Allocation requirements considerations

- Allocation is only annual (short-term privilege) and therefore effects of allocation are limited to one year
- Since public participation, many dealers have obtained shareholder accounts and hold shares, allocation, or both privileges
 - Dealers often buy allocation to support vessels that land with them
 - Only the No Action would allow dealers without a reef fish permit to obtain allocation (assumes eligibility requirement allows them open and maintain a shareholder account)

Permit Cycle

If not renewed, permit expires. One year to renew or transfer. Can not be used to harvest fish



Permits are valid for one year to harvest fish

After 1 year expired, permit terminates. Removed forever.

Obtaining vs Holding Privilege & Permit Status

Obtain

- Option: only valid permits
 - Ability to hold privileges linked with current ability to harvest
- Option: Both valid or renewable permits
 - May allow someone to increase holdings while currently not allowed to harvest

Maintain

- Option: only valid permits
 - Changing permit status may confuse timing for divestment
- Option: Both valid or renewable permits
 - Allows for nuances in permit status changes and limits maintenance of privilege to just that year in a renewable status

Renewable permit statuses include expired permits, permits where the vessel was sold, and permits where the vessel lease ended. Vessel sold and vessel leased options end the permit relationship with the vessel, but the permit holder may transfer it to another vessel. Expired status maintain the relationship until renewed, transferred, or terminated.

Divestment protocols and procedures

- Actions 1, 3, and 4 may require divestment procedures and protocols if alternatives are chosen that restrict access
- Two divestment scenarios: upon implementation and after implementation
 - Implementation: accounts currently in the system not meeting the requirements
 - After implementation: those that subsequently fail to meet the requirements

Divestment at implementation (if permit required)

- One-time effective action (accounts that do not meet the criteria)
- Options
 - Upon effective date rescind privileges
 - Allows time period from final rule till effective date for shareholders to self manage permit requirement or transfer shares
 - 1 year from effective date
 - Allows additional year of time for shareholders to self manage permit requirement or transfer shares
 - 2 years from effective date
 - Allows further additional time for shareholders to self manage permit requirement or transfer shares

Divestment after implementation (if permit required)

- Program will continue to have accounts not meeting permit requirements as permits are transferred or the permit relationship is ended
- Options
 - Immediately upon permit transfer or end date
 - One year after permit transfer or end date
 - Two years after permit transfer or end date
- Permits receive an end date when the permits expire, are transferred, the vessel is sold, or the vessel lease has ended
- Should expired permits be considered as meeting the requirement?
 - Expired permits have one year in which action needs to be taken to transfer or renew the permit
 - Permits may spend only a short time in expired status until they are renewed due to renewal deficiencies (e.g., logbook submission, VMS)

Divestment after implementation (if permit required)

- Permit renewals can be delayed due to not meeting permit renewal requirements (e.g., logbook submission, VMS operational)
- Transferred permits may need some time to transfer shares.
 - Permit must be physically mailed to the office before transfer is completed. All logbooks must be submitted and the VMS operational before transfer is completed
 - For example, adding a spouse to a permit is a permit transfer and requires a new shareholder account to match the permit. Account must be created before transfer of shares to the new account.
- Failure to divest results in the shares returning to the agency to be held and distributed later (Amendment 60)

Summary of Actions

How do these actions work together?

Least restrictive (current)

- US Citizen to obtain account
- US Citizen to obtain/maintain shares
- US Citizen to obtain/maintain allocation
- No activity requirements

Most restrictive

- Permit to obtain account
- Permit to obtain/maintain shares
- Permit to obtain/maintain allocation
- Activity required for shares & allocation

Semi-restrictive I

- US Citizen to obtain account
- Permit to obtain/maintain shares
- US Citizen to obtain/maintain allocation
- Activity required for shares

Semi-restrictive II

- US Citizen to obtain account
- Permit to obtain/maintain shares
- US Citizen to obtain/maintain allocation
- No activity requirements

Semi-restrictive scenarios can also change provisions to obtain vs obtain & maintain shares. In the first five years, this did result in shares held in accounts without permits because a permit was required only to obtain shares. The Most Restrictive could become semi-restrictive by easing the activity requirement.



Summary of Actions

- **What does the Council envision that matches both the purpose & needs and new goals & objectives?**
- **Timelines**
 - April 2024 – Presentation on Amendment 60
 - Evaluates options for equitably distributing shares currently held by NMFS, and recovering and redistributing shares associated with inactive accounts
 - June 2024 – Draft options paper for Amendment 59
 - August 2024 – Draft Options Amendment 60
 - November 2024 – Draft option/public hearing draft Amendment 59
 - January 2025 – Public hearing draft Amendment 60
 - April 2025 – Final Action for Amendment 59
 - June 2025 – Final Action for Amendment 60



Additional Information

What led us here?

- January 2023 motion to review the IFQ program goals and objectives
- June 2023 approval of goals and objectives addressing participation, equity, and access balanced against reducing capacity
- August 2023 status update on progress



Goal 1

Improve opportunities for participants to enter the program

Objectives

- Limit share ownership (maintaining and obtaining shares) to accounts harvesting IFQ species
- To evaluate the merits of limiting share ownership through implementation of alternative mechanisms for equitable redistribution of shares & allocation to accounts harvesting IFQ
- Recover and redistribute shares held by deceased shareholders & NMFS held shares to accounts harvesting IFQ
- Create an allocation bank to reduce barriers to fishing privileges
- Identify barriers inhibiting or limiting participation by surveying participants and those wanting to enter the fishery

Dealer Permits

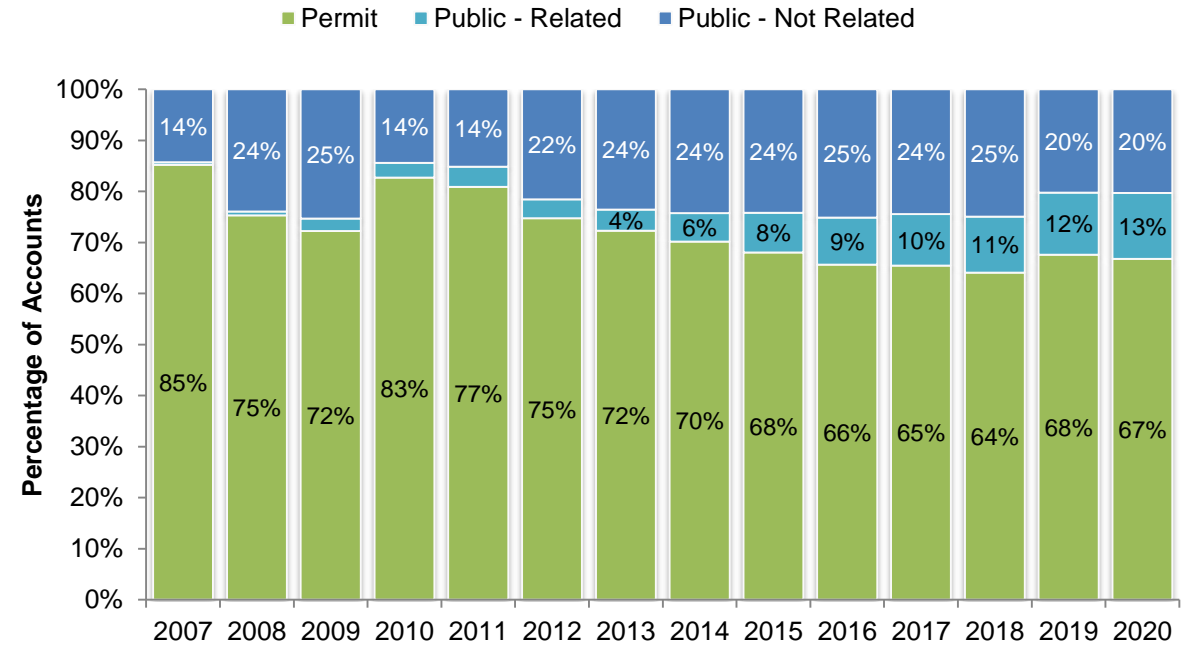
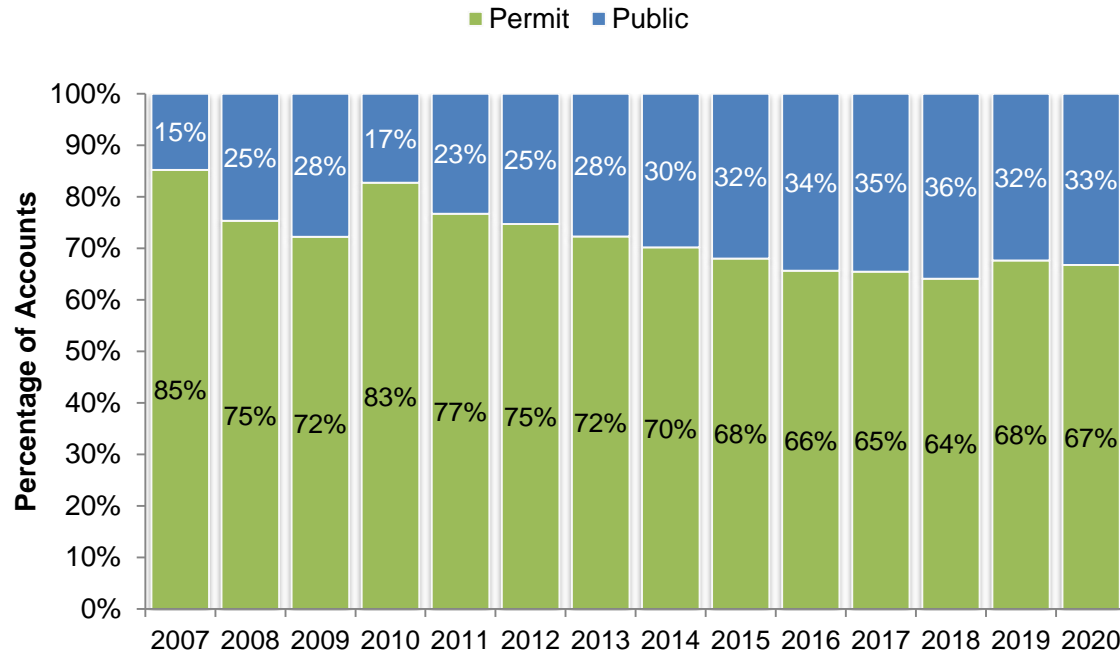
Requires a
state whole sale
license¹

¹ Requirements for a wholesale license may differ by states. NJ and PA do not issue whole sale license.

Requires a
physical facility
for processing

Dealer Permit
(Open Access)

Participation Changes – Public accounts



- **Public** participation (no permit) existed since the beginning of each program, but increased over time
- After adjusting for related accounts, only 20% of accounts are public and unrelated