

19th November 2013

3.14 Deputy G.P. Southern of the Minister for Economic Development regarding pricing of domestic heating oil:

Will the Minister inform Members what has happened to the price of domestic heating oil to date since the report of the Jersey Competition Regulatory Authority in February 2012 in which the price of oil was reported to have risen over the period of 2009 to 2011 by 40 per cent, and the margin over U.K. prices tripled over the decade to 2011 and advise what action, if any, he has taken to mitigate these rises?

Senator A.J.H. Maclean (The Minister for Economic Development):

Following the publication of the J.C.R.A. (Jersey Competition Regulatory Authority) report on the domestic heating oil market, which indicated possible excessive profit margins, I issued a request under Article 6.4 of the Competition Regulatory Authority (Jersey) Law 2001 to enable detailed ongoing monitoring of the local heating oil market. The price differential identified in the report has remained broadly steady during the monitoring period over the last 15 months at 8 pence to 9 pence per litre more expensive in Jersey than in the U.K. The impact of the extra cost on Jersey consumers amounts to approximately £70 per 900 litre tank. The fact that the situation has got no worse since 2011 will be of little comfort to hard-pressed local consumers. But the Jersey Competition Regulatory Authority has dedicated considerable resources to this work and the simple fact is that studies of this size and complexity take time to complete. Both the Jersey Competition Regulatory Authority - which will publish its further report soon - and I are determined to get to the bottom of this issue about the apparently high cost of heating oil in Jersey compared to the U.K. We will take whatever action is possible, practical, or indeed necessary, to help ensure local consumers are being charged a fair price for their heating oil.

3.14.1 Deputy G.P. Southern:

Could the Minister please answer the central question: what has happened to heating oil prices over the 18 or 20 months since that report was published?

Senator A.J.H. Maclean:

I thought I did. I suggested that the figures are broadly steady since that period. There has not been a great deal of change since the monitoring period of 15 months was undertaken.

3.14.2 Deputy G.P. Southern:

A clarification, if I may. The price differential between us and the U.K. has stayed steady, what has happened to prices overall in the last 20 months?

Senator A.J.H. Maclean:

The same applies. Prices are broadly steady, I have made that point clear, 65 pence per litre is the average price chargeable, and that is broadly the same.

3.14.3 Senator S.C. Ferguson:

Given the significant fall in the cost of oil in the U.S. (United States) following the improved technological extraction processes, is it not time and would it not perhaps spur the local companies on if the Minister encouraged or brought in tax measures to encourage people to prospect for sources of oil for oil fracking locally?

Senator A.J.H. Maclean:

I really do not think the concept and prospect of fracking locally is going to be particularly appealing. I would suggest there are many other mechanisms that we could deploy in order to ensure a fair and reasonable domestic oil heating price within the Island, and those are the ones we are going to concentrate on.

3.14.4 Senator S.C. Ferguson:

In that case will the Minister look at the possibility of importing oil from the U.S. because it is a great deal cheaper than oil coming from the European sources?

Senator A.J.H. Maclean:

I would suggest to the Senator that we probably do not have the quantum to justify importing directly from the U.S. We do import our oil from primarily the U.K. market; that is the area we want to concentrate on. There is a price differential that is unsatisfactory at the moment, which suggests that local consumers are being charged too much. That is the issue we want to address and we believe there are grounds with the impending report from the J.C.R.A. to tackle that issue with their recommendations.

3.14.5 Deputy G.P. Southern:

The Minister mentioned that he would act in every way possible, practical, and indeed necessary; will he legislate to bring margins down to the level that they were 10 years ago, i.e. a third of the margin currently being charged?

Senator A.J.H. Maclean:

That is certainly an option that could be considered. Price regulation is one option that would be available. We need to consider first of all the further report that we are awaiting from the Jersey Competition Regulatory Authority. We need to consider the recommendations contained within that report and look at the appropriate actions necessary to take. I point out though, regulation of markets is not necessarily the most efficient or effective way in which one deals with price differentials, but it is certainly one option to consider.

3.14.6 Deputy G.P. Southern:

Does the Minister consider that regulation, nonetheless, in small economies is the way forward?

Senator A.J.H. Maclean:

That is a very general question. There can be occasions when regulation is appropriate, whether it is a small jurisdiction or otherwise and we will consider the most appropriate way in which we can deal with what appears to be excessive profit margins in the domestic heating oil market locally.