STATES OF JERSEY

PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): NINTH AMENDMENT

PILLAR 2 ALLOCATIONS

Lodged au Greffe on 11th November 2024
by Deputy H.L. Jeune of St. John, St. Lawrence and Trinity
Earliest date for debate: 26th November 2024

STATES GREFFE

PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): NINTH AMENDMENT

1 PAGE 4, PARAGRAPH (o) –

After the words "as set out in the Appendix of the accompanying Report" insert the words –

", except that, on page 38 –

(a) after the words "improve the competitiveness of the Island" there should be inserted the words "with a specific focus on funding the delivery of the Sustainable Finance Action Plan and supporting the transition to a net-zero economy";

(b) after the words "ease of doing business here." there should be inserted the words "Ensuring that funding is made available to support the transition to a net-zero economy and towards promoting Sustainable Finance will support these goals and provide a clear action plan and delivery framework, embedding sustainability into all financial practices."; and

(c) after the words "seeking to reduce operating costs." there should be inserted the words "Specifically, making funding available for drivers to a net-zero economy and the delivery of the Sustainable Finance Action Plan which will embed sustainability into financial practices and business practices and support the decarbonisation of the finance industry.".

DEPUTY H. JEUNE OF ST. JOHN, ST. LAWRENCE AND TRINITY

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 2025 – 2028 (entitled "Budget 2025-2028") 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 2025 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.

(b) to approve the proposed Changes to Approval for financing/borrowing for 2025, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approval amounts.

(c) to approve the transfers from one States fund to another for 2025 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.

(d) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2025 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31st December 2024 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31st December 2025.

(e) to approve a transfer from the Consolidated Fund to the Agricultural Loans Fund in 2025 of up to £2 million, subject to a decision of the Minister for Treasury and Resources based on availability of funds in the Consolidated Fund as at 31st December 2024 in excess of estimates provided in this plan, or from budgeted underspends identified before 31st December 2025;

(f) to approve each major project that is to be started or continued in 2025 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 4 to the Report.

(g) to approve the proposed amount to be appropriated from the Consolidated Fund for 2025, 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 5(i) and (ii) of the Report.

(h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2025 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report.

(i) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2025 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report.

(j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2025 as set out in Appendix 2 – Summary Table 8 to the Report.

(k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

"The Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, is a permanent reserve only to be used:

i. in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.

ii. if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.

iii. to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;

iv. as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and

v. in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available."

(l) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).

(m) in relation to the new Government Headquarters (office), to approve;

i. the exercising of the option to acquire the new Government Headquarters (estimated at £91 million), by the Public of the Island, in line with the pre-agreed terms; and

ii. the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund (including authorising the meeting of expenses incurred in connection with the acquisition); and

iii. the subsequent leasing of the new Government Headquarters by the Public of the Island from the Social Security (Reserve) Fund, with commercial terms to be agreed between the Minister for Infrastructure (on behalf of the Public) and Minister for Social Security and the Minister for Treasury and Resources (both on behalf of the Fund); and

(n) in relation to the new Government Headquarters, to authorise H.M. Attorney General, the Greffier of the States, the Ministers for Infrastructure, Social Security and Treasury and Resources, and the Public of the Island, to enter into such arrangements, including financing, and pass any contracts as are necessary to put into effect paragraph (m)

(o) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2025-2028, as set out in the Appendix to the accompanying Report, except that, on page 38 –

(a) after the words "improve the competitiveness of the Island" there should be inserted the words "with a specific focus on funding the delivery of the Sustainable Finance Action Plan and supporting the transition to a net-zero economy";

(b) after the words "ease of doing business here." there should be inserted the words "Ensuring that funding is made available to support the transition to a net-zero economy and towards promoting Sustainable Finance will support these goals and provide a clear action plan and delivery framework, embedding sustainability into all financial practices."; and

(c) after the words "seeking to reduce operating costs." there should be inserted the words "Specifically, making funding available for drivers to a net-zero economy and the delivery of the Sustainable Finance Action Plan which will embed sustainability into financial practices and business practices and support the decarbonisation of the finance industry.".

REPORT

Pillar Two introduced a global minimum tax. It is designed to reduce the incentive for profit-shifting, addressing a long-standing issue of large multinational corporations (MNCs) being able to shift profits, often avoiding paying their fair share of taxes in the countries where they generate significant revenue – usually developing countries – with an impact on governments' abilities to fund essential services, adapting to climate change and introducing social programmes. Further information can be found within the OECD Pillar 2 Review by the Corporate Services Scrutiny Panel.

By way of design, not all of the Pillar Two collected revenue will end up in the countries where the significant revenue is first generated but can also be collected in any jurisdiction where the MNC operates, following Pillar Two rules. This is why Jersey's forecasted Pillar Two tax receipts are as much as £52mn annually, for at least a short time given that the future remains highly uncertain.

Global expectations for fair tax practices are evolving rapidly as governments seek solutions to climate and inequality crises. Jurisdictions that fail to adapt risk losing their competitive edge. For Jersey, the global minimum tax presents an opportunity to reshape its narrative. As Jersey Finance states "Jersey has a responsibility to leverage its expertise and capital to support the transition to an environmentally and socially sustainable global economy." This commitment is echoed in the Jersey for Good – A Sustainable Future strategy, a collective vision for the island's finance industry.

This is why I believe a significant portion of the forecasted Pillar Two tax receipts, specifically from the package "improve the competitiveness of the island," should be directed towards developing and strengthening our sustainable and responsible finance offering, and helping businesses adopt more sustainable practices to advance a net-zero economy. This package has been allocated £15mn per year in support in the current draft Budget (Government Plan) 2025-2028.

Economic Growth and Diversification

Expanding Jersey's sustainable finance industry offers significant potential for economic growth and diversification. With a focus on funding projects that yield environmental and social benefits, sustainable finance opens new investment opportunities.

Assets under management (AUM) in sustainable funds have grown sharply, reaching $3.4 trillion by the end of 2023. This rise reflects strong demand for investments prioritizing environmental, social, and governance (ESG) standards, with notable growth in sectors like technology and healthcare, which have outperformed traditional funds—especially in Europe, a major hub accounting for over 87% of AUM globally (Morgan Stanley, 2024).

Sustainable finance is generally more stable and resilient to economic shocks due to its long-term, ESG-driven approach (UNPRI, 2020). By expanding into this stable sector, Jersey can strengthen its economic resilience and enhance its position as a premier financial centre.

These investments align with Jersey's global sustainability commitments, channelling capital into low-carbon sectors like renewable energy, which saw record global investments of $1.77 trillion in 2023. Increased allocations to electrified transport and renewable energy underscore the sector's critical role in the energy transition and net-zero goals (BloombergNEF, 2024).

Enhancing International Reputation and Market Competitiveness

Sustainable finance capabilities are increasingly defining global financial hub competition. As investors demand greater accountability and transparency, finance centres that meet these standards are well-positioned to capture market share. Jersey's focus on ESG principles can help it attract a new generation of investors prioritizing sustainable, responsible returns, enhancing its competitive advantage.

Talent Acquisition and Retention

The shift towards sustainable finance can also attract skilled professionals and drive productivity through tech-driven innovation. By aligning local education and lifelong learning (one of the government's 13 CSPs) with sustainable finance needs, Jersey could cultivate a pipeline of professionals skilled in ESG and sustainable investment practices, fostering a talent-rich environment for the industry (Sustainable Finance Jersey, 2021).

Addressing Global Challenges and Supporting Community Development

Sustainable finance not only promotes economic growth but also encourages ethical business standards and community contributions (UNEP FI, 2019). By guiding Jersey's finance industry towards sustainability, the island can play a direct role in addressing global challenges such as climate change, renewable energy development, and community growth. It is a way to future proof the industry. Allocating some of Pillar Two tax receipts to support this transition is a strategic response to Jersey's commitment to sustainability.

Targeted funding for Unfinanced Initiatives

The Minister will be launching the Sustainable Finance Action Plan on the 21 November 2024 which is too late for it to be added as a link to this amendment. However, having gained information via WQ323-2024 and subsequent meetings with the Minister and his officers the plan identifies 10 priority actions that focus on protection and promotion – including skills, products, data, reporting, obligations and standards. This was built after an extensive Sustainable Finance Consultation (CR Response Paper on Sustainable Finance Consultation.pdf). This amendment requests the Minister to develop specific support for businesses and the enabling environment using some of the Pillar Two tax receipts to implement this action plan.

More broadly, for Jersey to achieve a net-zero economy, it must take an integrated approach involving policy reform, investment in green infrastructure, development of sustainable finance practices, and community engagement. The Carbon Neutral Roadmap provides this framing – however, the current Climate Emergency Fund is not sufficient to support Jersey's economy to become net-zero. Additional private finance will be essential to meet on-island emissions reduction targets as recognised by Jersey Government in 2022.

This amendment seeks the Minister to develop within the package on "funding investment to improve the competitiveness of the island" to include support for business decarbonisation, with a focus on the finance industry. This approach aligns with best practices that emphasize targeted public-private investments to drive sustainable industry practices (Morgan Stanley, 2024). Given the uncertain nature of Pillar Two tax receipts, these could be structured as one-off investments, fostering an environment that incentivises businesses to establish decarbonisation plans to qualify for broader support under the package.

Financial and staffing implications

There are no financial implications as was part of the plan to develop a specific offering to be presented in budget 2026. This amendment seeks to ensure that a significant amount proposed within the £15mn annual for 'competitiveness of the island' should go towards developing sustainable finance offering and ESG of the finance companies themselves.

Children's Rights Impact Assessment

A Children's Rights Impact Assessment (CRIA) has been prepared in relation to this proposition and is available to read on the States Assembly website.