

11 November 2020



By email

Deputy Kirsten Morel  
Chairman  
Brexit Review Panel

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Dear Deputy Morel

**Brexit Preparations and Business Readiness in Jersey – Request for written submission**

Many thanks for your letter of 6 November requesting the Jersey Electricity (JE) position on a number of questions in relation to Brexit.

By way of background, we have engaged with both Government and key suppliers on a regular basis over the period since the UK Referendum took place in June 2016 as we have been keen to ensure that potential risks are both identified and mitigated. As part of this process we have also liaised with Energy UK, the main UK industry body for the energy sector.

We respond to your questions as follows:

1. The Panel is concerned about the impact of Brexit should the UK and EU fail to reach a negotiated outcome. Do you have any specific concerns for your sector regarding the consequences of a 'no-deal' Brexit?

*The three main areas of our business that could potentially be impacted by Brexit are:*

- Electricity supply from Europe  
*We purchase our electricity from EDF in France and it is transported (via grid networks) by RTE (another EDF group company) into Jersey via submarine cables. We have imported electricity from Europe for over 35 years and our current contractual framework runs through to 2028. Both suppliers have indicated on a number of occasions over the last 4 years that Brexit would not impact our supply chain and have been quick to emphasise that Jersey has not in any case been part of the UK nor the EU, so in their eyes there is no change to our existing arrangements.*
- Consumable supplies for our Energy Business and JEBS  
*Both our core Energy business and JEBS (our building services unit) require consumable parts that are used for capital projects, maintenance and repair works. We have examined usage and ensured that we have sufficient stocks on-Island to cover a potential period when the supply of parts might be adversely impacted.*



- ***Retail business at the Powerhouse***

*Several initiatives have been performed in our electrical retailing business to mitigate potential Brexit consequences. These include Christmas ordering being brought forward, utilising the maximum amount of space available at our storage facilities in Jersey and in the UK. We have also concentrated on maintaining depth of stock of key lines.*

2. Do you have concerns about the supply of goods into Jersey and the possibility of a reduction in product standards due to delays in supply lines, in maintenance components and electrical appliances for example, in the event of a 'no-deal' Brexit?

*The above concerns have been addressed in the answer to question 1 i.e. we have put in place mitigation and measures where required.*

3. You will be aware that should the UK and EU fail to reach a negotiated outcome by 1 January 2021, this may result in higher prices through tariffs on trade and also via inflation. Do you anticipate further changes to the cost of electricity, due to such pressures?

*If the UK and EU fail to reach an agreement, then the most likely outcome would be the adoption of the rules applied by the World Trade Organisation (WTO). We expect that flows of energy, under WTO rules would be subject to 0% tariffs so the core electricity cost should not be impacted.*

*However, as our imports are Euro-denominated then foreign exchange volatility (which could be an indirect consequence of Brexit or a failed negotiation) could indirectly impact our import costs. It is difficult to predict if Brexit will impact Sterling positively or negatively in the medium term. Of course, we continue to manage this foreign exchange exposure through a well-established hedging programme which allows JE to smooth the impact of any volatility.*

I hope the above answers your questions satisfactorily. If you have any other queries my Finance Director (Martin Magee [mmagee@jec.co.uk](mailto:mmagee@jec.co.uk)) will be happy to answer as he has been liaising with Government on Brexit matters.

Yours sincerely

Chris Ambler  
Chief Executive



Cc: Martin Magee, Finance Director – Jersey Electricity Plc