STATES OF JERSEY

NATURAL GAS PIPELINE: STRATEGIC STUDY (P.157/2009) – COMMENTS

Presented to the States on 12th February 2010
by the Minister for Planning and Environment

STATES GREFFE

COMMENTS

1. P.157/2009 proposes that a strategic study should be undertaken by the States to assess the full benefits of providing the Island with a natural gas pipeline. The report to the proposition argues that benefits would arise in four areas –

   - that land currently occupied by Jersey gas assets could be freed up for better uses;
   - that customers' bills would be reduced;
   - energy Supply security would be increased;
   - that the Island's carbon emissions would be reduced.

2. The department does not agree that there is the requirement to undertake another study just to reconsider a gas pipeline. The wider issues in relation to oil and gas facilities are being considered as part of the department's assessment on the future of the East of Albert area, the town regeneration and the energy strategy. As part of this work we are committed to wider masterplanning across the area and continued working with the fuel companies. However, we do not support this proposition. We would nevertheless endorses an approach to adopt a multidimensional and longer term thinking to the enhancement of the island's environment and continued working with the fuel companies.

3. Whilst gas is an important fuel source, we do not consider the fuel source is a long-term one. Clearly the move towards less carbon and more renewable energy is where the Island's energy future lies.

4. The report references the study on pipelines by the Consultants Pöyry which was commissioned as part of the work to inform the Energy Policy Green Paper. The Pöyry report's overall conclusion that continuing to ship LPG is preferable to a gas pipeline. The Pöyry report does however make a case for an oil/multi fuel pipeline, but recognises that the oil companies are unlikely to make any investment in this area.

5. The proposition makes a number of suggestions of land that could be released for better use but does not account for the fact that some of it may be contaminated in the same way as Gas Place and thus may be significantly devalued by the need to decontaminate the site. It is also clear to the department that these real estate benefits could be achieved through the reorganisation of how the company operates and is not dependent on a gas pipeline.

6. It is clear from both the Pöyry report and the comments of Jersey Gas contained in the P.157 report that the cost of pipeline construction would have to be paid by the States, as there is no appetite in the Gas Company to make such an investment. This must raise serious concerns about the call to invest public funds in an enterprise that has no positive payback and where the operating company is not willing to risk its own capital.

7. The report goes on to argue that payback could be manipulated by not giving customers the assumed lower price that would follow from establishing a natural gas supply. This would entail a pay back charge being placed on each

unit of gas coming through the pipeline. This must mean that the second benefit, of reducing customers' bills, is not a real benefit, at least not in the decade or so that it would take to payback the cost of a pipeline.

8. The report suggests that a pipeline would improve the Island's energy security of supply. However, continuity of supply needs to be addressed by having strategic reserves but the pipeline is in effect a proxy for LPG importation and whilst there would be no need for gasification plant, this is likely to still be a need for both pressure regulation and storage capacity. Thus even with a pipeline there would be a need to hold several months supply so the Department does not believe that the arguments around land release are straightforward as P.157 suggests. The Pöyry report makes it clear that the land footprint needed to deal with the separation and storage of products coming down a pipeline are not much different to the present situation.

9. Even if it were the case that the pipeline would lead to a lower carbon economy, would this be sufficiently important to merit setting aside the costs outlined above. However there are two facts that mean this is not the case.

10. Firstly the States of Jersey has not yet debated the Energy Policy and so has not adopted a formal position on carbon emission targets. This proposition is therefore running ahead of States Policy and it must surely be more prudent to first take the Energy White Paper before presuming to deliver its assumed objectives which are yet to be adopted.

11. Secondly, the argument that burning natural gas would lead to lower carbon emissions than using electricity from France is one that has been promoted by Jersey Gas since the Energy Green Paper was published in 2007 and which has been rejected in numerous meetings between officers of the Gas company and of the States of Jersey. The carbon intensity of electricity used in the green paper is a robust figure that is based on information that Jersey's supplier, EDF, is obliged to submit by law to the International Energy Agency. This will however now be subject to an independent review in 2010 led by the Planning and Environment Department and involving all fuel suppliers and covering all fuel types.

12. Finally, and in some respects most significantly, there are the practical difficulties that building a pipeline would entail. The pipeline would have to originate from the French network, tapping in at either Quettetot or Ste-Mère-Église, then trenched through French countryside to the coast for a distance of 18km and 33km respectively. This would require an extraordinary level of co-operation from the French Authorities to tolerate this level of disruption for Jersey's benefit, particularly when the net result might be a drop in the sales of French electricity to Jersey.

13. Taking the pipeline under the sea for 33km is another unknown quantity, the amount of rock to be encountered and trenched through is not quantified and the route would have to be such that it did not encroach on the Ramsar sites of Les Ecréhous and the South East coast. As such the tentative costings of £30-32 million put forward by Pöyry are probably optimistic.

Summary

14. The case for spending further public money to study the feasibility of a natural gas pipeline has not been made. The States have already paid for a study and this has shown that there is no economic case for a gas pipeline. In any case the practical difficulties of routing a pipeline across French countryside are likely to be insurmountable.

15. Aspects of the report that deal with carbon targets and security of supply are premature in that they should be considered within the context of a wider energy policy. The States will have the opportunity to consider and debate the energy policy later in the year following the publication of the Energy White Paper.

16. Investing in such a pipeline does not increase the security of supply. Both Oil and gas are finite natural resources and therefore the real focus of forward energy planning should be on developing renewable sources of energy and a coherent plan for doing this is emerging for the Minister's Tidal Power Commission that is led by Connétable Murphy and will be bought before the States for debate in 2010.

17. The Department is happy to continue to liaise with the Energy companies in this area, if those companies themselves progress further work on pipeline feasibility, either for gas or oil products.

Financial and manpower implications

18. The proposition asks the Department to fund a study within existing resources. However the work is estimated to cost c.£50,000 and cannot be found from within existing resources. In order to fund such a study a re-allocation of funding and reprioritising of work streams by the leading Department would be required since this is an un-budgeted piece of work.

19. The commissioning of a 'high-level' study is considered a duplication of the Pöyry report which has already been commissioned at a cost of £13,600 in December 2007

States Members are therefore urged to reject this proposition