

# STATES OF JERSEY



## **GOVERNMENT PLAN 2021-2024 (P.130/2020): FIFTEENTH AMENDMENT (P.130/2020 AMD.(15)) - COMMENTS**

---

**Presented to the States on 11th December 2020  
by the Council of Ministers**

---

**STATES GREFFE**

## COMMENTS

**The Council of Ministers opposes this proposal and urges States members to reject the Amendment.**

### Conclusions

The Council of Ministers urges members to reject the amendment because it raises significant concerns in several areas as follows:

- **Effectiveness, dead weight loss and regressive nature** – No evidence is presented that a rebate of 5% is sufficient to alter behaviour and encourage the environmentally positive behaviour that is sought by the amendment. It is a general principle that financial incentives should be targeted at the poorest households who have least disposable income and are more sensitive to relative price changes and where it would have greatest impact. Many of the items in the list are of significant cost and likely to be out of the reach of Islanders earning a lower income even with a 5% rebate. Because refunds of GST for purchases by high income households are unlikely to influence behaviours, there is a high degree of deadweight associated with this scheme. At worst the rebate scheme will simply refund money to richer consumers who were going to make these purchases anyway.
- **Environmental policy** – There is an agreed process that will now take place in 2021 with the Island's citizens to deliberate on Jersey's ambition and timescale for carbon neutrality. This process will look at carbon reduction policy initiatives in the round and in the context of how much they will cost and how revenue can be raised to pay for them (using the Climate Emergency Fund as a vehicle through which funding is likely to be routed). Adopting this amendment ahead of that process pre-empts the community discussion and could prejudice that transparent debate in 2021.
- **Fiscal prudence**- It is very difficult to assess the financial impact of this amendment and leaves the Climate Emergency Fund potentially vulnerable to significant depletion should the rebate be offered on numerous high-cost items

### Comments

Ministers understand the intention of Senator Moore in bringing forward her amendment and share with her the urgency with which we would like to see positive progress on the journey to carbon neutrality.

Had COVID not paused progress on the response to the climate emergency, this Assembly would already be close to debating a long-term climate action plan. The long-term climate action plan will be Government's recommended journey, and level of ambition for carbon neutrality for the Island. It will recommend a date for neutrality, the policies and initiatives that will help us to reduce carbon emissions and importantly outline how these will be paid for through the mechanism of the Climate Emergency Fund.

The long-term climate action plan will be developed as the result of a large-scale programme of community engagement programme and a citizens' assembly which now will happen in the first part of 2021 having been delayed by Covid in 2020. Whilst it is regrettable that the programme has been delayed, it is important to enter into the process in 2021 with a sense of true openness and without pre-empting policy solutions.

It is worth noting that it is quite possible that the citizens assembly could recommend an incentive or grant scheme for carbon reducing products. The premise of charging for environmentally negative externalities (like emissions) has already been adopted by this Assembly through the imposition of an above RPI increase on fuel duty. The concept of reinventing such revenue to encourage better behaviours is established through the Carbon Neutral Strategy and Sustainable Transport Plan 'strong start' initiatives agreed by this Assembly last year.

With the above taken into account, it is not to say that the spirit of this amendment is incorrect, moreover that it is premature and it is not being considered in the round of other policy solutions or taking account a 'just transition'. In this context, a just transition refers to transition towards a climate-neutral economy happening in a fair way, leaving no one behind and that promotes equality and social equity.

In addition, and with respect to the potentially regressive nature of the proposed scheme, as GST is a flat rate it would offer the greatest benefit in absolute terms on the most expensive items. Since the price is not necessarily linked to the environmental benefits, this scheme would be poorly targeted as compared with perhaps alternative better targeted approaches that focus on where behaviour can best be changed.

In the deliberative process in the year ahead, we will look to draw on best practice in other jurisdictions where research shows better cost-benefit in environmental returns. This research will draw out options that could cover taxation, subsidy and other government interventions to promote the transition to zero carbon economy or similar.

**Statement under Standing Order 37A [Presentation of comment relating to a proposition]**

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A due to final due diligence and checking taking place.

