

C4 CRAB CREW SHARES

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Presentation Overview

- Introduction and Background(Chapters 1 and 2)
- Summary of substantive issues (Chapter 3)
- Analysis of impacts (Chapter 4)
 - Alternative 1, no action (Chapter 4.1)
 - Alternative 2, modifying transfer eligibility requirements (Chapter 4.2)
 - Alternative 3, increasing use caps (Chapter 4.3)
 - Management and enforcement considerations (Chapter 4.4)
- Comparison of alternatives for decision making (Executive Summary)



INTRODUCTION AND BACKGROUND

CHAPTERS 1 AND 2



Introduction & Background: History of this action (1.2)

June 2024:

- Council received 17-year Program Review for the CR Program in the BSAI. Program review highlighted challenges and problems facing the crab industry.
- Council motion tasked staff with developing a discussion paper on modifications to the crew share (C share) provision within the Bering Sea and Aleutian Islands (BSAI) Crab Rationalization (CR) Program. Modifications selected for analysis were 1) revise transfer eligibility requirements for C shares, and 2) increase C share use caps.

December 2024:

- Council staff presented discussion paper. Council took action to move the paper to an initial review analysis, and adopted a purpose and need statement & action alternatives for analysis.



Introduction & Background: Purpose & Need for Action (1.1)

The purpose of this action is to increase opportunity for active crab fishermen in the Bering Sea/Aleutian Islands Crab Rationalization (CR) Program by increasing flexibility around C-share requirements (also known as crew shares or CVC and CPC), as well as to encourage new entrants. The Council recently broadened eligibility requirements to maintain C-shares and this action is proposed to similarly broaden the eligibility requirements to receive C-shares by transfer. Changes to the eligibility criteria would broaden who could purchase C-shares and changes to the use caps would encourage more new entrants to invest in the crab fishery as well as allowing current C-share holders to acquire additional C-shares. This could incentivize the transfer market for C-shares given the low crab catch limits and increase the marketability of C-shares in general. This action is intended to provide greater consistency between the participation requirements to retain and transfer C-shares, and to loosen restrictions on use caps.



Introduction & Background: Alternatives Selected for Analysis (Chapter 2)

Alternative 1 – No Action.

Alternative 2 – Revise eligibility requirements to purchase/receive c-shares by transfer.

Allow time tendering in any Federal or State commercial fishery off Alaska to count toward the 150-day eligibility and increase time to 3 years to participate in a CR fishery trip.

Alternative 3 – Increase c-share use caps for Bering Sea crab stocks

Consider increases within a range of up to 5-10% individually for each Bering Sea crab stock (BBR, BSS, EBT, VVBT, SMB, PIK).

The two action alternatives are not mutually exclusive. No preliminary preferred alternative has been identified at this time.



BACKGROUND RELEVANT TO SCOPE OF ACTION

CHAPTER 3



Description of Management: C Share Eligibility Requirements (Section 3.2.2)

Transfer Eligibility Requirements:

- C shares are transferrable ONLY to CR Program fishery crew
- Current regulations at § 680.41(c)(1) require that individuals receiving C share QS by transfer must be a U.S. citizen with:
 - (1) at least 150 days of sea time as part of a harvesting crew in any U.S. commercial fishery; **and**
 - (2) participation as crew in **one of the CR Program fisheries** in the 365 days prior to the date the transfer application is submitted to NMFS.

Participation Eligibility Requirements:

- C share QS will yield IFQ only if the individual holding that C share QS:
 - (A) Participated as crew in at least one fishing trip where a delivery of crab in a CR Program fishery occurred during the three preceding crab fishing years; **or**
 - (B) Participated as crew in at least 30 days of fishing, tendering, or both in combination in a commercial fishery managed by the State of Alaska or in a federal commercial fishery in that portion of the U.S. Exclusive Economic Zone off Alaska during the three preceding crab fishing years as specified in regulation.



Description of Management: C Share Use Caps (Section 3.2.3)

- C Share use caps are calculated as a % of the initial C share pool, and are expressed as QS Units.
- CR Program fisheries are subject to different % caps – as shown below.
- These QS Units are then applied to the annual TAC, which fluctuates each year.

Permanent QS Use Caps			2024/2025 Annual IFQ Use Caps
Crab QS Fishery	% of Initial QS Pool for CVC/CPC (QS Units)	CVC/CPC Use Caps (QS Units)	CVC/CPC IFQ Caps (Raw Crab Pounds)
BBR	2% of 12,000,000	240,000	1,248
BSS	2% of 30,000,000	600,000	2,547
EBT	2% of 6,000,000	120,000	955
WBT	2% of 6,000,000	120,000	2,429
PIK	4% of 900,000	36,000	Undetermined
SMB	4% of 900,000	36,000	Undetermined
EAG	20% of 300,000	60,000	20,305
WAG	20% of 1,200,000	240,000	6,048
WAI	20% of 1,800,000	360,000	Undetermined

Description of Fishery Participation: Crew employment (Section 3.3.2)

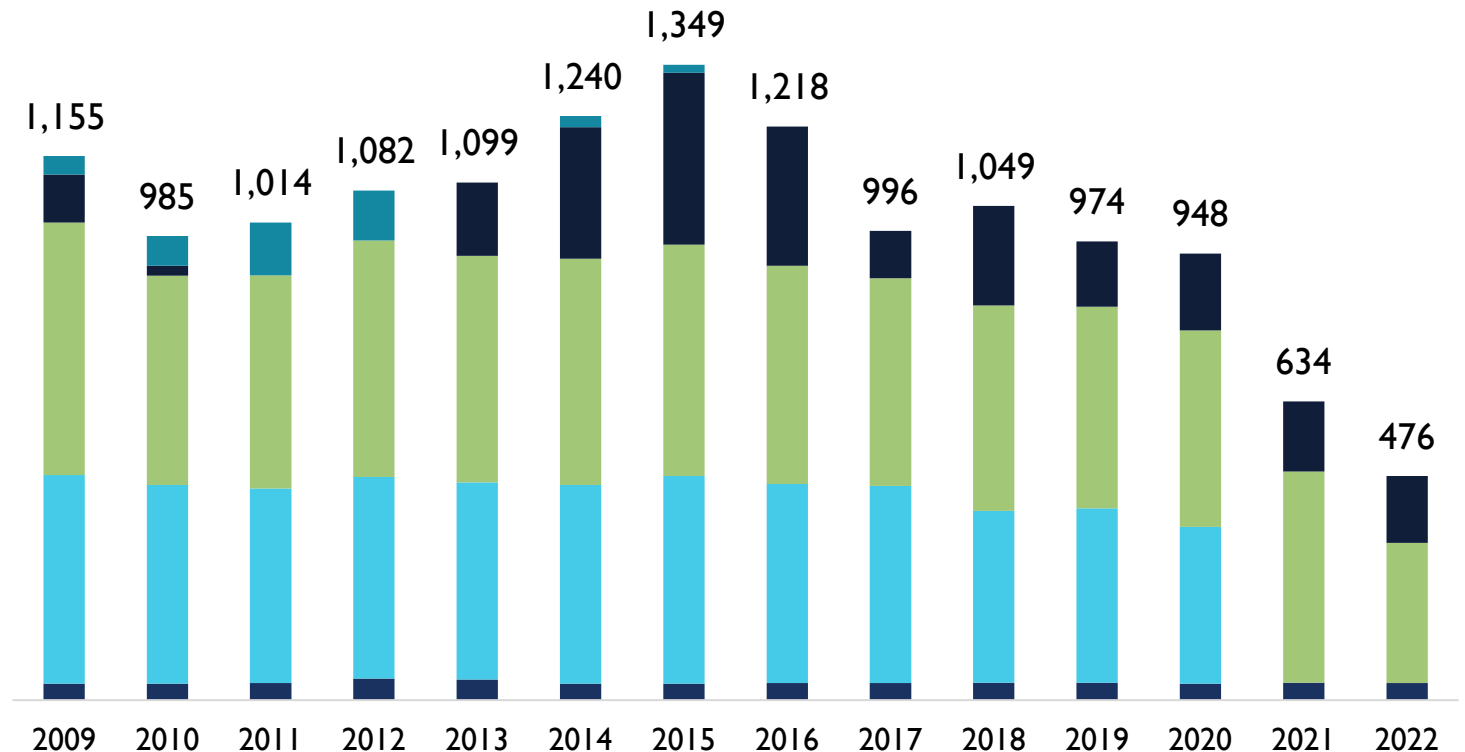
- Historical and recent closures have continued for a number of fisheries. The health of CR fishery stocks impact the crab industry, and the stakeholders that rely on it.
- These challenges culminate in diminished participation opportunities, which impact C share QS markets.
- Employment counts offer the best available proxy to investigate trends in the size of the eligible buyer pool for C share QS.
 - Number of crew members employed in the CR program fisheries has declined over the last decade.
 - In 2022, 353 individuals were employed as crew and gear operators in CR program fisheries, a 31% decline from 511 in 2021.



Description of Fishery Participation: Crew positions (Section 3.3.3)

Number of Crew Positions in the Crab Harvesting Sector

■ AIG (EAG + WAI) ■ BBR ■ BSS ■ BST (EBT + WBT) ■ SMB

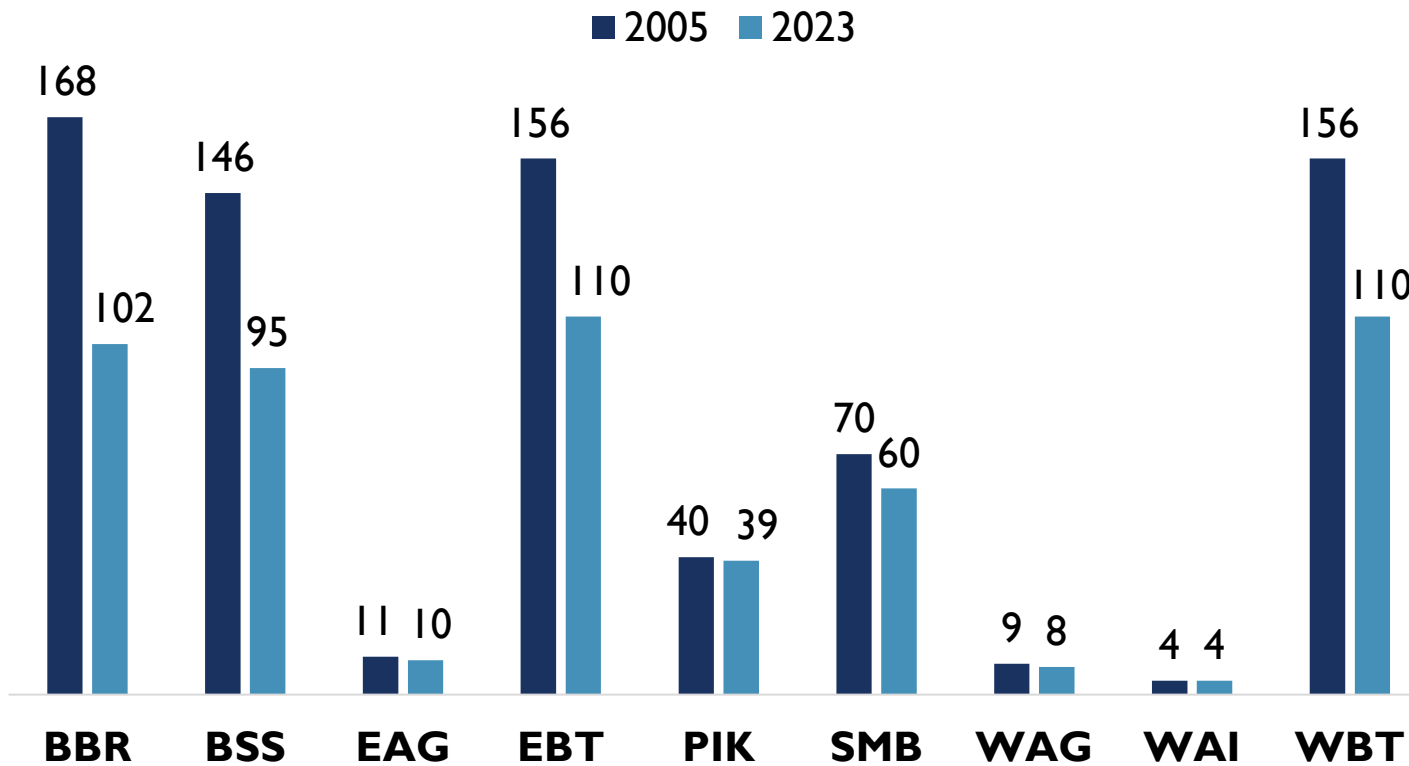


- Each available position is counted separately, though many crew members participate in more than one fishery.
 - Positions ≠ total crew members
- BBR fishery closures in 2021 & 2022 caused substantial declines in available crew positions.
- 2022 positions represent one-third of the 2015 peak (-65% decline)



Holder, Holdings, and Value: Count of C share Holders (Section 3.4.1)

Number of total CVC and CPC QS Holders, 2005 and 2023



The largest CR Program fisheries have shown the greatest declines in participation:

BBR: -66 individuals (-39%)

BSS: -51 individuals (-35%)

EAG: -1 individual (-9%)

EBT: -46 individuals (-29%)

PIK: -1 individual (-3%)

SMB: -10 individuals (-14%)

WAG: -1 individual (-11%)

WAI: No change

WBT: -46 individuals (-29%)

Note: 2005 totals unavailable for EBT & WBT; 2006 totals are shown for these two fisheries.



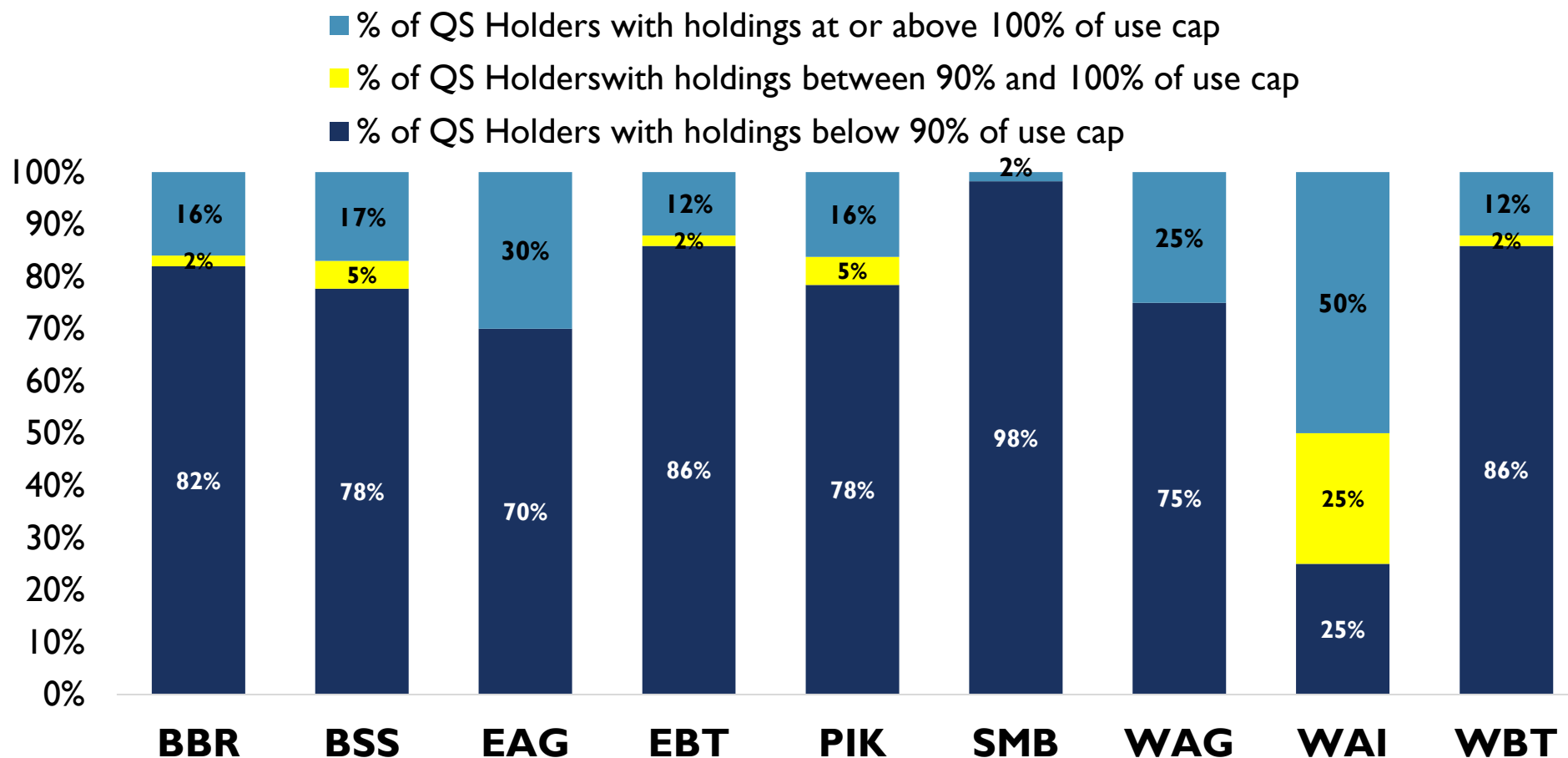
Holders, Holdings, and Value: C Share Holders At or Near the Cap (Section 3.4.2)

Table 3-10 (page 33) CVC/CPC QS Use Caps and IFQ Use Caps for Individuals, 2024/2025

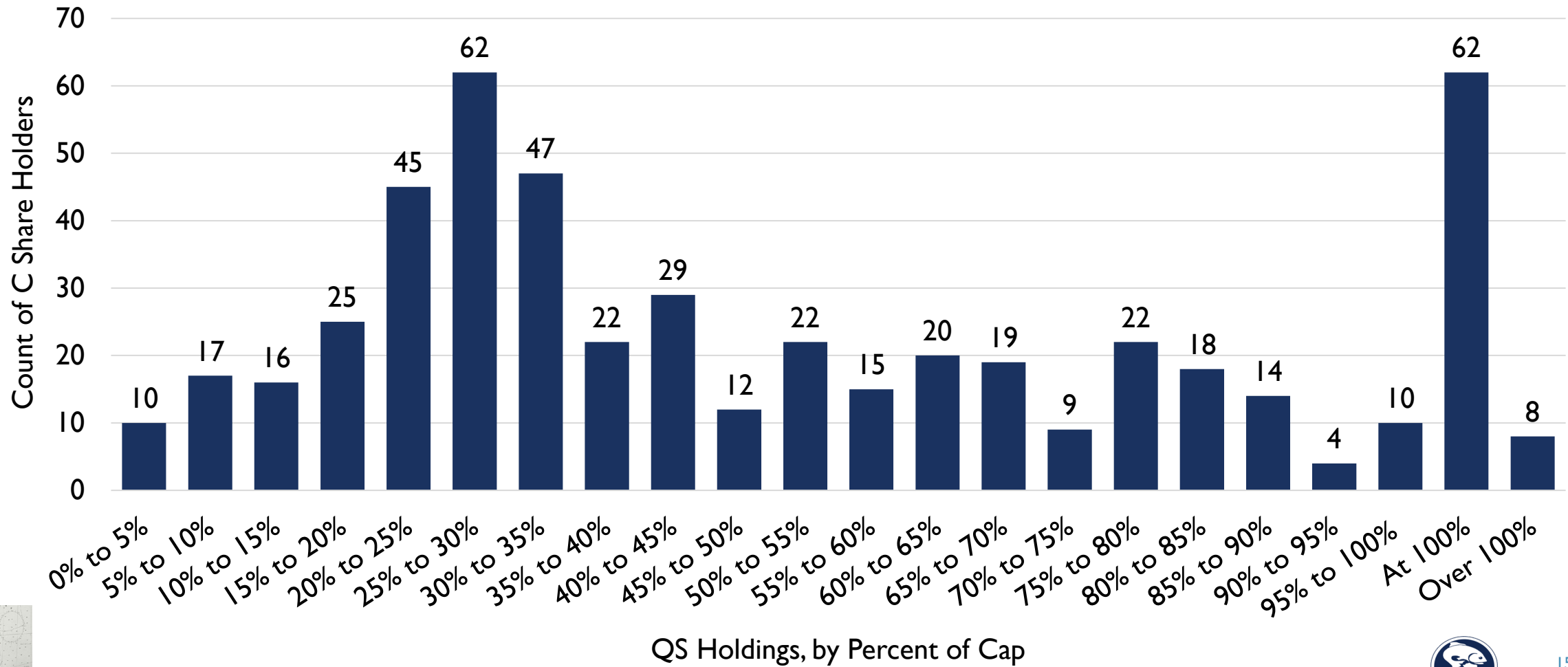
Fishery	Permanent Individual Use Cap, as a % of C share QS Pool	Total CVC and CPC QS Holders	CVC and CPC QS Holders at or above the Individual Use Cap	
			Count	Percent
BBR	2% cap	100	16	16%
BSS	2% cap	94	16	17%
EAG	20% cap	10	3	30%
EBT	2% cap	99	12	12%
PIK	4% cap	37	6	16%
SMB	4% cap	57	1	2%
WAG	20% cap	8	2	25%
WAI	20% cap	4	2	50%
WBT	2% cap	99	12	12%



Holders, Holdings, and Value: C Share Holders At or Near the Cap (Section 3.4.2)



Holdings of All C Share Holders, by Percent of Cap (Section 3.4.2)



Holders, Holdings, and Value: C Share Transfers and Value (Sections 3.4.3 and 3.4.4)

- The CR Program Review specifically noted the weak market and low demand for C shares as a particular challenge facing the CR Program.
- Limited transfers are a result of uncertainty in the fishery. Persons holding harvest QS do not want to sell at a low price relative to historical rates and buyers do not want to pay more than they expect the quota to provide in future profit streams.
- Table 3-11 (page 37) breaks out the number of CVC QS transfers on an annual basis, by CR Program fishery.
- Figure 3-4 (page 36) presents the number of harvest QS sales for all CR Program fisheries. Harvest QS sales have been slow in recent years; the issue is exacerbated for C share QS due to the additional constraints on the buyer pool.



EXPECTED EFFECTS OF ALTERNATIVES

CHAPTER 4



Expected Effects of Alternative 1 (Section 4.1)

- No changes would be made to C share regulations within the CR Program under Alt. 1.
- In 2022, there were 353 crab crew members, some number of which are represented in the current C share QS holders.
 - Not all crew members would meet other transfer requirements (i.e. days at sea as harvesting crew)
- Currently eligible individuals have likely been eligible for multiple years – those who have not opted to purchase C share QS in prior years are unlikely to enter the market at this juncture.
 - Current market has little to no demand.



Expected Effects of Alternative 1 (Section 4.1)

- The additional flexibility granted in Amendment 54 (see Section 3.2.2) may spur interest in the C share market in the future.
 - At this juncture, it is unknown how the additional flexibility granted through Amendment 54 will impact C share markets (both in terms of demand and prices) in future years.
- If challenges and problems facing the BSAI crab industry persist, challenges surrounding C share markets and participation would continue. The pool of eligible and interested buyers for C share QS would continue to be limited, impacting C share holders and decreasing the value of C shares.
- If crab stocks improve, fisheries open, and TACs provide more opportunity, C share markets may somewhat stabilize. However, additional requirements on C share holders to demonstrate active participation may continue to constrain the value for this type of QS.



Expected Effects of Alternative 2, Revise Transfer Eligibility Requirements (Section 4.2)

Current Transfer Requirements

Individuals receiving C share QS by transfer must be a U.S. citizen with:

- (1) at least 150 days of sea time **as part of a harvesting crew** in any U.S. commercial fishery; and
- (2) participation as crew in one of the CR Program fisheries in the **365 days prior to the date the transfer application is submitted to NMFS.**

Alternative 2

Individuals receiving C share QS by transfer must be a U.S. citizen with:

- (1) at least 150 days of sea time **as part of a harvesting or tendering crew** in any U.S. commercial fishery; and
- (2) participation as crew in one of the CR Program fisheries in the **3 years prior to the date the transfer application is submitted to NMFS.**



Expected Effects of Alternative 2: Tendering (Section 4.2.1)

- Would provide an alternative outlet for a CR Program crewmember to achieve the 150-day threshold for commercial fishing experience. May increase opportunity for active CR program fishermen by increasing flexibility around C share requirements and encouraging new entrants, relative to no action.
- Could be particularly advantageous when harvesting crewmember opportunities are reduced, or for crewmembers who have primarily had tendering employment opportunities and experience.
- Crab industry participants have noted that tendering experience has been a common way for CR Program fishermen to begin working on a crab vessel.



Expected Effects of Alternative 2: Tendering (Section 4.2.1)

Table 4-1 (page 43): Tendering Vessels, Positions, and Days Active, 2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tendering Vessels	504	528	576	577	623	550	552	546	544	493
Active in CR Program	64	51	51	50	52	48	51	52	53	46
Crew Positions	752	880	763	755	770	748	769	745	731	638
Positions on CR Program Vessels	384	328	308	263	263	276	310	260	251	181
Avg. Days Actively Tendering	25	26	29	26	29	24	28	25	26	22



Expected Effects of Alternative 2: Expanding Participation Window (Section 4.2.2)

- Individuals could demonstrate active participation in CR Program fisheries anytime in the 3 years prior to the submittal of their application, rather than within the last 365 days. This modification would provide greater consistency between the participation requirements to retain and transfer C shares (see Section 3.2.2 for current regulations).
- Could be particularly advantageous when harvesting crewmember opportunities are reduced. May act as a buffer during short-term periods of consolidation in the fishery.
- Declining opportunities, as evidenced by declines in crewmember counts, create barriers to entry for crewmembers who may wish to purchase C share QS but could not find employment opportunities in the most recent crab year.
- The degree to which Alternative 2 would increase the buyer pool depends upon vessel counts in the past three years, position counts on these vessels, and the turnover of crew members within the past three years.



Expected Effects of Alternative 2: Market Impacts (Section 4.2.3)

- Both mechanisms in the Alternative provide more avenues and opportunities for C share markets to stabilize, compared to the status quo.
- Increase in potential buyers is difficult to accurately quantify. Magnitude depends on vessel counts, retention and attrition of crew members, number of crewmembers who would meet tendering requirements but not harvesting requirements.
 - In high TAC years, a greater number of individuals would be eligible.
- May spur additional demand for C share QS. Magnitude depends largely on fishery conditions (particularly the status of the BBR and BSS fisheries), individual decision-making, and the magnitude of the increase in the pool of buyers.
- Increased demand would increase the value of C shares, impacting current C share holders. Increased demand & prices could motivate and enable current C share QS holders to initiate the sale and transfer of their currently held QS, creating additional churn in the QS holder pool.



Effects of Alternative 3, Use Caps (Section 4.3)

- Under Alternative 3, C-share use caps for six Bering Sea crab stocks could be increased up to 5-10% individually.
 - BBR, BSS, EBT, and WBT fisheries are all subject to a 2% C share use cap. Under this alternative, use caps for these individual stocks could be increased to a maximum of 7-12% of the C share IFQ allocation.
 - SMB and PIK fisheries are both subject to a 4% C share use cap. Under this alternative, use caps for these stocks could be increased to a maximum of 9-14% of the C share IFQ allocation. The PIK fishery has remained closed for the duration of the CR Program, therefore the following analysis focuses on impacts of increasing use caps for the SMB fishery.
- Data suggest that many individuals are constrained by the current use caps.



Effects of Alternative 3, Use Caps (Section 4.3)

Table 4-3: Maximum IFQ Allocation (lbs) for a C share holder under current use caps

Year	BBR	BSS	EBT	WBT	SMB	PIK
2005	9,898	20,079	-	875	-	-
2006	8,385	19,746	1,013	591	-	-
2007	11,001	34,038	1,860	1,175	-	-
2008	10,997	31,617	1,492	830	-	-
2009	8,645	25,929	729	-	1,260	-
2010	8,013	29,312	-	-	1,728	-
2011	4,230	48,003	-	-	2,548	-
2012	4,241	35,829	-	-	1,760	-
2013	4,644	29,151	790	888	-	-
2014	5,392	36,693	4,579	3,578	707	-
2015	5,386	21,930	6,087	4,534	444	-
2016	4,573	11,648	-	-	-	-
2017	3,565	10,239	-	1,350	-	-
2018	2,326	14,894	-	1,317	-	-
2019	2,050	18,370	-	-	-	-
2020	1,430	24,300	-	1,268	-	-
2021	-	3,024	-	594	-	-
2022	-	-	628	459	-	-
2023	1,161	-	410	713	-	-
2024	1,386	2,832	1,062	2,700	-	-

Table 4-4: Additional IFQ Allocation (lbs) for a C share holder, per 1% increase in the use cap

Year	BBR	BSS	EBT	WBT	SMB	PIK
2005	4,949	10,040	-	437	-	-
2006	4,192	9,873	506	295	-	-
2007	5,500	17,019	930	588	-	-
2008	5,498	15,809	746	415	-	-
2009	4,322	12,965	365	-	315	-
2010	4,007	14,656	-	-	432	-
2011	2,115	24,001	-	-	637	-
2012	2,120	17,915	-	-	440	-
2013	2,322	14,575	395	444	-	-
2014	2,696	18,347	2,290	1,789	177	-
2015	2,693	10,965	3,043	2,267	111	-
2016	2,287	5,824	-	-	-	-
2017	1,782	5,119	-	675	-	-
2018	1,163	7,447	-	659	-	-
2019	1,025	9,185	-	-	-	-
2020	715	12,150	-	634	-	-
2021	-	1,512	-	297	-	-
2022	-	-	314	230	-	-
2023	581	-	205	356	-	-
2024	693	1,416	531	1,350	-	-

Effects of Alternative 3, Use Caps: Market Impacts (Section 4.3.1)

- Increasing use caps for these fisheries would provide more opportunities for current C share QS holders looking to purchase additional quota shares, increasing the buyer pool for C share QS.
- May also increase demand for C share QS by making these investments more attractive to individuals who are already eligible, relative to no action.
- Magnitude of any market impacts are unknown, and would be constrained by current fishery conditions.
 - Low TACs are likely to put downward pressure on any positive impacts that Alternative 3 would have on demand.
 - C share markets may stabilize under both Alternative 1 and 3 if crab stocks improve, fisheries open, and TACs provide more opportunity. Alternative 3 would increase demand and value for C shares beyond what was seen in prior TAC years by easing regulatory restrictions on the buyer pool.



Effects of Alternative 3, Use Caps: Impacts to C share QS Consolidation(Section 4.3.2)

- Likely result of this action would be increased consolidation. Particularly if crab stocks recovered, TAC and allocations grew, this consolidation may restrict entry opportunity.
- Table below (Table 4-6, page 51) summarizes the minimum number of QS holders allowable under current use caps, and under the maximum use caps considered by Alternative 3.

	Current # of C Share Holders	Current Use Caps (Alternative 1)		Maximum Use Cap Considered under Alt. 3	
		Current Individual Use Cap of C share QS Pool	Minimum Number of C Share Holders	Maximum Individual Use Cap of C share QS Pool	Minimum Number of C Share Holders
BBR	100	2% cap	50	12% cap	9
BSS	94	2% cap	50	12% cap	9
EBT	99	2% cap	50	12% cap	9
WVBT	99	2% cap	50	12% cap	9
PIK	37	4% cap	25	14% cap	8
SMB	57	4% cap	25	14% cap	8

Effects of Action Alternatives: Management, Monitoring, and Enforcement Considerations (Section 4.4)

Alternative 2

- Would modify the verification process used by NMFS RAM when processing application.
- Verification process for transfer applications would be more aligned and consistent with the active participation requirements to retain C share QS.

Alternative 3

- Monitoring and enforcement of C share use caps occur when a QS transfer takes place. Use cap %s are linked to the original QS units (rather than raw crab lbs), so that as the TAC fluctuates QS holders are still in compliance with the use caps without needing to divest.
- Alternative 3 would use the same process and methodology already established for current C share use caps.



Comparison of Alternatives for Decision-Making (ES, pg. 5)

	Alternative 1	Alternative 2: Transfer Eligibility	Alternative 3: Use Caps
C share provisions	Status quo regulations.	Transfer eligibility requirements for C share QS modified to 1) allow tendering experience, and 2) expand window for CR program participation to 3 years	C share use caps would be increased for the BBR, BSS, EBT, WBT, SMB, and PIK fisheries, up to 5-10%, individually.
C share markets	No impacts, status quo conditions. Weak market and low demand persist, so long as challenges in the fisheries persist. Markets may stabilize if crab stocks improve and fisheries open.	Buyer pool increases, which may impact demand. By doing so, Alt. 2 provides more avenues and opportunities for C share market to stabilize, compared to Alt 1. Any impacts on market stability could provide increased value and prices for C shares. Magnitude constrained by current fishery conditions.	Buyer pool increases, which may impact demand. Additional flexibility may motivate new individuals to invest in C share QS, and may motivate current C share QS holders to increase their investments. Could provide increased value and prices for C shares. Magnitude constrained by current fishery conditions.
C share holders	No impacts, status quo conditions. Low value and demand for C share QS have negative impacts on current C share holders.	Any impacts to value and demand for C share QS would add value to current C share holder investments. Potential increases to demand and prices could motivate C share holders to initiate transfers, which would create opportunities for new QS holders.	Any impacts to value and demand for C share QS would add value to current C share holder investments. Provides opportunities for C share holders to increase their investments in the fisheries. If so, a likely result would be increased consolidation, which could restrict entry opportunity.
Mgmt.	No impacts, status quo conditions.	Verification process for transfer applications would become more aligned and consistent w/ active participation requirements.	Monitoring and administration processes for use caps would remain the same as those currently established.

Sections to be Completed

The following sections will be completed should the Council wish to move forward and select a preliminary preferred alternative.

- Initial Regulatory Flexibility Act
- Net Benefits to the Nation
- National Standards and FMP Considerations



Thank you!

Next Steps:

- This is an Initial Review document. If the Council wishes to move forward with the analysis, they could consider the next stage of the analysis (Initial or Final Review)
- Potentially identify a Preliminary Preferred Alternative

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