An aerial photograph of a vast ocean with a large fleet of fishing boats visible as a long, winding line of small white specks on the dark blue water. The sky is filled with large, white, fluffy clouds.

A financial approach to solving the Chinese distant-water fishing fleet's issues

Who we are



Planet Tracker is a non-profit sustainable finance think tank

We produce research on nature-related risks and opportunities

Planet Tracker is part of the Tracker Group



Agenda



Financial institutions are exposed to the Chinese distant-water fishing fleet (DWFF)



Sustainability pains, few financial gains for the Chinese DWFF



A bleak outlook if nothing changes

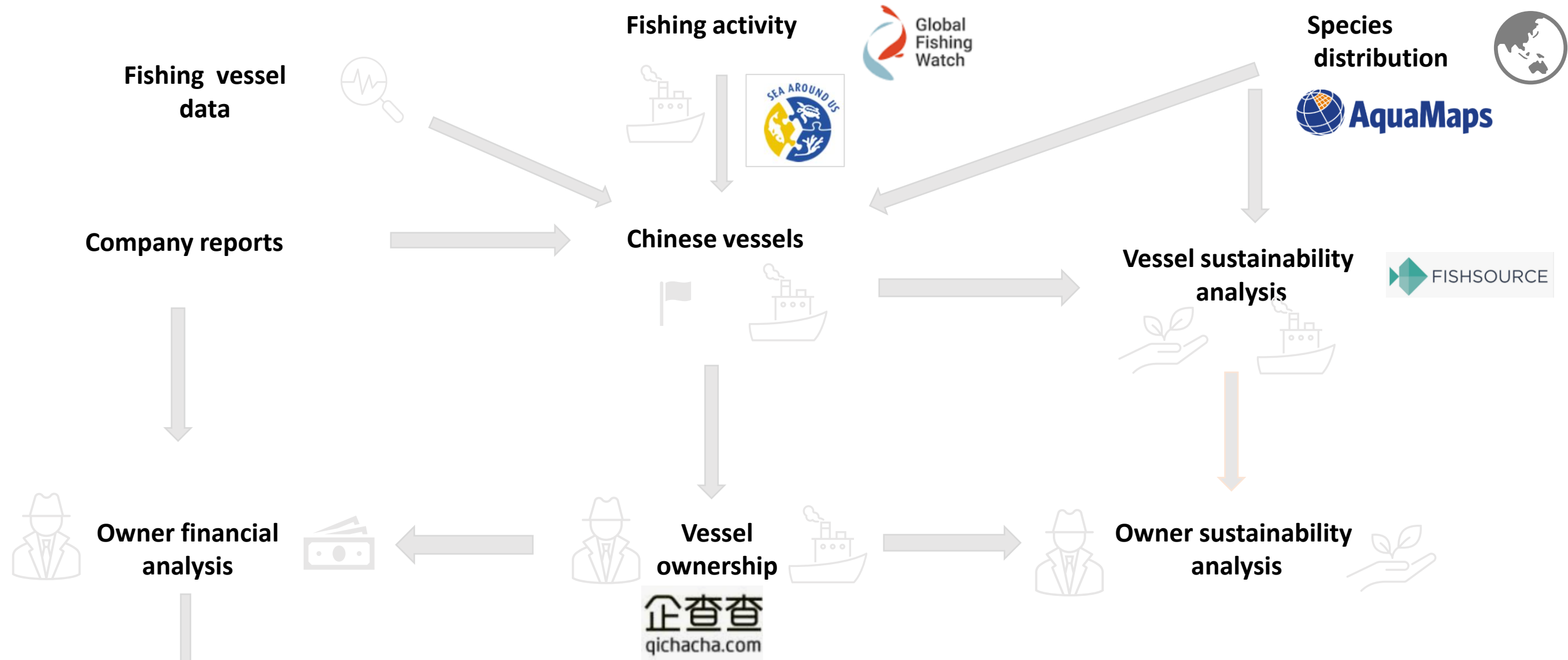


There is a solution



Methodology

1. DATA



2. ANALYSIS

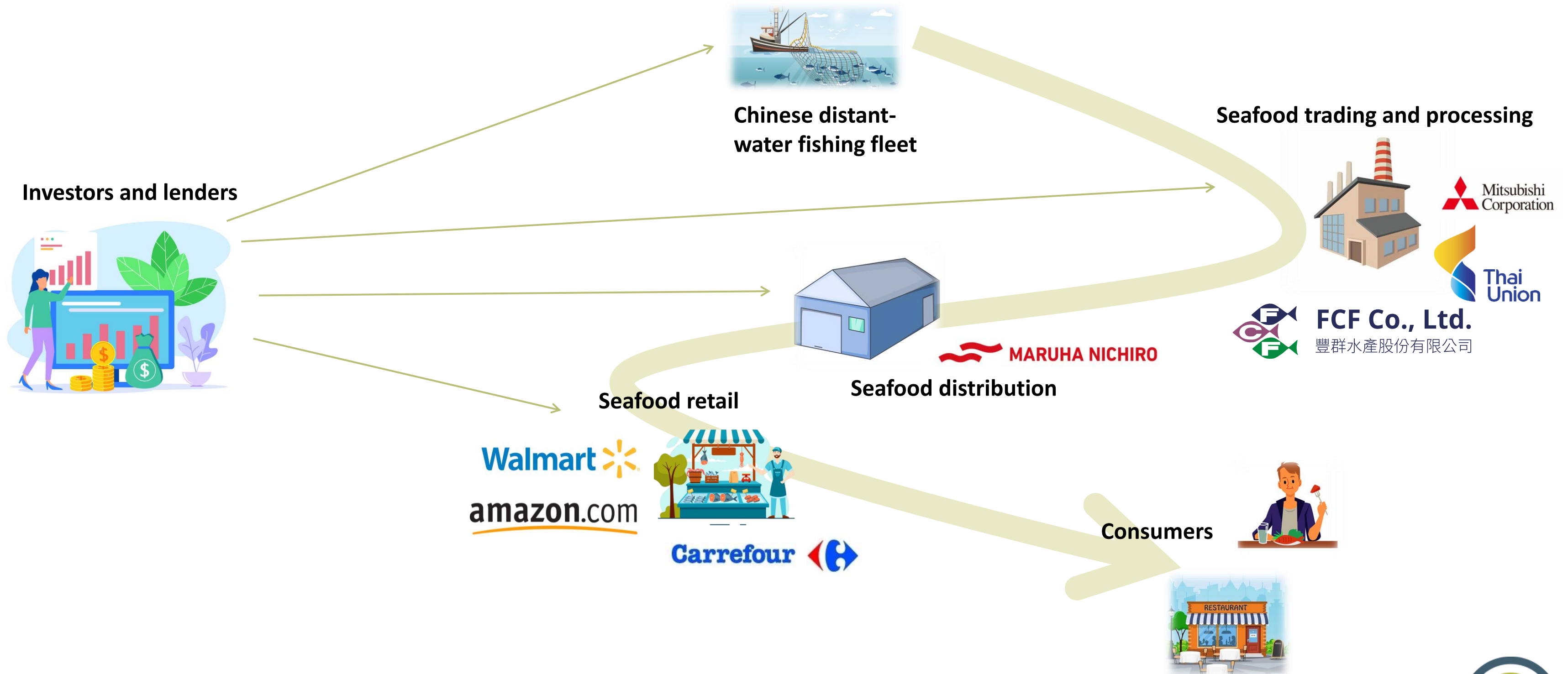




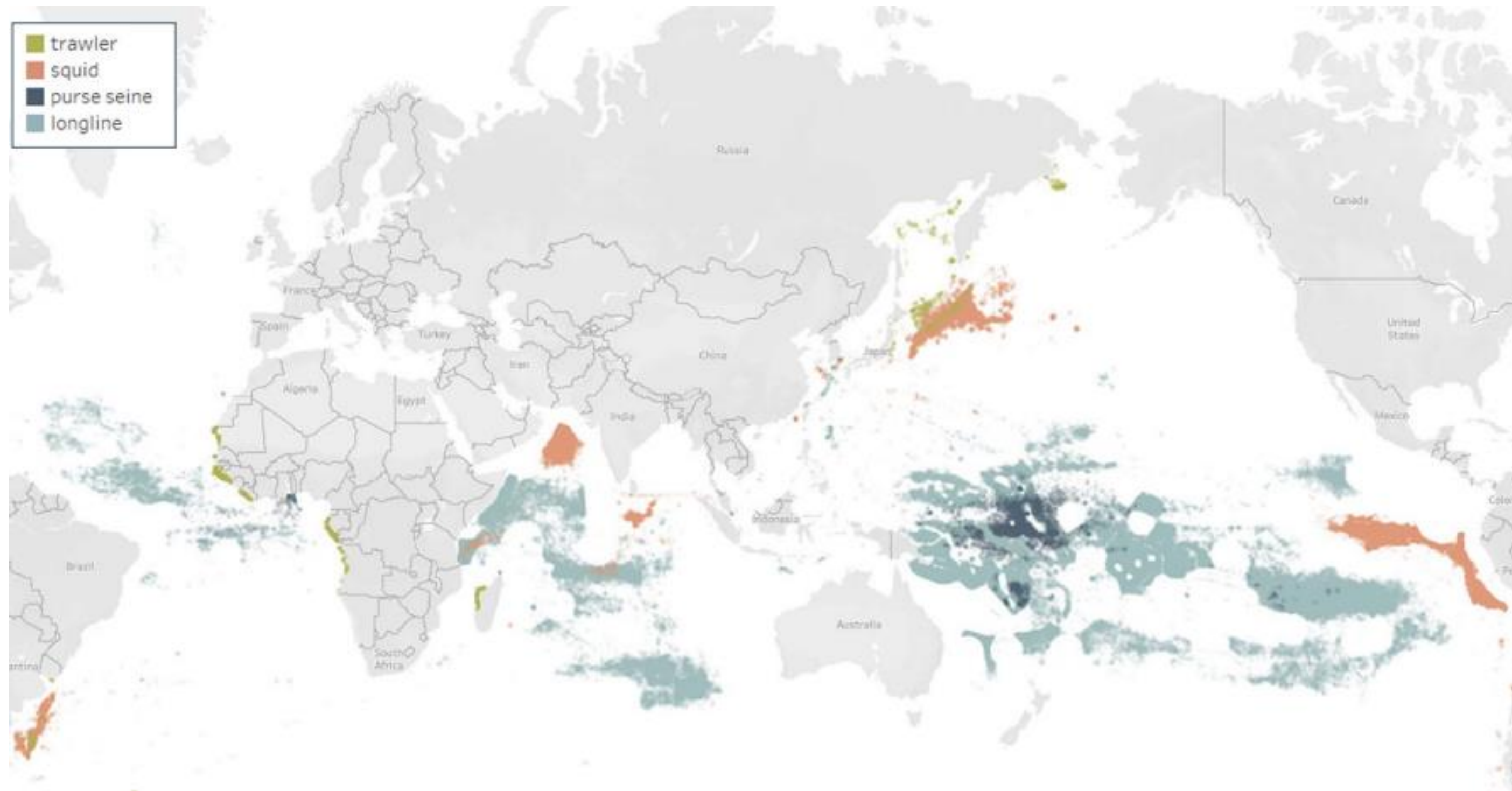
**Financial institutions are exposed
to the Chinese distant-water
fishing fleet**



Financial institutions are exposed to the Chinese DWFF



The Chinese distant-water fishing fleet operates globally



Mapping the fishing footprint of the Chinese distant-water fishing fleet. Source: Planet Tracker based on Global Fishing Watch data, 2022-2023. Note: this excludes any vessel that disables AIS.

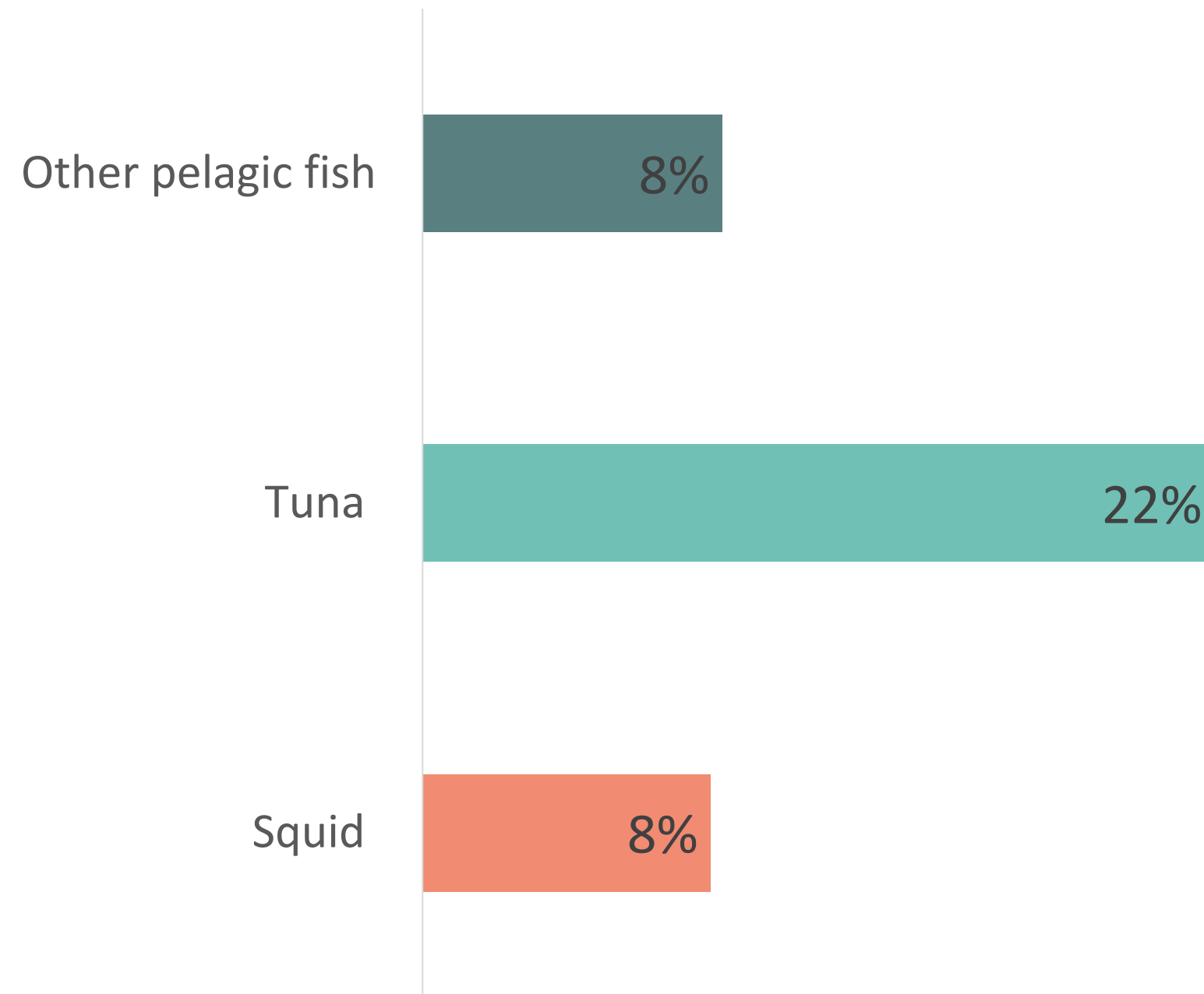
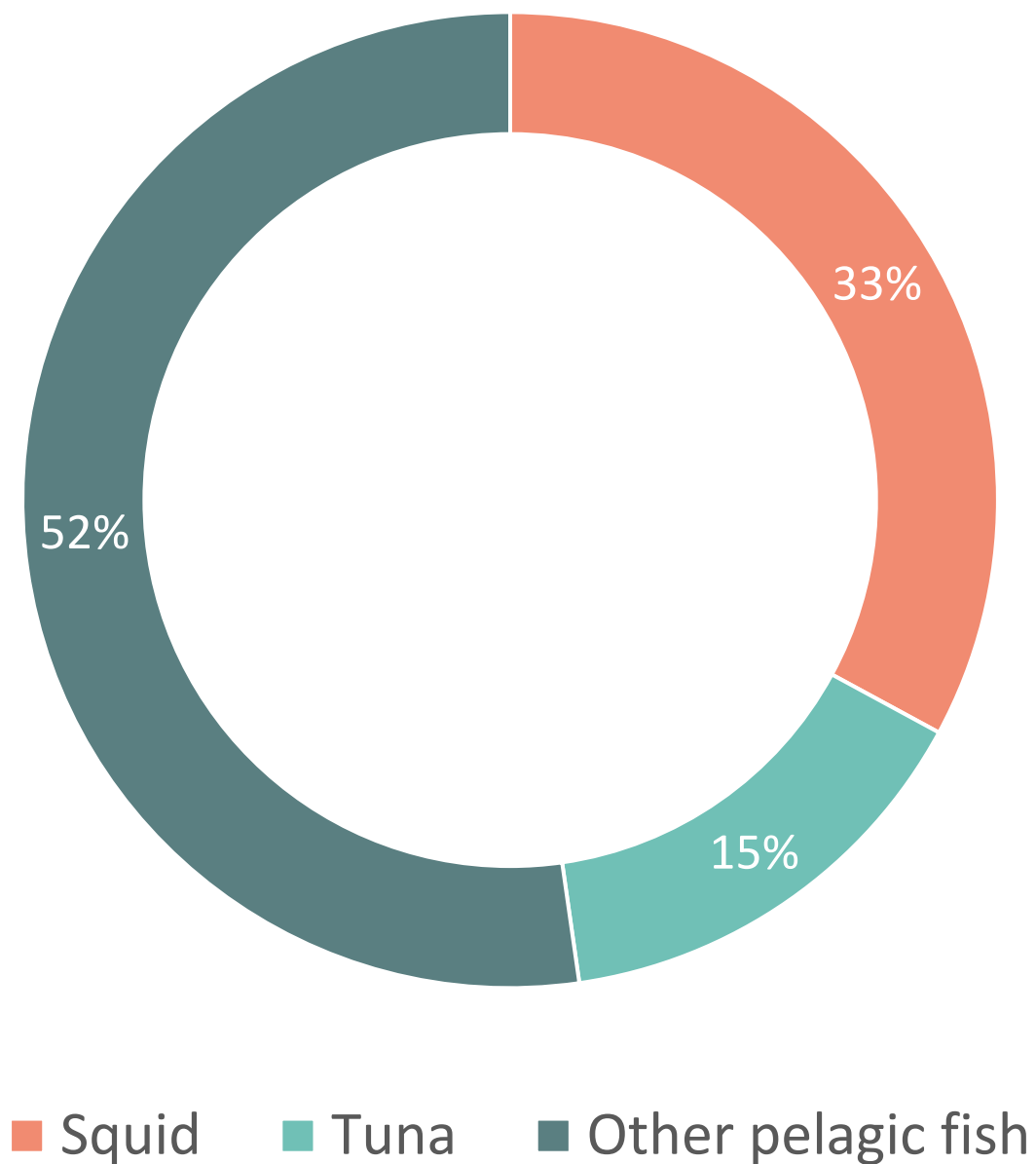




**Sustainability pains, few financial gains
for the Chinese distant-water fishing fleet**



Few financial gains for the Chinese distant-water fleet



Catch composition of the Chinese distant-water fishing fleet (left), and est. average gross margin of distant-water fishing vessels in 2022 and 2023 (right), by target species. Source: Planet Tracker, based on company reports. Excludes trawlers.

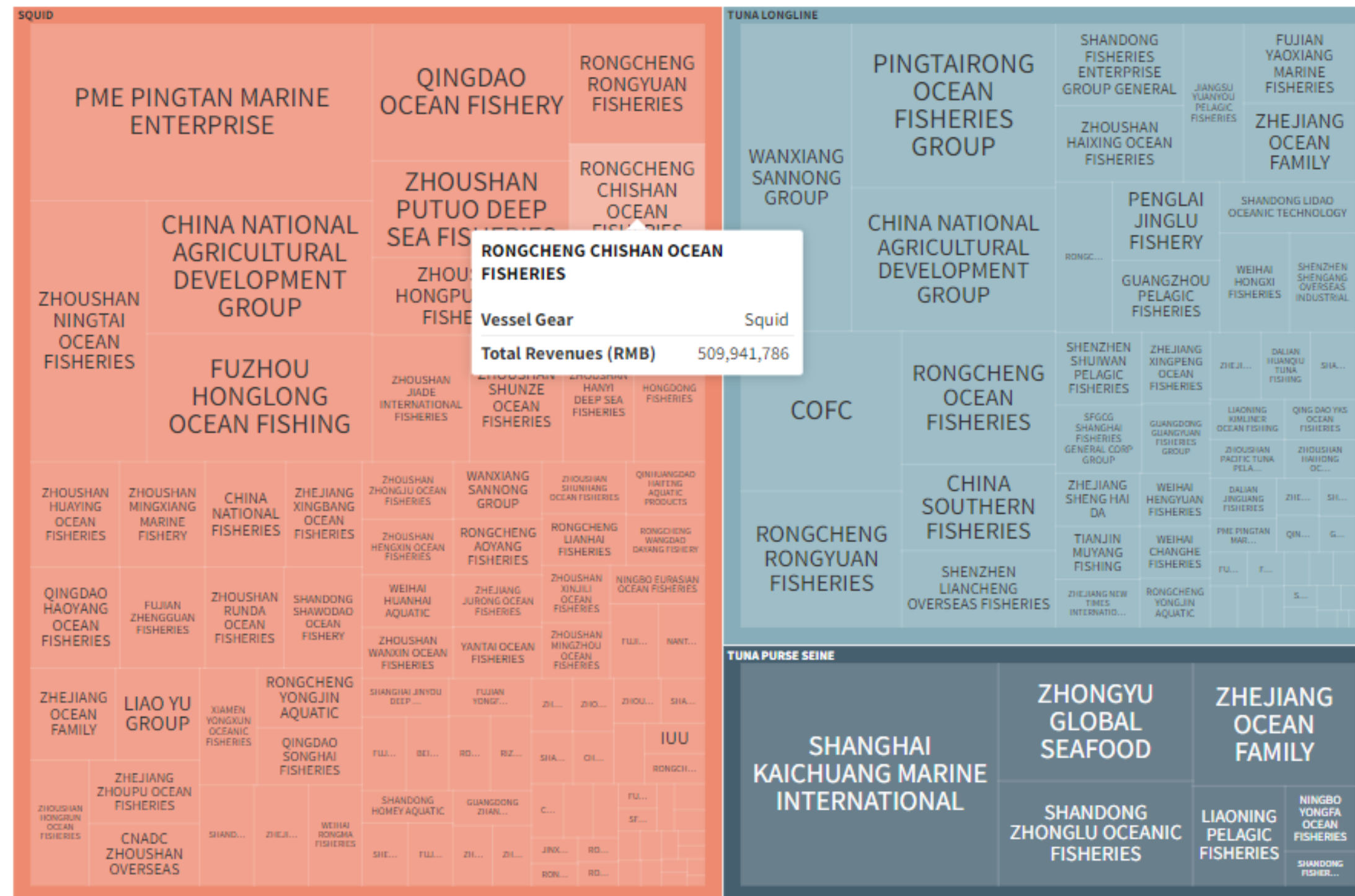


Exploring the Chinese distant-water fleet

Financial Overview of the Chinese Distant-Water Fishing Fleet

Click a company name to reveal its vessels. Change the displayed fishing gear or financial metric below.

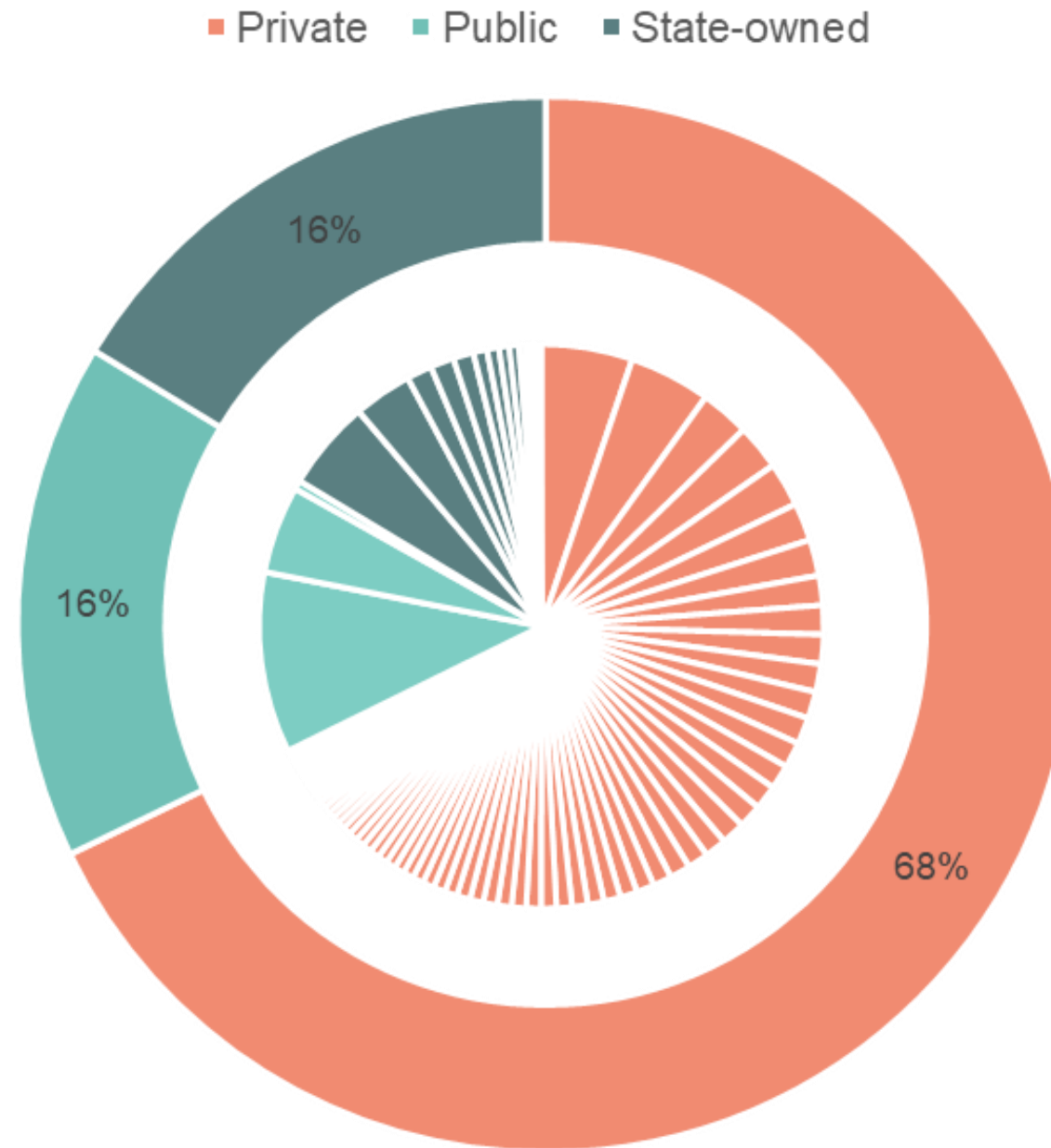
All Gears ▼ Total Revenues (RMB) ▼



<https://planet-tracker.org/fishful-thinking-dashboard/>



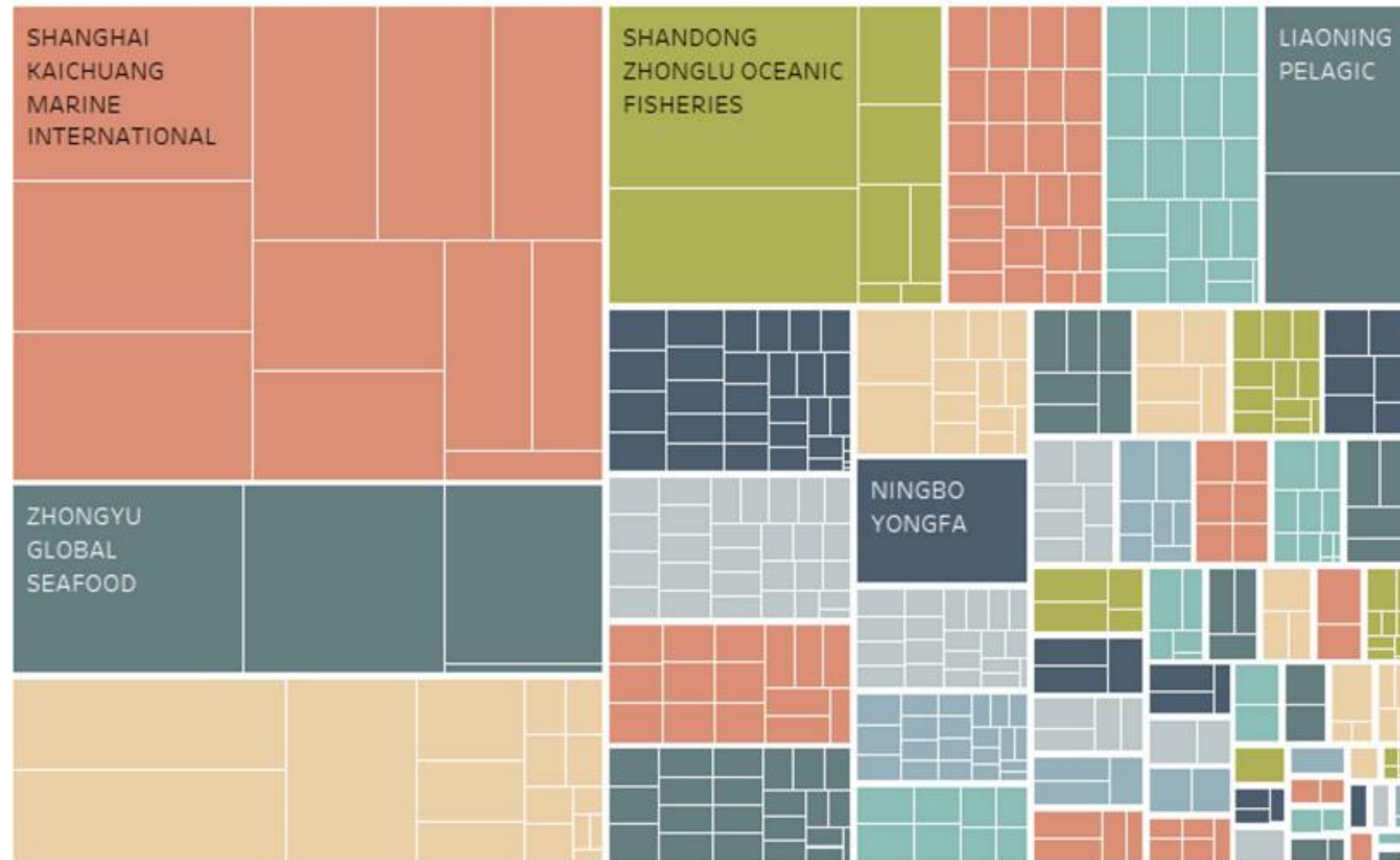
Privately-owned, fragmented, low-margin squid jigging



Breakdown of squid catch revenue by ownership type (outer circle), revenue (inner circle). Source: Planet Tracker



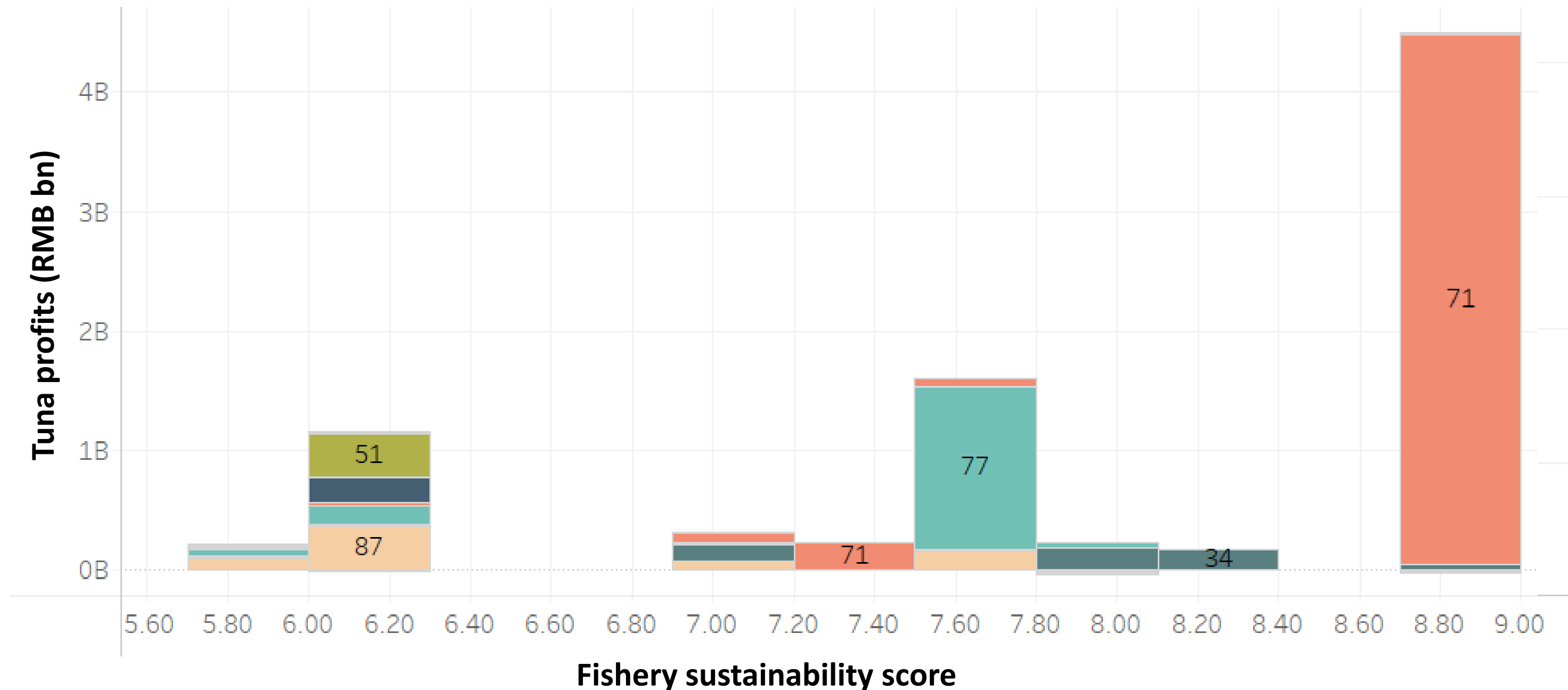
State-owned, concentrated, profitable tuna



Tuna catch by vessel and owner. Each square is a vessel, each colour indicates an owner. Source: Planet Tracker



Highest profits in the least overfished areas



Estimated aggregated tuna revenues and profits (y axis), by target FAO Area (numbers) and FishSource score (x axis) for the main four commercial tuna species. Source: Planet Tracker based on FishSource

(Note: FAO 34: Atlantic, Eastern Central; FAO 51: Indian Ocean, Western; FAO 57: Indian Ocean, Eastern; FAO 61: Pacific, Northwest; FAO 71: Pacific, Western Central; FAO 77: Pacific, Eastern Central; FAO 81: Pacific, Southwest; FAO 87: Pacific, Southeast).

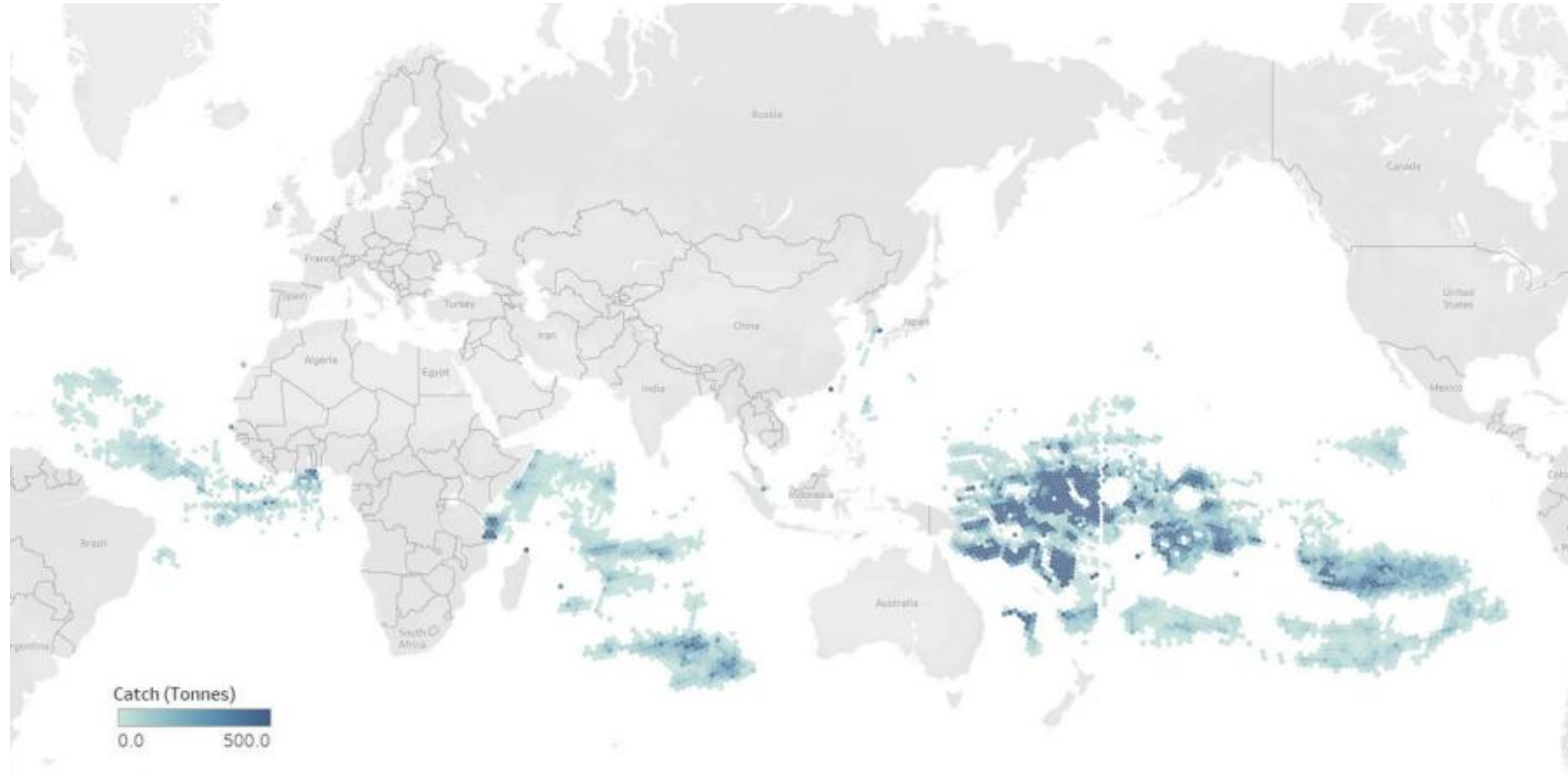




A bleak outlook if nothing changes



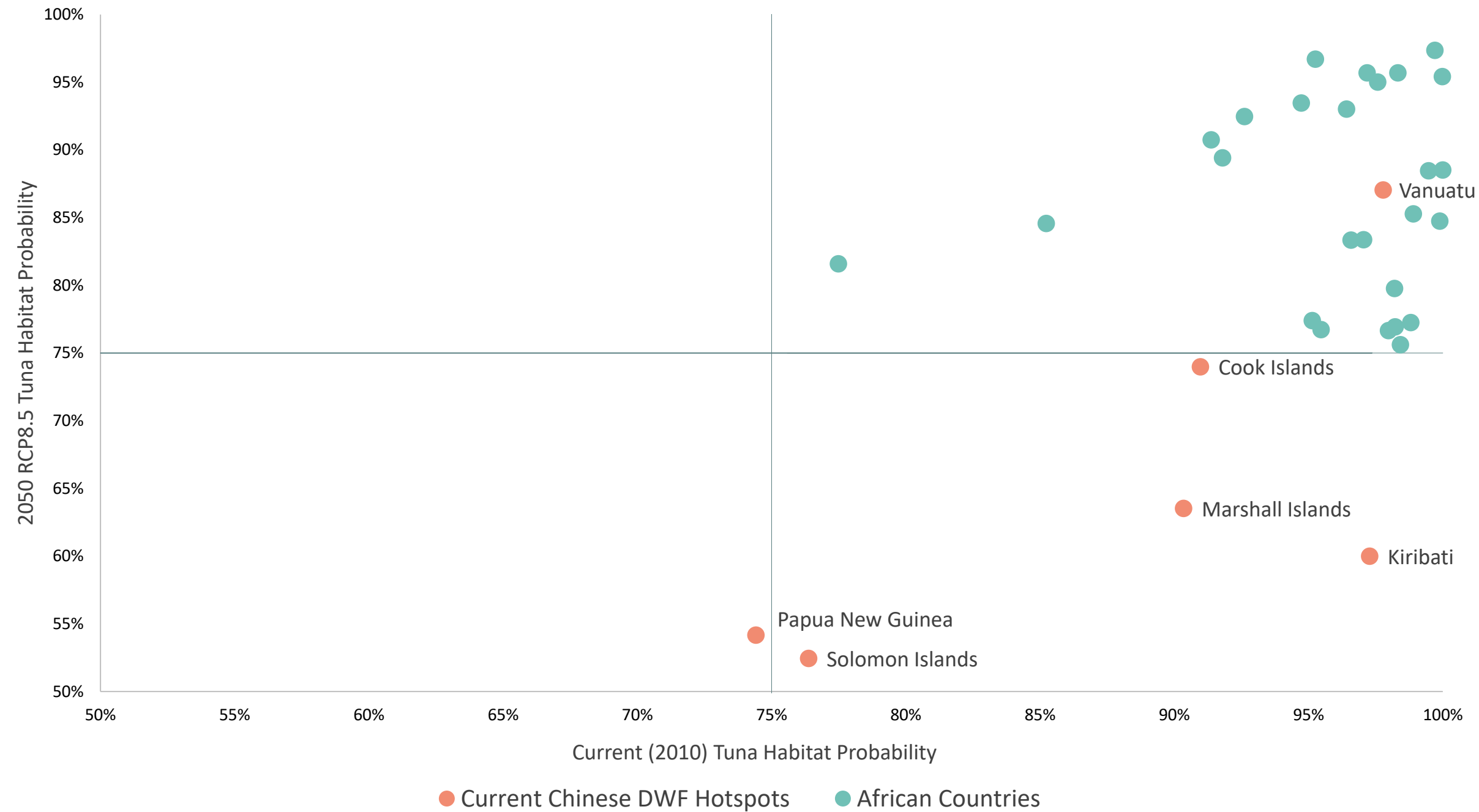
High reliance on **Western Central Pacific tuna**



*Fishing event distribution of Chinese distant-water fishing fleets targeting tuna in 2022 and 2023.
Source: Planet Tracker, based on Global Fishing Watch.*



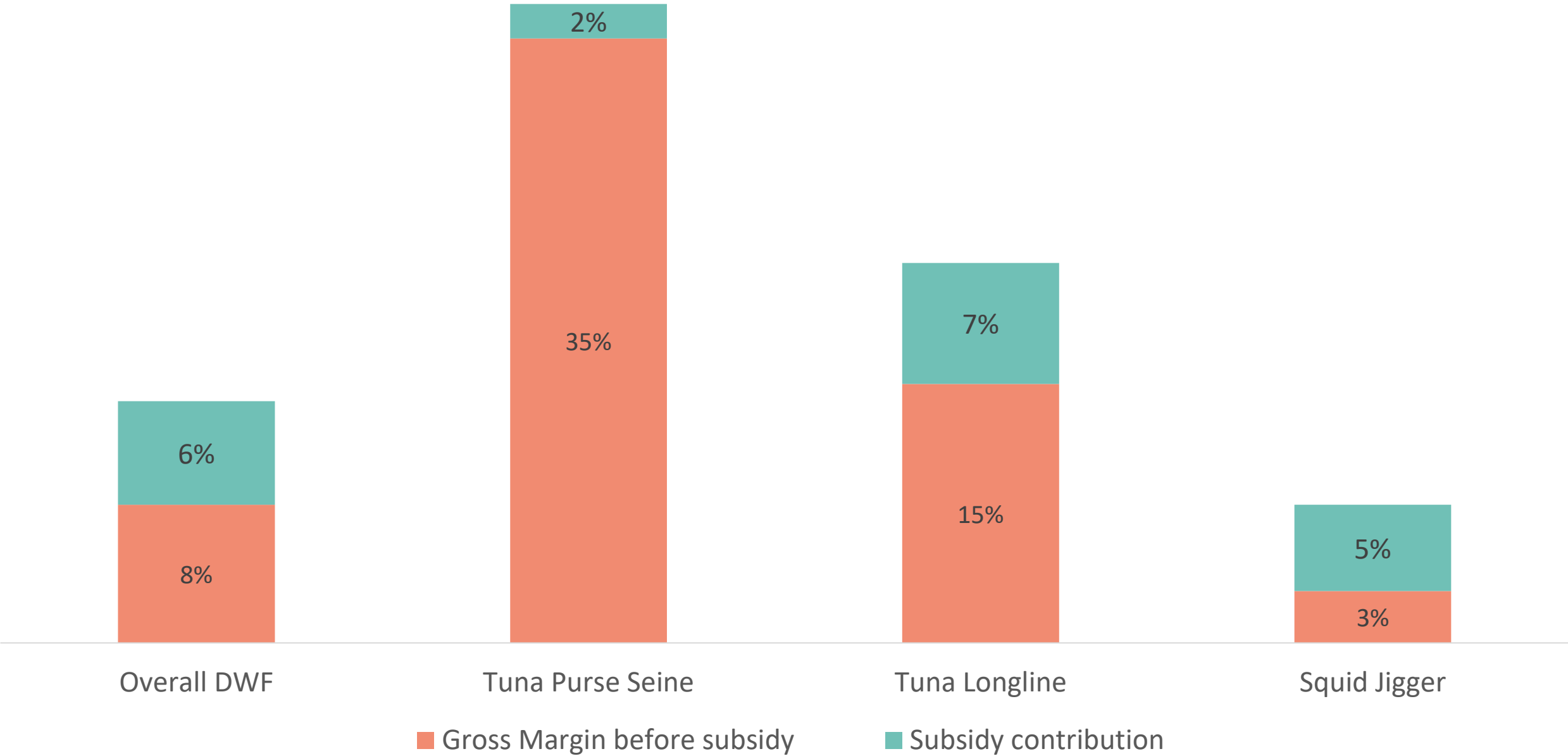
Climate change disrupting the key profit pool



Average probability of distribution for four tuna species in 2010 and by 2050 under RCP 8.5. Source: Planet Tracker calculations based on AquaMaps data.



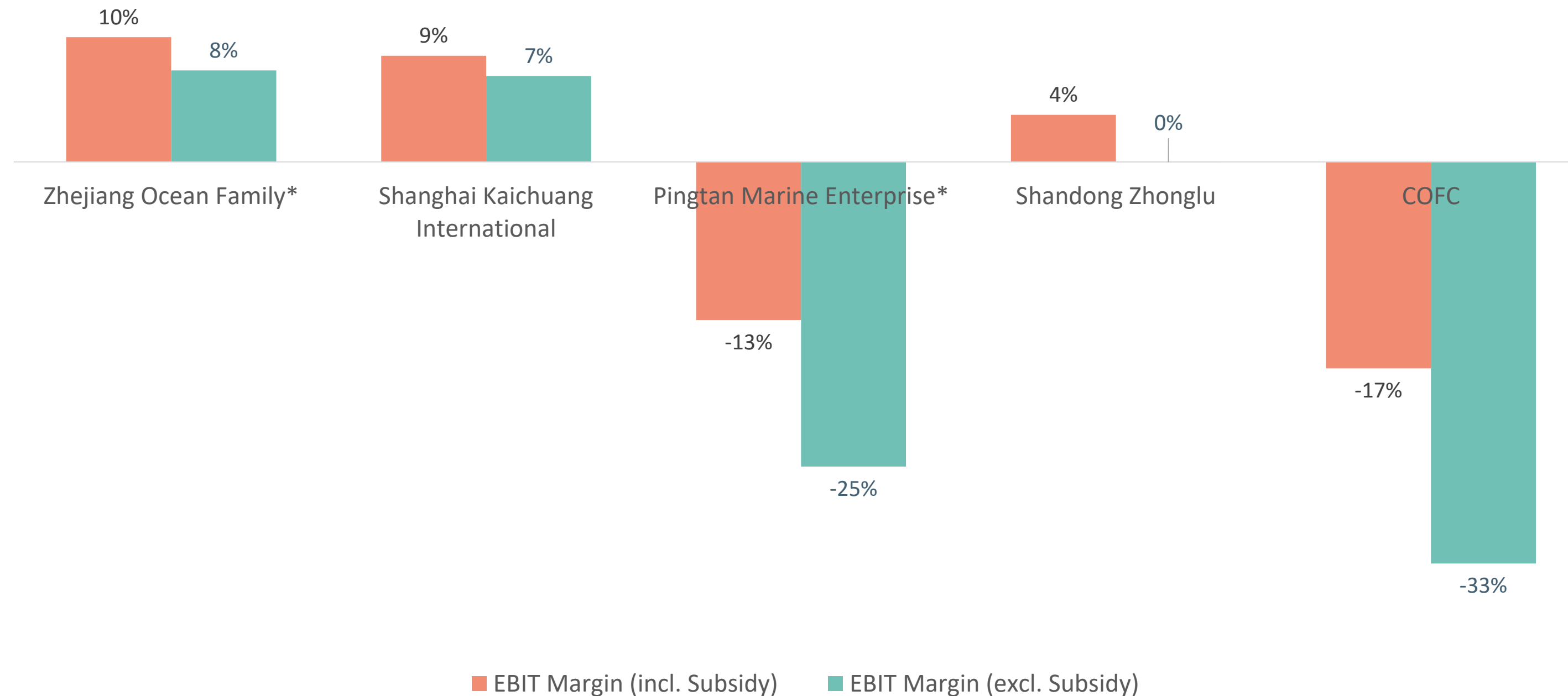
At least 45% of profits coming from subsidies



Average gross margin before subsidy of fishing vessels in 2022 and 2023 by target species, and subsidy contribution to the total gross margin. Source: Planet Tracker. Excludes trawlers.



A drop in subsidies due to WTO's 'Fish One' Agreement



Listed companies' latest 3-year average EBIT margin with and without government subsidy. Source: company reports compiled by Planet Tracker. *Note: Zhejiang Ocean Family FY2020 – 2022 H1, Pingtan Marine Enterprise FY2018-2020





There is a solution



Compliance subsidies calculations need to change

Average compliance score	104.8 (out of 120)
Penalty for illegal fishing	-10 points
Change in compliance score	-9.5%
Change in compliance subsidy	-9.5%

1) Ensure that the compliance score for vessels engaged in **illegal fishing, forced labour**, or any other illegal activity is nil

2) Increase the penalty linked to **unfair treatment of crew** so that the compliance score is nil and increase its scope to include evidence of **unfair pay**

3) Improve the calculations of the compliance score in order to eliminate **incentives to fish unprofitable and unsustainable areas**










4) Favour vessels and companies that can demonstrate having implemented **traceability**

5) Favour vessels and companies that can evidence their **transparent sourcing**

6) Use **AIS**, rather than VMS to calculate compliance subsidies



The rules that govern the fleet need to change too

Policy Principles		
Vessel information	1	 Require unique identification numbers for all fishing vessels (including transport and supply vessels).
	2	 Publish lists of licenses, authorizations, and sanctions.
	3	 Make public the beneficial ownership of vessels.
	4	 Stop the use of flags of convenience by fishing vessels.
Fishing activity	5	 Make vessel position data public.
	6	 Ban or closely monitor at-sea transshipment.
	7	 Mandate seafood traceability from boat to plate.
Governance and management	8	 Ratify international agreements that set standards for fishing vessels and trade. <small>(Including the Food and Agriculture Organization of the United Nations (FAO) Agreement on Port State Measures; International Labour Organization (ILO) Fundamental Principles and Rights at Work; ILO C188; and International Maritime Organization (IMO) Cape Town Agreement)</small>
	9	 Ensure public and equitable access to fisheries data and participation in fisheries management and decision-making.
	10	 Collect data on the conditions of fishing vessel crews and publish it in aggregate form.



A 'Hai Feng Bond' to mark the turnaround

Example of abbreviated term sheet for a Hai Feng Bond

Issuer

People's Republic of China

Title of security

Hai Feng Bond due 2031

Tenor

3 years (August 8th, 2031)

Currency / Amount

RMB 5,500,000,000

Status

The Hai Feng bond will rank equal in right of payment with all of China's existing and future unsecured and unsubordinated external indebtedness.

Interest and payment dates

1.895% + [•] bps, where [•] indicates the level of specific risk

Coupon step-up/step-down

[••] bps step up if the performance target is not achieved, [•••] bps step-down if the interim target is exceeded

Performance target

100% observer coverage and traceability implementation on the Chinese distant-water fleet with interim target of 60% at the end of year 2

Use of proceeds

Implementation of third-party-verified monitoring and traceability programme on Chinese distant-water fleet

Hai Feng = sea abundance



The Hai Feng Bond

Pre-requirements: AIS, subsidy recalculation and change in legislation

Use of proceeds: monitoring and traceability onboard the Chinese DWF

Third party verification is key

Challenges: trust, geopolitics, ambitious pre-requirements



Thank you!