

STATES OF JERSEY



COMMON STRATEGIC POLICY (P.98/2022): FIFTH AMENDMENT (P.98/2022 AMD.(5)) – AMENDMENT

Lodged au Greffe on 18th November 2022
by the Council of Ministers

STATES GREFFE

COMMON STRATEGIC POLICY (P.98/2022): FIFTH AMENDMENT
(P.98/2022 AMD.(5)) – AMENDMENT

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For the words to be inserted on page 15 of the report, substitute the following words –

“We will also support the Island’s financial sector to become a leading sustainable finance centre and in doing so, become a leader of green finance.”

COUNCIL OF MINISTERS

Note: After this amendment, the amendment of Deputy Ward would read as follows –

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except that, on page 15 of the report, following the fifth paragraph, after the words “utility services.” there should be inserted the following new paragraph –

“We will also support the Island’s financial sector to become a leading sustainable finance centre and in doing so, become a leader of green finance.”

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

in accordance with Article 18(2)(e) of the States of Jersey Law 2005, to approve the statement of the Common Strategic Policy of the Council of Ministers as set out in the report of this Proposition, except that, on page 15 of the report, following the fifth paragraph, after the words “utility services.” there should be inserted the following new paragraph –

“We will also support the Island’s financial sector to become a leading sustainable finance centre and in doing so, become a leader of green finance.”

REPORT

The new Government is committed to the principle of protecting our environment and purposefully delivering on our net zero commitments as an Island.

The amendment seeks to take this principle further by prescribing investment away from fossil fuels and the activity of fracking. It also seeks to enable Jersey to become a centre for sustainable finance.

Scope beyond net zero

The amendment, as worded, goes beyond the scope of the Island's domestic commitment to becoming carbon neutral and net zero by 2050. Although the Carbon Neutral Roadmap references the importance of all emissions associated with our lives and business activities, the greenhouse gas inventory and reduction targets only cover scope 1 and 2 emissions.

It also goes further than the commitments made by the international community under the Paris Agreement. This requires countries to reduce their domestic carbon emissions and help finance, through their public sectors, climate finance to enable developing countries to reduce their own carbon emissions.

The amendment extends to our impact globally as an Island by virtue of the role we play as an investor in the global market. This is both as Government, responsible for the investment of the Island's public funds, and as businesses through our private sector, principally through our largest economic sector, the finance sector, as the allocator of foreign private capital and global finance.

Alignment to international standards

Jersey consistently seeks to align itself to international standards and global best practice. Currently, the international community does not apply a negative screening policy to industries with a heavy CO2 footprint. Our key markets, the EU, US and UK have not introduced it. The EU green taxonomy still includes fossil fuels as transitional investments which can be included in portfolios until 2030. Similarly, the UK, which is a global leader for green finance, has not sought to ban fossil fuel investments either domestically or abroad. Neither has the US.

Supporting and enabling green finance is the right policy

The reason for this lies in the rationale behind global sustainable finance policy development, which is prioritising first the enablement of green and sustainable finance. The focus has been to create a platform for green and sustainable investment to grow from within a robust regulatory framework to protect against greenwashing and to deliver the verifiable and objective evidence of the real-world impacts of this new form of green or sustainable finance.

In doing so it is allowing the market and global capital to move towards the goals of net zero and sustainable development before it seeks to impose regulatory constraints and the consequential cost of regulation on the market.

Economic impact

At a time of global economic challenge, rising inflation and an energy crisis, maintaining an enabling policy approach to delivering on the world's commitment to net zero is more important than ever.

The disruption to energy markets caused by the Russian invasion of Ukraine has emphasised the need for caution in applying any negative screening policy as time is needed for an orderly transition before any prohibition of fossil fuels is appropriate.

It is recognised that the risk of applying prescriptive measures too soon is that they will disrupt the market and further escalate the economic crisis. In doing so the financial impact is likely to fall most heavily on the financially vulnerable. This fails to ensure a just transition, one of the founding principles of the Paris Agreement and Jersey's own carbon neutral roadmap.

A policy of negative screening could have a negative impact on public funds and is unwise in the current climate.

Understanding the impact

Furthermore, it would be appropriate to test such a policy of negative screening on businesses and the community. The Report reflected on the recommendations made by the Citizen's Assembly, but the Assembly did not recommend dis-investment from fossil fuels or restrictions on investments in fracking.

Government's commitment to enabling Jersey's sustainable and green finance ambitions

The Government is pleased to adopt the proposition in so far as it supports our island's ambition and commitment to becoming a centre for sustainable finance. While the language adopted in the proposed amendment was that of the 2021 Citizen's Assembly's recommendation to Government which informed its ambition and policies for the Carbon Neutral Roadmap, COM concluded it was more appropriate to adopt the Government's existing ambition and commitment made in the [Financial Services Policy Framework](#) published last December. This better reflects the unique role Jersey plays as an international finance centre in the global market and the dual need for Government to enable the green domestic ambitions of Jersey and its finance industry's wider ambitions as a sustainable finance centre. [Jersey for Good - A Sustainable Future \(jerseyfinance.je\)](#). These same ambitions are in the Carbon Neutral Roadmap enabling policy OE6 ([R Carbon Neutral Roadmap 20220525 JB.pdf \(gov.je\)](#) page 134).

Conclusion and moving forward

If the principle as amended by COM is accepted, Ministers will work to achieve this outcome and the Government will be consulting over a Jersey Sustainable Finance Strategy and Roadmap in the first half of 2023. The outcome of this work will be shared with States Members.

Financial and manpower implications

There are no Financial and Manpower implications arising from this amendment.