

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): FOURTH AMENDMENT

Lodged au Greffe on 7th November 2019
by the Environment, Housing and Infrastructure Scrutiny Panel

STATES GREFFE

1 PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that the 2020 Estimate for “Impôt Duties Fuel” shall be decreased by £1 million, by increasing road fuel duty by 4 pence per litre (and not 6 pence per litre as originally proposed)”.

2 PAGE 2, PARAGRAPH (c) –

After the words “of the Report” insert the words –

“, except that, in Summary Table 3(i), the Head of Expenditure for “Treasury and Exchequer” shall be decreased by £1 million, by reducing the level of the transfer to the Climate Emergency Fund by £1 million, with other affected lines in Summary Table 3(i) to be amended accordingly”.

3 PAGE 2, PARAGRAPH (f)(ii) –

After the words “Summary Table 6 to the Report” insert the words –

“, except that, in Summary Table 6, the 2020 Estimated Income for the Climate Emergency Fund shall be reduced by £1 million, by reducing the level of the transfer from the Treasury and Exchequer Head of Expenditure, with the Closing balance in Summary Table 6 to be amended accordingly”.

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PANEL**

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

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

to receive the Government Plan 2020–2023 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2020 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that the 2020 Estimate for “Impôt Duties Fuel” shall be decreased by £1 million, by increasing road fuel duty by 4 pence per litre (and not 6 pence per litre as originally proposed); and

- (b) to approve each major project that is to be started or continued in 2020 and the total cost of each such project, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 2 to the Report; and
- (c) to approve the proposed amount to be appropriated from the Consolidated Fund for 2020, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 3(i) and (ii) of the Report, except that, in Summary Table 3(i), the Head of Expenditure for “Treasury and Exchequer” shall be decreased by £1 million, by reducing the level of the transfer to the Climate Emergency Fund by £1 million, with other affected lines in Summary Table 3(i) to be amended accordingly; and
- (d) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2020 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 4 to the Report; and
- (e) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2020 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 5 to the Report; and
- (f) to approve –
 - (i) the establishment of a “Climate Emergency Fund”, in accordance with the provisions of Article 6 of the Law, as set out at Appendix 3 to the Report; and
 - (ii) the estimated income and expenditure proposals for the Climate Emergency Fund for 2020 as set out in Appendix 2 – Summary Table 6 to the Report, except that, in Summary Table 6, the 2020 Estimated Income for the Climate Emergency Fund shall be reduced by £1 million, by reducing the level of the transfer from the Treasury and Exchequer Head of Expenditure, with the Closing balance in Summary Table 6 to be amended accordingly; and
- (g) to approve the amounts to be transferred from one States fund to another for 2020 in line with Article 9(2)(b) as set out in Appendix 2 – Summary Table 7 to the Report; and
- (h) to approve the estimated income and expenditure of the Social Security, Health Insurance and Long-Term Care Funds for 2020 set out in Appendix 2 – Summary Tables 8(i), (ii) and (iii) to the Report, with –

- (i) the estimated income to be raised from existing social security contributions defined in the Social Security Law and the proposed changes to contribution liability; and
 - (ii) the estimated expenditure to be paid to support the existing benefits and functions defined in the Social Security Law, the Health Insurance Law and the Long-Term Care Funds and new benefits, if any, to be paid from the Funds; and
- (i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2020–2023, as set out at Appendix 4 to the Report.

REPORT

Background

The [Government Plan 2020–2023](#) proposes to increase fuel duty by 6p per litre in 2020 and to transfer the equivalent of 4p per litre to the Climate Emergency Fund in 2020, with the intention of bringing forward further increases for approval in future Government Plans. The rationale behind this is to further incentivise the transition away from carbon-generating motor fuels.¹ It is anticipated that this will mitigate the impact of fossil fuels on the environment in terms of air pollution and their contribution to global warming.²

The Panel generally supports the principle of ‘polluter pays’, and as such the policy intention behind these proposals. Particularly, the recognition that additional income raised from above inflation increases in duty is to be ring-fenced into the Climate Emergency Fund and used for environmental initiatives and improvements. However, the Panel proposes this Amendment until the cost of these initiatives are known and agreed; and to mitigate against the potential for any unintended consequences for businesses, consumers, and ultimately a possible rise in inflation that such a proposal could lead to.

Domestic household impact

An analysis of the distributional impact of the proposed fuel duty rises is provided in [R.92/2019 – Tackling the Climate Emergency: initial report](#).

Appendix 3 to R.92/2019 states that the average household spends £16.41 per week on fuel (2018 prices), equivalent to £853 over the course of a year. This ranges from £539 per year for the average household in the lowest income quintile, to £1,114 per year for the household in the highest income quintile. This means that if prices for fuel were to go up uniformly, then the top 2 income quintiles would pay around half of the increase. Assuming there is no change in behaviour, the lowest income quintile would pay little over 10% of the increase. Although, it is acknowledged that when looking at expenditure as a proportion of household income, the lowest income quintile spends the most on fuel (2.7% of income) compared to the highest income quintile, which spends the least (0.8% of income).

Furthermore, R.92/2019 sets out that the proposed 6p rise is the equivalent of a 5% increase in the cost of motor fuel; and asserts that this will have a relatively small impact on all quintiles as a proportion of household income, ranging from 0.04% of annual income to 0.14%. The analysis further suggests that rough estimates indicate this would be an extra £0.53/week for the average household in the lowest income quintile, and £1.10 for the highest quintile (in 2018 prices). The assessment of impact concludes that the impact of the proposed increase would represent a small proportion of the income of the average household in any of the income quintiles. It is, however, acknowledged that there may be some individual households who would feel a more significant effect if prices were to increase.³

¹ [P.71/2019: Government Plan 2020–2023, p.81](#)

² [P.71/2019: Government Plan 2020–2023, p.160](#)

³ [R.92/2019: Tackling the Climate Emergency: initial report, pp.26–28](#)

Commercial sector impact

During the Panel's review of the Government Plan proposals, a submission was received from a commercial business suggesting that increasing fuel duty to 6p per litre would increase their fuel costs by around £30,000–40,000 per year.⁴ In a public review hearing on the Government Plan held with the Minister for the Environment, the Panel raised concerns about the implications that a rise to 6p would have on the wider commercial sector, and queried whether or not any impact assessment had been carried out to ascertain what effect such an increase might have. The Panel was advised that a detailed impact assessment had not been carried out on the possible effects to the commercial sector, nor had businesses been consulted on the proposals.⁵ Following the hearing, the Panel received the following advice from Treasury and Exchequer –

In relation to the commercial sector, broad estimates suggest that businesses pay around 1/3 of fuel duties, and hence would pay around 1/3 of the c.£2.8 million expected to be raised in 2020 from the 6p increase in fuel duty. This is a relatively small increase in cost across the 7,000 businesses on the Island – though some businesses will be disproportionately affected e.g. those in road transport and distribution. Any increase may result in changes to more efficient use of fuel but may potentially result in a small increase in prices charged by these firms to cover their increased costs.⁶

Purpose and rationale of proposed Amendment

The Panel's Amendment recommends reducing the 6p proposed increase to 4p. The Panel further proposes that the allocation of these funds be split, with 2p of the funds generated being transferred to the Climate Emergency Fund as income, and the additional 2p increase being transferred to General Revenue as currently proposed, in order to keep pace with inflation. The Panel proposes this reduction only until such time as the Sustainable Transport Plan is agreed by the States, and a satisfactory impact assessment has been carried out on what effect(s) such an increase might have on the commercial sector. The Panel considers there is a possibility that the increase in costs for the commercial sector would have unintended consequences, with any increase being passed onto the consumer, ultimately raising inflation. Therefore, until the level of impact is fully known, the Panel considers that it is not in the best interests or sustainable wellbeing of Islanders to enforce an increase to the scale of 6p per litre, at this current time.

Summary Table 6 in Appendix 2 to P.71/2019 shows the proposed estimated income and expenditure for the Climate Emergency Fund. Should this Amendment be adopted, it would reduce income to the Climate Emergency Fund from c. £2,000,000 to c. £1,000,000. As noted in the Amendment, Summary Tables 1 and 3(i) would also require amending to reduce by c. £1,000,000, in order to reflect the reduction of duty being collected at source (Consolidated Fund) and transferred through to the Climate Emergency Fund.

⁴ [Ronez Submission to Government Plan Review: Environment, Housing and Infrastructure](#)

⁵ [Public Review Hearing with the Minister for the Environment, 1st October 2019, p. 37-8](#)

⁶ E-mail correspondence from Treasury and Exchequer to the Environment, Housing and Infrastructure Scrutiny Panel, 30th October 2019

Summary Table 6 – 2020 Estimated Income and Expenditure for the Climate Emergency Fund

Climate Emergency Fund	2020 (£000)	
Opening Balance 1/1/2020	0	Amendment proposes to reduce to £1 million for 2020
Income	2,000 ←	
Expenditure:		
Policy Development on Carbon Neutral and Sustainable Transport Strategies	(500)	
Strengthening Environmental Protection	(495)	
Sustainable Transport Initiatives *	(1,550)	
Transfers	5,000	
Closing balance	4,455	

The current proposal to increase fuel duty by 6p per litre is forecast to raise an additional **c. £2.8 million** in 2020 and could result in an RPI increase of 0.10 percentage points. It is further proposed to allocate the additional revenue on the basis of 4p per litre funding the Climate Emergency Fund, and 2p per litre going to General Revenues. Reducing the increase in fuel duty to 4p per litre would decrease the additional revenue raised to **c. £1.8 million**, with a resulting RPI increase of 0.07 percentage points.⁷

By adoption of this Amendment, income to the Climate Emergency Fund would still be generated to cover expenditure on policy development of a Carbon-Neutral Strategy and ‘Strengthening Environment Protection’ initiatives. In addition, with the proposed transfer to the Climate Emergency Fund of a further £5 million in funds, the Panel considers that the Fund will still be in a strong position until such time as the Sustainable Transport Plan is agreed, and precise costings of environmental initiatives are known. This will also allow further time for a full impact assessment to be carried out on increasing fuel duty to 6p per litre, as originally proposed, and to consider any necessary mitigating measures. The Panel considers this especially important if it is intended to introduce further increases for 2021 and beyond.

Financial and manpower implications

The financial implications of this Amendment would be that by reducing the increase from 6p to 4p, the 2p difference of c. £1 million would reduce the forecast income of the Climate Emergency Fund from £2 million to £1 million for 2020. The Panel does not consider this to be of detrimental significance to the States’ finances, as the Fund will still be in a strong position; and also as it is not yet known precisely how much funding will be required, until specific initiatives have been identified in the Sustainable Transport Plan and approved by the States Assembly. As mentioned above, the Panel considers this reduction to be a potential temporary measure until the Sustainable Transport Plan is approved, and the full impact on the commercial sector and inflation has been suitably assessed.

⁷ E-mail correspondence from Treasury and Exchequer to the Environment, Housing and Infrastructure Scrutiny Panel, 30th October 2019