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15th of June, 2016.

Ref. Your correspondence of June 23rd (site reference T5/233).

Dear Kevin

I acknowledge receipt of your registered letter dated 23rd of June 2016 concerning our salmon farming site at Inishfarnard, Co Cork (T5/233).

I note that your letter makes no reference to correspondence sent to Ms Nicole O'Shea of your department by our Catherine McManus dated the 1-6-16. In that correspondence Catherine set out a series of explanations demonstrating that MHI was not actually acting in breach of the licence terms and conditions attaching to T5/233. We find this omission surprising as we did set out a detailed and rational account of what led us, collectively, to the current position.

Notwithstanding this, and assuming that you continue to assert that MHI acted in breach with regard to the number of 'smolts' (despite our explanation of the meaningless nature of this colloquial and undefined term) stocked at the site on the date of the inspection by MED in July of 2015, I would make the following points;

- MHI asserts that the licence term attaching to T5/233 limiting the number of 'smolts' is anachronistic, legally and technically meaningless and its application is contrary to modern good salmon farming practice.
- The irrefutable evidence arising from the benthic impact monitoring programme is that the stocking levels at this site are and have been comfortably within the site's 'biological assimilative capacity'. Thus it is a matter of fact that no significant environmental damage has been visited on the state's foreshore by MHI's actions. Surely this demonstrates clearly and in a quantifiable fashion that the company has been acting within the spirit of the regulatory system and thereby securing the public interest.
- The department, armed with this data, can show any interested parties that it is effectively regulating the activity at the site and that it is ensuring the highest levels of environmental protection.

I am aware from our previous extensive discussions around salmon farm licensing generally that it is the view of the department that the minister's only available sanction in the event of a breach in the licence terms and conditions is licence revocation; regardless of the triviality or severity of the

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alleged breach. Not having a tiered series of sanctions available to the minister is a gross flaw in the Act and it places the minister in a wholly unreasonable position, effectively pressurising him or her into taking actions which, in this instance, would result in egregious discrimination against MHI.

On that basis I note with horror your observation that '*...consideration is now being given to your continued entitlement to engage in aquaculture operations pursuant to Section 19(A)4 of the Fisheries Amendment Act...*'. To interfere with our entitlement to operate arising from what may be, at worst, a minor technical breach of what is an effectively meaningless licence condition would be a grossly disproportionate and unwarranted response. If the minister were to withdraw MHI's entitlement to operate at this location it would have catastrophic consequences for the company, the local economy and the industry in Ireland. If required, I am prepared, in confidence, to map out the financial and socio-economic consequences that would follow such an action being taken by the minister against MHI.

The 1997 Act does give the Minister the power to exercise discretion with regard to licence terms and conditions and we would strongly assert that this situation would merit the exercise of such discretion. We respectfully make this request as this unfortunate situation arises despite the longstanding acceptance by all associated with salmon aquaculture licensing in Ireland that the terms and conditions associated with control of stocking density are deeply flawed and have effectively become unworkable from either a practical or commercial standpoint. We did point this out in earlier correspondence of the 1.6.16 and cited the minister's own public acknowledgement of this flaw in the regime. Ireland is now out of step with every other salmon farming country in the world in this regard and an amendment to the current regime bringing in 'Maximum allowable Biomass' as the primary tool for stocking control is long overdue.

The duty to reform the regulatory regime lies squarely with the minister and on that basis the company should, in this instance, be allowed some leeway pending this necessary and long overdue system overhaul. Consequently, we make the case to the minister to exercise the discretionary powers granted to him under the act so that MHI should not suffer any undue interference with its entitlement to operate at this site arising from this unfortunate situation.

MHI wishes to make it clear that it is fully committed to compliance with all of the appropriate regulations pertaining to our sector and above all to ensure that its operations are not impacting in any significant way on the receiving environment. We look forward to continuing to work with DAFM to bring about the necessary changes to the regulatory regime to make it fit for purpose whilst maintaining the highest standards of environmental performance.

Yours sincerely,