

2015.11.17

3.7 Deputy M. Tadier of the Minister for Economic Development regarding Jersey retail gas prices:

In light of the continuing fall of wholesale gas prices in the United Kingdom by up to a third, what action, if any, will the Minister take to reduce Jersey's retail gas prices before the onset of cold weather this winter and, if none, will he explain why?

Senator L.J. Farnham (The Minister for Economic Development):

As Members will know, this is an area delegated to Senator Ozouf who has delegated it back to me today due to his absence from the States. As was stated in the written answer to Deputy Southern, C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) are undertaking a review of all aspects of the fuel market in Jersey, including liquefied petroleum gas, or L.P.G., as we tend to refer to it. It would be unwise to consider the need for gas price regulation of the type suggested in the Deputy's question until the C.I.C.R.A. report is publicly available and we have had a chance to fully consider its findings and take appropriate advice. Formal price regulation is a significant step that would require the States to use exceptional powers contained within the law and should not be undertaken lightly, particularly as it would have costs associated with it that could ultimately be borne by the consumer. It is not simply a case of adjusting prices in 2015 and the States having no further responsibilities in this area; there would be a need for monitoring and ongoing developments in the market and future tariff management which would mean the States, from that point, being committed to continuing price regulation. Careful consideration would also need to be given to who is the right body to act as gas market regulator and what additional resources they might require. I am pleased to report that C.I.C.R.A. will publish the findings of their review on 20th November and, if there are issues identified with the operation of the gas market, we would need to take advice at that stage as to what is the most appropriate and proportionate remedy.

3.7.1 Deputy M. Tadier:

I welcome the publishing of that report, of course, but the Minister will be aware that there is information which we already know: we know that, for example, gas wholesale prices in the U.K. are the lowest that they have been in 5 years. We also know that prices on the ground in Jersey certainly do not reflect that and we know that, with the report being published on 20th November, it is very unlikely, even if we had a government that was of an interventionist mind, that anything would be able to be done for this winter. So if I could ask the Minister to go on what we already know, he may have had perhaps a pre-sight of the document, and to say that he can, if he wishes to, take action for this winter and set up some kind of mechanism which would link wholesale gas prices in the future to retail prices without necessarily being overly interventionist. Is that something that he would consider?

Senator L.J. Farnham:

While I understand that the Deputy is concerned about the market and the price of gas, I think I did explain my concerns about price regulation in my original answer, but we really do need

to wait for the review to be published so we can consider its findings before we make any commitment in that area.

3.7.2 Deputy G.P. Southern:

May I first say that it is very inconvenient to be asking somebody who has not got responsibility in this area; the Assistant Minister, who has, is not present again for, I think, the fifth session running. He has not managed to arrive in this Chamber early for 9.30 a.m. Nonetheless, given his limited understanding of the issue, does the Minister accept that, since the 3.5 per cent drop in gas prices last year, there has been significant drop of prices in the wholesale market, and does he not think that it would be appropriate that a further reduction in gas prices be made before this cold weather sets in this winter?

The Bailiff:

Can I just say, Deputy, that Senator Ozouf is out of the Island on States business, so it is not a question of arriving late. Minister?

Senator L.J. Farnham:

It is important for Members to understand that the gas used in Jersey is manufactured liquefied petroleum gas imported into Jersey by a specialised tanker with the manufacturing process being carried out in Jersey. It is a different type of product used from that in the U.K. and it makes it difficult to make simple comparisons between Jersey and U.K. prices. I am sorry; could he just repeat the last part of the question?

3.7.3 Deputy G.P. Southern:

Does he not think that, following the price reduction last year, it would be appropriate to institute a price reduction this year given the continual spiralling downwards of the wholesale gas price? As he says, gas is imported into the Island from the world market, from the European market, from the wholesale market; the price has gone down significantly. Is it not appropriate that that reduction is passed on to the Jersey gas consumer?

Senator L.J. Farnham:

I think every Member would like to see a further reduction in the price of gas given the current geopolitical influences that are affecting it but, as I said, it would be unwise to make any statement or any commitment prior to seeing the C.I.C.R.A. review. I know the Assistant Minister is taking the matter very seriously insofar as he has commissioned a complete 83-page report of the body that oversees this market. There was a presentation last night, which was very interesting, where the Deputy himself was not in attendance. I understand the Assistant Minister has also offered to explain his reasoning behind the action he has taken to introduce better and tighter regulation and controls into these markets. Like I say, we would all like to see lower prices in gas. It might be appropriate, but I am not going to make any commitment until we fully understand the C.I.C.R.A. review.

3.7.4 Deputy M. Tadier:

A fair summary of the Minister's position is that we would all like to see a lower rate of gas for winter bills this year and ongoing, and we would also like to think that when the wholesale price of gas comes down and it has been the lowest it has in 5 years, that should be reflected in retail prices. Basically, the Minister is unwilling to do anything about it ideologically

because he does not believe in intervention in the market. Is that a fair summary of the Minister's position?

Senator L.J. Farnham:

A fair summary of my position, and I share this with Senator Ozouf who is working on this, is we want to see the fuel market working in the interests of consumers. That is a position we are aiming for and that is a position we hope to achieve with C.I.C.R.A. and the regulator.