



NOAA
FISHERIES










Gulf of Mexico IFQ Programs

Amendment 59

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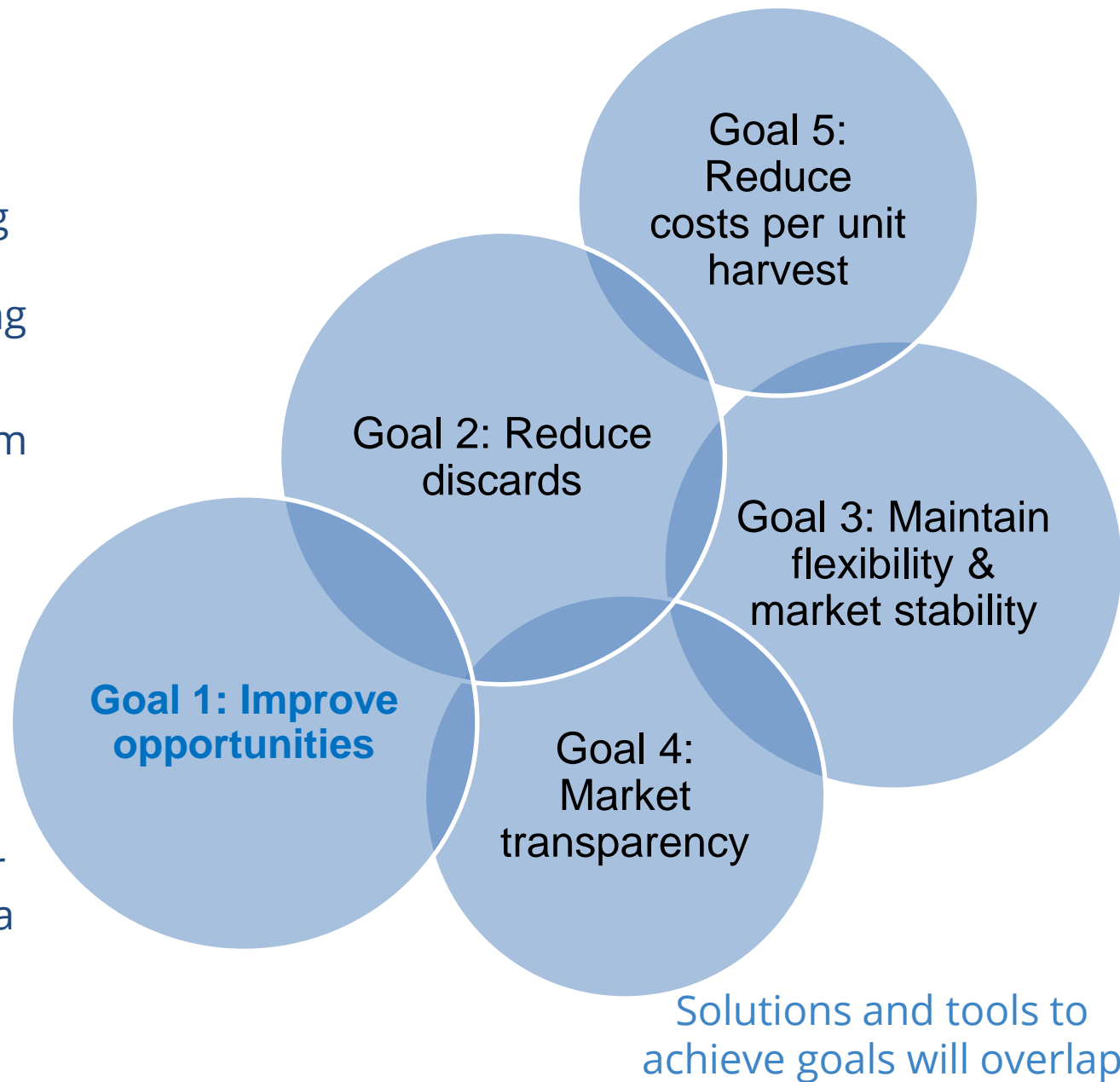


Presentation Goal

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- How we got here
 - These actions are connected so that the selection of preferred alternatives in one action may impact the selected alternative in another action
 - This presentation will show how different selections may impact current IFQ participants in different ways based on their 'role' within the system
 - While the system acknowledges three types of system accounts (i.e., shareholder, vessel, and dealer), the reviews have noted that participants behavior in the system can be classified under a variety of roles

What led us here?

- 2023: Set new IFQ program goals identifying objectives relating addressing participation, equity, and access balanced against reducing capacity
- October 2023 – IFQ presentation on program trends and potential actions. Motions to begin Amendments 59 and 60.
- January 2024 – Presentation on actions for Amendment 59
- April 2024 – Presentation on actions for Amendment 60
- June 2024 – Motions to establish a vision for the IFQ program in August and to consider a reef fish permit pool



Goal 1

Improve opportunities for participants to enter the program

Objectives

- Limit share ownership (maintaining and obtaining shares) to accounts harvesting IFQ species **(A59)**
- To evaluate the merits of limiting share ownership through implementation of alternative mechanisms for equitable redistribution of shares & allocation to accounts harvesting IFQ **(A60)**
- Recover and redistribute shares held by deceased shareholders **(A59)** & NMFS held shares to accounts harvesting IFQ **(A60)**
- 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

Example Participation “Roles”

“Role”	Description	Permit?
Fisherman	Shareholder account with a permitted vessel; may or may not be fishing IFQ species	Yes
Vertically Integrated Dealer	Dealer associated with a shareholder account with a permitted vessel account.	Yes
Related Shareholder Account	Shareholder account without a permitted vessel account related to a shareholder account with a permitted vessel	No
Related “Dealer”	Dealer obtained a shareholder account (without a permitted vessel) to hold shares and allocation	No
Investor / Broker	Shareholder account without a permitted vessel using account to buy and sell shares/allocation to other IFQ participants	No
Fishery Trust / Non-profits	Fishery trust, non-profit, quota bank - Shareholder account (without a permitted vessel) used to assist in allocation distribution	No
“Retired” Fisherman	Shareholder account (without a permitted vessel) that previously had vessels with IFQ landings.	No



Action 1: Requirements to open and maintain a shareholder account

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: Valid Reef Fish Permit to Obtain Account

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

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

- Most restrictive, permit always required

Action 1 (Account Eligibility) Impacts

“Role”	Permit?	Alt 1 Status Quo	Alt 2, Permit to Obtain	Alt 3, Permit to Obtain & Maintain
Fisherman	Yes	No impact	No Impact	No Impact
Dealer – Vertically Integrated	Yes			
Related Shareholder Account	No		Keeps accounts already obtained (impacts other actions)	Account closes – to close an account any shares must be divested or reclaimed
Related “Dealer”	No		OR	OR
Investor/broker	No			
Fishery Trust/non-profits	No			
“Retired” Fisherman	No		Needs to acquire a permit to obtain an account	Needs to acquire a permit to keep or obtain an account

Action 2: Active Participation Requirements to maintain shares

The activity is calculated for each share category. You can fulfill your participation requirement in one share category and not in another share category.

Alt. 1: No Action, no activity is required

Alt. 2: Land at least 25% of shares annually

Alt. 3: Land at least 50% of shares every 2 years

Topics to explore

- Annual requirement may require a hardship exemption due to vessel repairs
- Effect of in-season quota increases on percentage required to be landed
- Timeline for appeals
- Consider adjusting requirement to be scalable to *landings* not quota
- Consideration of loopholes to avoid reclamation of shares



Action 2 (Activity): Application

- Applicable only for *maintaining* shares requirement
 - If utilized for obtaining shares, accounts would be restricted from share transfers early in the year and new account shareholders unable to obtain shares
- Actions must be tracked at the shareholder account level
 - Includes all vessels under that shareholder account
 - Does not include related accounts
- Applying this by share category aligns better with purpose and need, and simplifies management and appeals process.
 - To make the determination shares would need to be converted to pounds
 - Quotas can be very different in total pounds
 - Prevents someone from retaining shares in a category where they are not landing the species in that category



Action 2 (Activity): Considerations

- Variable quota landings
 - Consideration of using a scalar to account for quotas with low landing (e.g. SWG) vs those with high landings (e.g., red snapper)
- Potential impact on allocation only holders obtaining allocation will be impacted by the percentage required to be landed.
- Time to meet criteria
 - Accounts may not meet the criteria until December 31
 - Annual requirement may require a hardship exemption due to vessel repairs
 - 2 year cycle might not be the same for each account due to new shareholders
 - “New” shareholders due to in-season share transfers may be exempted till the following year for annual and different cycle
 - Should the two year time period be rolling or set?
 - How to evaluate share transfers during the time period – which value applies to the time frame?



Action 2(Activity): Considerations continued

- Overages
 - Should take-back of pounds from overages be applied to the calculation for participation requirement, as they occurred the previous year?
- In-season actions
 - How would in-season quota increases impact participants?
 - Consider excluding in-season quota increases from calculations
- Appeals
 - Agency needs to give sufficient notice before reclaiming shares and time to appeal the decision
 - Some accounts may not meet the criteria until December 31
 - Should we shorten the time period concurrent with appropriate reduction in landings requirement? For example, 20% of shares landed by October 1 instead of 25% by December 31
 - Options for cases pending appeals:
 - Restrict transfer of shares
 - Restrict release of allocation

Percentage quota landed each year

Year	RS	DWG	GG	RG	SWG	TF
2016	99%	85%	83%	60%	68%	74%
2017	99%	80%	47%	43%	46%	83%
2018	99%	80%	48%	31%	43%	66%
2019	99%	93%	50%	70%	35%	73%
2020	99%	78%	50%	79%	31%	60%
2021	99%	78%	67%	96%	36%	83%
2022	98%	55%	75%	87%	32%	66%
2023	99%	59%	93%	91%	33%	54%

Red grouper in 2017 and 2018 had a 7.7MP quota but landings were between 2.4 and 3.3M pounds. SWG has historically had low percentages of the quota landed, despite consistent quotas since 2014. Red snapper always lands nearly all of the quota. Gag quota landed appears greater in 2023 due to the considerable quota decrease.

Scalable Example

2023	Quota	Landings	Landings Percentage of quota
SWG	525,000	173,156	33%
DWG	1,024,000	601,633	59%
RG	2,799,000	2,546,973	91%
GG	199,000	185,630	93%
TF	582,000	313,820	54%
RS	7,075,676	7,414,281	99%

On the next slide, we will show the difference between using 25% of shares versus scaling the 25% by the 33% of landings for SWG.

The scalar changes the 25% of shares to 16.75% of shares ($25\% \times 33\%$).

This will have an impact, especially in these categories that have traditionally low landings.

Scalable Example - SWG

Some accounts land nearly all their allocation regardless of the low SWG utilization rate.

Alloc. from Shares	Landings	25% Shares	Landing – 25% Shares	Pro-rated % Shares	Landings – Pro-rated
18,387	6,233	4,597	1,636	3,080	3,153
10,854	2,606	2,714	(108)	1,818	788
1,625	450	406	44	272	178
4,473	1,111	1,118	(7)	749	362
1,862	1,802	466	1,337	312	1,490
1,828	333	457	(124)	306	27
53	113	13	100	9	104
50	2,053	13	2,041	8	2,045
49	38	12	26	8	30

Using a pro-rated amount would benefit accounts that come just shy of the amounts needed.

Some account holders easily meet this requirement due to low shares and the ability to buy allocation.

Action 2 (Activity) Impacts

“Role”	Permit?	Alt 1 Status Quo	Alt 2 or 3 (% landed to keep shares)
Fisherman	Yes	No impact	Must be fishing
Dealer – Vertically Integrated	Yes		
Related Shareholder Account	No		Need to obtain permit and fish to keep shares if Action 3, Alternative 4 is chosen
Related “Dealer”	No		
Investor/broker	No		
Fishery Trust/non-profits	No		
“Retired” Fisherman	No		

Action 3: Requirements to obtain and maintain shares

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
- Obtain requires valid permit (not renewable)

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
- Obtain requires a valid permit; maintain requires a valid or renewable permit.

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) with actual harvest
- See Alt 3 for permit status for obtain and maintain.

Action 3 (Share requirements) Impacts

“Role”	Permit	Alt 1 Status Quo	Alt 2, Permit to Obtain	Alt 3, Permit to Obtain & Maintain	Alt 3, Permit and activity to Obtain & Maintain
Fisherman	Yes	No impact	No Impact	No Impact	Must be fishing
Dealer – Vertically Integrated	Yes				
Related Shareholder Account	No		Keep existing shares, No New Shares	Shares held must be divested	Need to acquire a permit to keep and obtain shares; fishing activity required to keep shares
Related “Dealer”	No		OR	OR	
Investor/broker	No		Need to acquire a permit to obtain more shares	Need to acquire a permit to keep and obtain shares	
Fishery Trust/non-profits	No				
“Retired” Fisherman	No				

Action 4: Requirements to obtain and maintain allocation

Alt. 1: No Action

- Current regulations only require 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

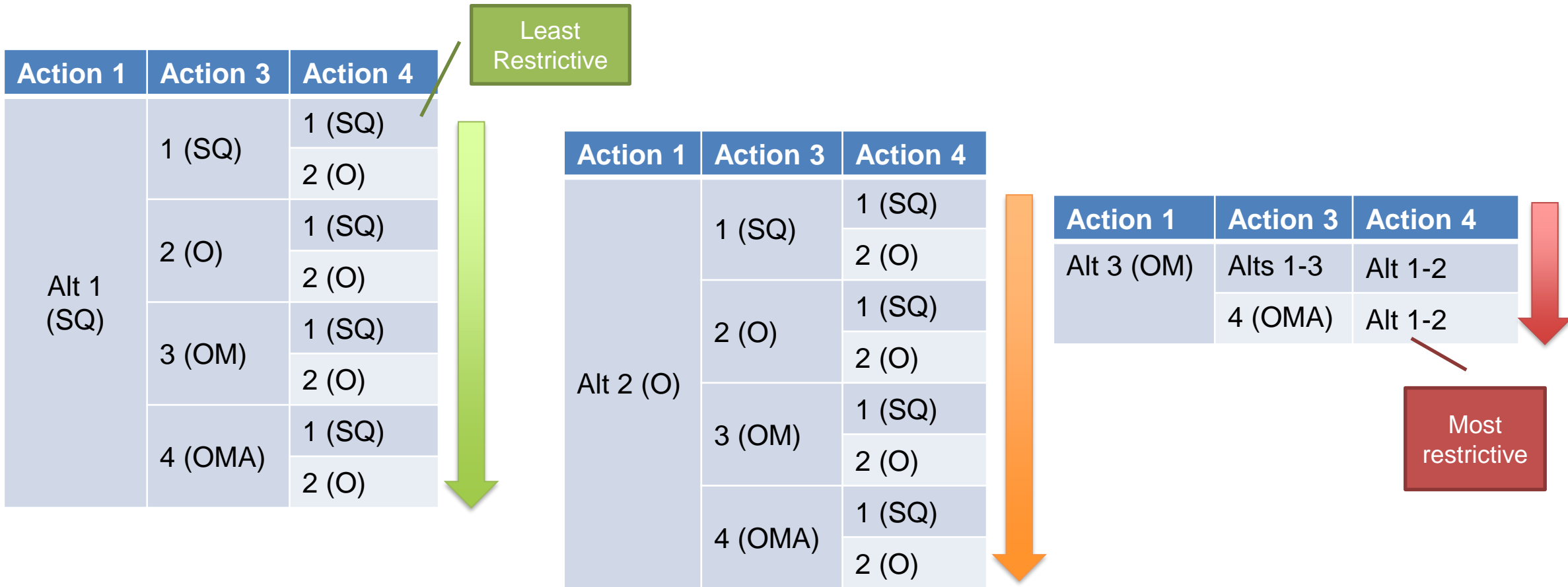
- Requirements to maintain annual allocation are difficult with appeal process potentially extending past allocation life cycle (annual).
- This action needs to consider if obtaining allocation includes from shares as well as allocation transfers and if those requirements should differ.

Action 4 (Allocation requirements) Impacts

“Role”	Permit	Alt 1 Status Quo	Alt 2, Permit to Obtain
Fisherman	Yes	No impact	No Impact, unless permit lost during the season (then
Dealer – Vertically Integrated	Yes		
Related Shareholder Account	No		Could not acquire allocation
Related “Dealer”	No		
Investor/broker	No		
Fishery Trust/non-profits	No		
“Retired” Fisherman	No		

Alt 3 excluded from these impacts due to the difficulty of enacting that alternative.

Action Combinations from least to most restrictive



SQ = Status Quo
OM = Permit to Obtain and maintain

O = Permit to Obtain
OMA = Permit and activity to obtain and maintain

Action 1, Alternative 1 (status quo) impact on alternatives in Action 3 and Action 4

“Role”	Act 3 Alt 1 [SQ]	Act 3 Alt 2 [O]	Act 3 Alt 3 [OM]	Act 3 Alt 4 [OMA]	Act 4 Alt 1 [SQ]	Act 4 Alt 2 [O]
Permitted Fisherman	Get & keep shares			Get shares; keep shares dependent on activity	Get Allocation	
Dealer – Vertically Integrated & permitted						
Related Shareholder Account	Get & keep shares	No new shares; Hold shares, if obtained previously	No shares without a permit		Get Allocation	No allocation without a permit
Related “Dealer”						
Investor/broker						
Fishery Trust/non- profits						
“Retired” Fisherman						

Action 1, Alternative 2 (Permit to Obtain Account) impact on alternatives in Action 3 and Action 4

“Role”	Act 3 Alt 1 [SQ]	Act 3 Alt 2 [O]	Act 3 Alt 3 [OM]	Act 3 Alt 4 [OMA]	Act 4 Alt 1 [SQ]	Act 4 Alt 2 [O]
Permitted Fisherman	Get & keep shares			Get shares; keep shares dependent on activity	Get Allocation	
Dealer – Vertically Integrated & permitted						
Related Shareholder Account	Must already have an account to get & keep shares	No new shares; Hold shares, if obtained previously	No shares without a permit		Get Allocation	No allocation without a permit
Related “Dealer”						
Investor/broker						
Fishery Trust/non- profits						
“Retired” Fisherman						

Action 1, Alternative 3 (Permit to Obtain & Maintain Account) impact on alternatives in Action 3 and Action 4

“Role”	Act 3 Alt 1 [SQ]	Act 3 Alt 2 [O]	Act 3 Alt 3 [OM]	Act 3 Alt 4 [OMA]	Act 4 Alt 1 [SQ]	Act 4 Alt 2 [O]
Permitted Fisherman	Get & keep shares			Get shares; keep shares dependent on activity	Get Allocation	
Dealer – Vertically Integrated & permitted						
Related Shareholder Account	Account closes; shares divested			Account closes, can not obtain allocation		
Related “Dealer”						
Investor/broker						
Fishery Trust/non- profits						
“Retired” Fisherman						

Example Scenarios

Examples are not comprehensive but show a range of potential impacts

Example: Not restrictive (Status quo)

- Action 1, alternative 1 - no requirement to open & keep account
- Action 3, alternative 1 - no requirement to hold shares
- Action 4, alternative 1 - no requirement to obtain allocation
- Results:
 - Anyone can open an account and hold shares and allocation
 - Related accounts will continue to be used to separate assets, may increase
 - Dealers without a permitted account can still obtain a shareholder account to hold both shares and allocation
 - Fishery Trusts/non-profits can assist fishermen with allocation and be able to hold shares
 - Investor/brokers continue to be brokers of both shares and allocation
 - “Retired” fishermen can continue to hold shares and allocation

Example: Semi-restrictive example 1

- Action 1, alternative 1 - no requirement to open & keep account
- Action 3, alternative 3 - permit for shares
- Action 4, alternative 1 - no requirement to obtain allocation
- Results:
 - Shares held by those with permits or those actively fishing
 - Related accounts used to separate assets may decrease
 - Related accounts due to business relationships may stay
 - Dealers without a permitted account can still obtain allocation for fishermen who work with them
 - Fishery Trusts/non-profits can assist fishermen with allocation or obtain a permit to hold shares
 - Investor/brokers limited to allocation transfers unless purchasing a permit
 - “Retired” fishermen must divest shares

Example: Semi-restrictive example 2

- Action 1, alternative 1 - no requirement to open & keep account
- Action 3, alternative 4 - permit and activity for shares
- Action 4, alternative 1 - no requirement to obtain allocation
- Results:
 - Shares held by those with permits or those actively fishing
 - Related accounts used to separate assets may decrease
 - Related accounts due to business relationships may stay
 - Dealers without a permitted account can still obtain allocation for fishermen who work with them
 - Fishery Trusts/non-profits can assist fishermen with allocation; with activity requirement may not wish to obtain permit for shares
 - Investor/brokers limited to allocation transfers; not likely to purchase a permit due to activity requirement
 - “Retired” fishermen must divest shares

Example: Restrictive option

- Action 1, alternative 3 - permit required to have an account
- Action 3, alternative 4 - permit and activity for shares
- Action 4, alternative 2 - permit required to obtain allocation
- Results:
 - Shares held by those with permits and actively fishing
 - Related accounts used to separate assets may decrease
 - Related accounts due to business relationships may stay
 - Only dealers that are vertically integrated and actively fishing will have shares and allocation available; Depending on Action 2, this may limit allocation that is available for transfer
 - Eliminates roles for investors, brokers, trusts, non-profits, and retired fishermen unless they obtain a permit and actively fish

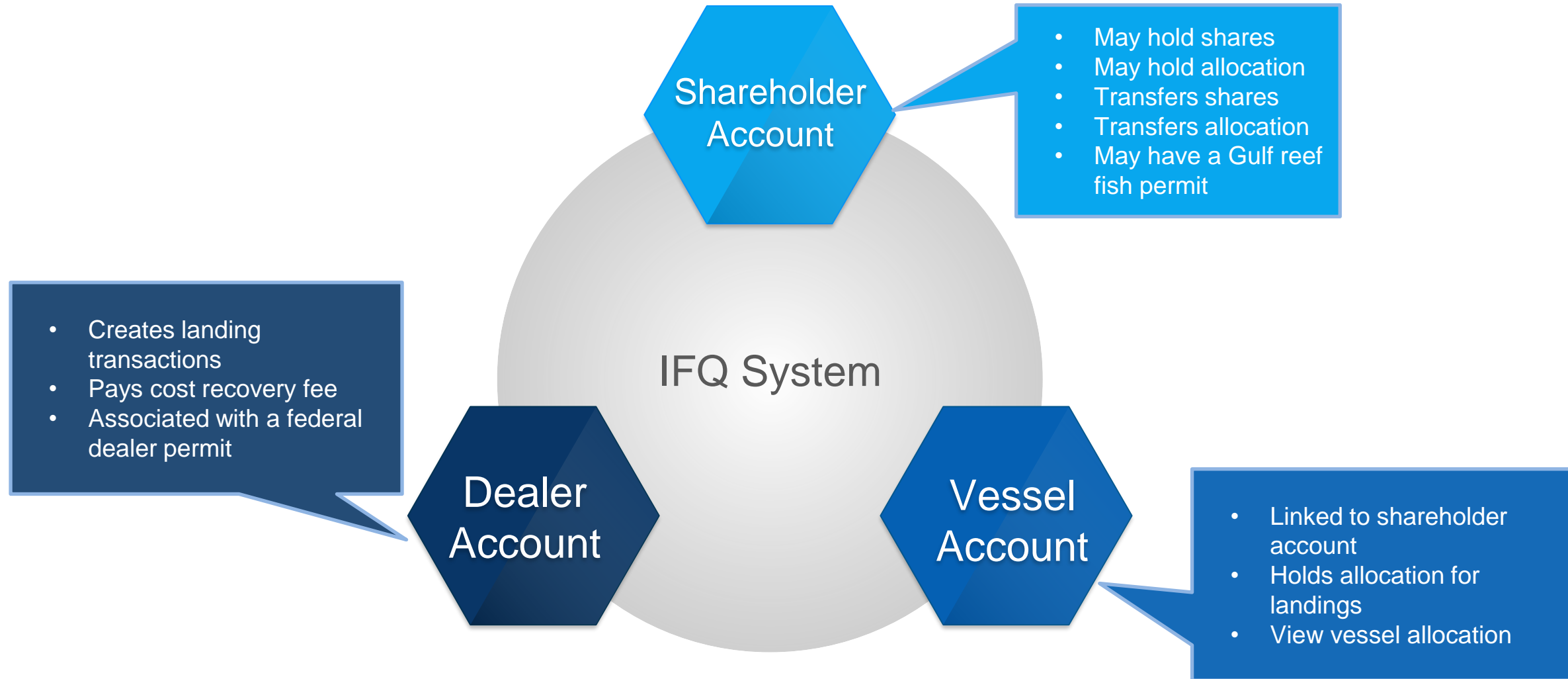
An aerial photograph of a dark blue ocean with white-capped waves. The waves are moving from the top right towards the bottom left, creating a sense of motion and depth. The water is a deep, rich blue, and the white foam of the waves contrasts sharply against the darker water.

Questions and Discussion



**Slides from IFQ 101 if
needed**

IFQ System Structure



There are also 3 administrative account types: manager, law enforcement, and fisheries finance program

Important Terms

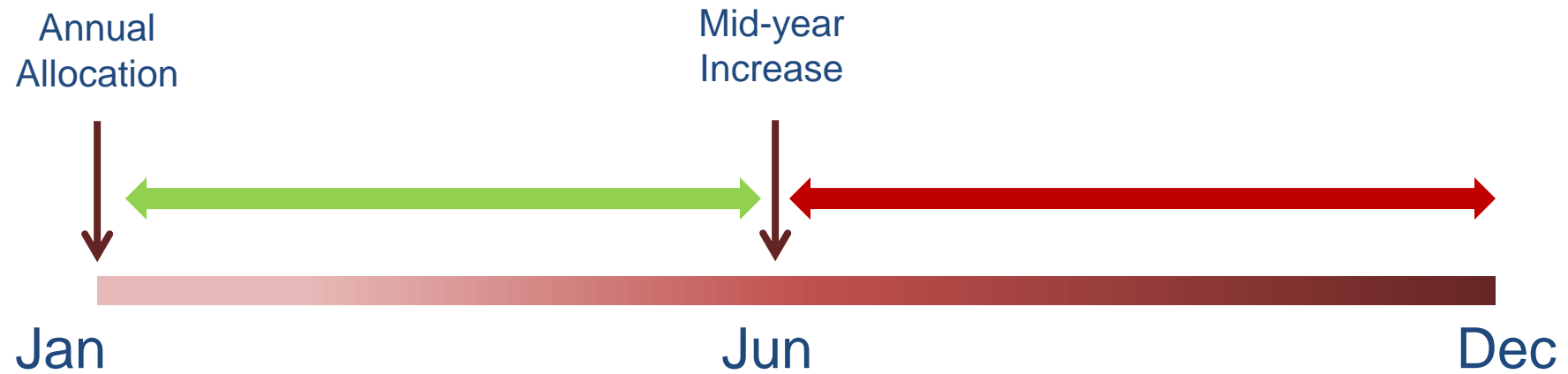
Share

- *Percentage of the commercial quota*
- *Expressed in decimals (e.g., 0.142901%)*
- *The sum of shares equals 100% per share category*
- *Is transferable*
- *Can be expressed in equivalent pounds (the amount of pounds the shares are equal to at a particular time)*

Allocation

- ***Allocation (lb) = share (%) * Quota (lb)***
- *Expressed in pounds gutted weight*
- *Distributed annually based on shares held*
 - *Allocation expires on Dec 31*
- *Is transferable*

When do accounts receive allocation?



Share Categories



Species crossed out were removed in 2012.

Allocation Categories

Red Snapper shares



Red Snapper Ib

Shallow-water grouper (SWG) shares



SWG Ib

Tilefish shares



Tilefish Ib

Deep-water grouper (DWG) shares



DWG Ib

Red Grouper Shares



Red Grouper Ib



Red multi-use Ib

Gag Shares



Gag Ib



Gag multi-use Ib

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

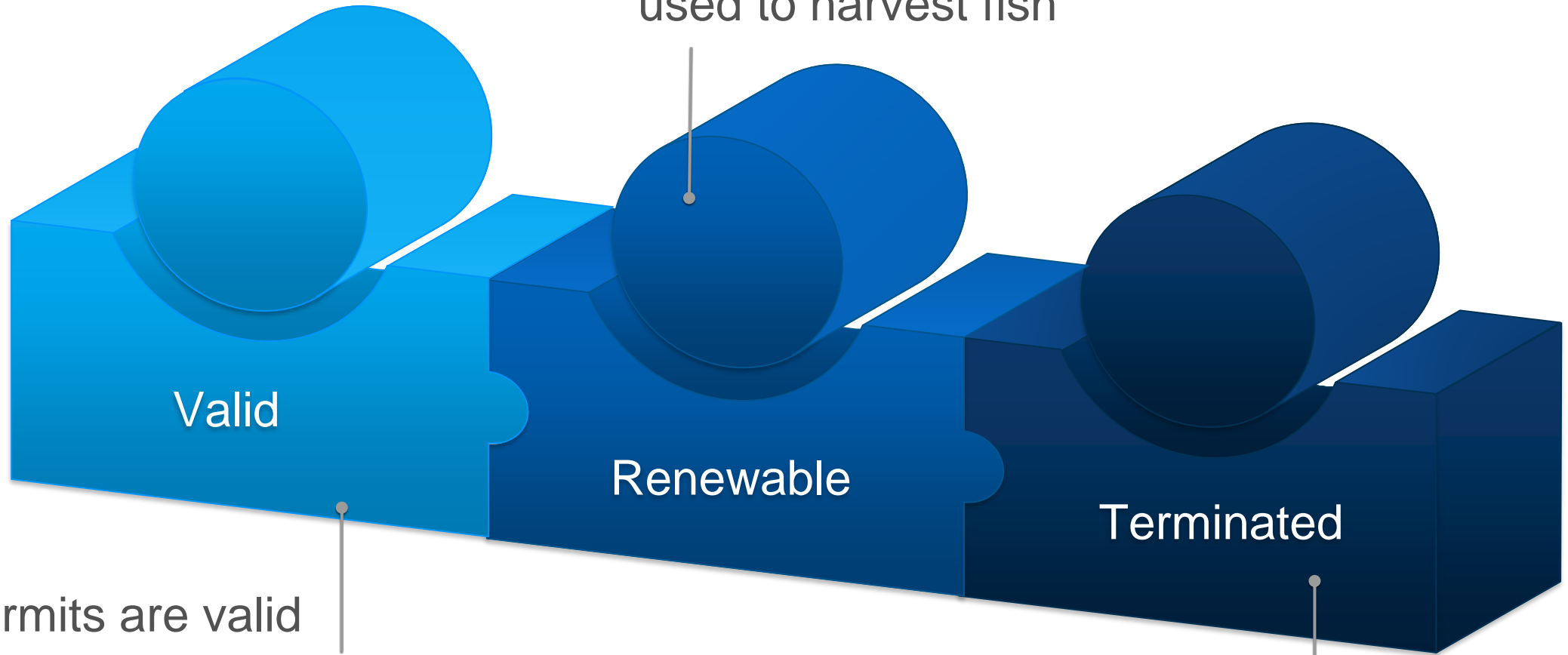
Maintain

- 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.

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.