



**Environment Scrutiny Panel  
Energy Policy Review hearing with  
Fuel Supplies CI**

**WEDNESDAY, 12th JUNE 2013**

**Panel:**

Deputy J.H. Young of St. Brelade (Chairman)  
Deputy S.G. Luce of St. Martin (Vice-Chairman)  
Connétable P.J. Rondel of St. John

**Witness:**

Mr. A. Havard, Managing Director, Fuel Supplies CI

**Also present:**

Mr. R. Levett (Panel Adviser)

[9:03]

**Deputy J.H. Young of St. Brelade (Chairman):**

Good morning, everybody, and welcome to this session of the Environment Scrutiny Panel, continuing with our series of public hearings on the Minister for Planning and Environment's draft fuel strategy report. Just to introduce ourselves for the record. Deputy John Young, I am Chairman of the panel.

**Deputy J.H. Young:**

Thank you. So we have been provided that submission, that was submitted in January. I suppose the big issue that comes out of this is that your submission basically takes the position that the

States in its policy setting should be fuel neutral, if I am correct on that. Would you like to expand on that and set out your argument for that please?

**Managing Director, Fuel Supplies CI:**

It is an interesting question. You have, as in every economy, various energies in Jersey. We all know that you will have more and more renewables in the future and less and less fossil fuels. So it is a small question of market share between the various energies and something else. You have a natural trend which is the natural trend everywhere in the world. To me this trend needs to be driven by the market. When I say "by the market", by the availability of the various fuels, by the pricing of the various fuels, the competitiveness and so on, more than by the carbon emissions. In fact, if you want by, let us say, 2018 of new building bylaws and of carbon neutral new builds clearly it will create some issues for some of the existing energies and we need to have a mechanism in a way or another for these energies to be able to offset the carbon emissions to make sure that it can be considered as carbon neutral, which is from my perspective not covered in the document at the moment.

**Deputy J.H. Young:**

So this is where people are consuming heating oil, for example, for heating their homes. What you are saying is if we adopt a standard for all new homes being carbon neutral that will effectively prevent, unless there is some offsetting mechanism, that would rule out your company selling and marketing fuels basically.

**Managing Director, Fuel Supplies CI:**

Exactly. It also means that the consumer will not have any choice because he will be driven to one energy, which would be electricity.

**The Deputy of St. Martin:**

But you accept that into the future we must insulate our homes better and find ways of using less energy to do that?

**Managing Director, Fuel Supplies CI:**

I fully agree with it, and it is something we already work on. We have our own ... if I take F.S.C.I. (Fuel Supplies Channel Islands) as an example, we know that of course the consumption of oil will decrease in the future, so we have to compensate by other services or products. The group in general is working on the renewables and the potential to market different products but as F.S.C.I. in Jersey we already have an External Services Department and this department, for example, is providing advice in terms of energy savings. We have just launched a new offer, which is a combined offer between solar panels and heating also, more and more we will bring renewables

and heating oil. I do not think you can go directly to only renewables or you can maintain only the fossil fuel, so it is a progressive combination of the various energies.

**Deputy J.H. Young:**

You spoke about “unless there is an offsetting”, what did you mean by that? Can you explain that a bit more to us?

**Managing Director, Fuel Supplies CI:**

Yes, we are involved in the aviation business, of course the issue of the carbon emissions is something the airlines are working on and more and more they will have to offset their carbon emissions. When I say “offsetting” you can subsidise, incentivise, whatever the word you use, programmes in different countries to in fact reduce the carbon emissions to compensate the emissions you are producing elsewhere. We have, and this is an example because I have worked in this country, we have a subsidiary in Madagascar, for example, and we are involved in programmes in Madagascar to reduce the carbon emissions with our aviation business and would be interested to have a mechanism to be able to offset emissions in one country with a programme in another.

**The Connétable of St. John:**

That is what happens here. Our electricity, our carbon footprint, in fact goes into the French networks.

**Managing Director, Fuel Supplies CI:**

Yes, it is just the way the carbon emissions are assessed because in fact they are considered in the country where the electricity is produced.

**The Connétable of St. John:**

That is correct.

**Managing Director, Fuel Supplies CI:**

So where to transfer the carbon emission from a country to another will decide the difference.

**Deputy J.H. Young:**

For that offsetting mechanism to work, needs a framework of international regulation or accounting on carbon that Jersey is part of, does it not?

**Managing Director, Fuel Supplies CI:**

Yes, but you have independent bodies to certify the programmes and what has been offset, in fact.

**Deputy J.H. Young:**

Which bodies, could you just mention those?

**Managing Director, Fuel Supplies CI:**

I do not have the name in mind here, but I know that you have some associations which are involved in this type of programme and in fact their role is to certify the programme you have wrote or you have implemented has provided extensive carbon savings.

**Deputy J.H. Young:**

So how far would you go in this line? You have obviously said you think carbon neutral is a mistake, having bylaws based on carbon neutrality is a mistake. How far would you go? Would you say it should be switched to energy consumption or are you saying that you can work with it, providing there is a framework of offsets and so on?

**Managing Director, Fuel Supplies CI:**

I am not saying it is a mistake. I am just saying that with the structures, it means that you will only have one energy available in Jersey in the future for the new builds. My point is more the framework needs to be in place to make sure that the older energies can survive and have the opportunity to compete with electricity.

**The Connétable of St. John:**

Can I come in there? Because we have got this undersea cable they can claim that it is produced in France, if we had a pipeline from France could we not claim the carbon footprint is in France and not in Jersey?

**Managing Director, Fuel Supplies CI:**

You have the carbon aspect but you also have all the aspects such as the level of prices for the energy and the competitiveness of this energy compared to another, you would have to build another pipeline from France for gas or oil. The price of oil would be horrendous because you would have to cover the depreciation of this investment, which will be huge because the consumption of the Island is small compared to the capital investment.

**Deputy J.H. Young:**

Tell us about that. Am I right that your customer base is declining?

**Managing Director, Fuel Supplies CI:**

The base is stable because we create both same number of new customers as what we are losing, because we have decided to embark into a programme to advise customers and help them

to install more efficient boilers and promote energy. I am talking about our company. As a general market heating oil is declining, I agree with you.

**Deputy J.H. Young:**

So the consumption overall of carbon fuels is declining.

**Managing Director, Fuel Supplies CI:**

But we know that the consumption of oil will decline. It is not just heating oils; fuel in general, because we have ... if you take cars, engines are more efficient, boilers are more efficient for heating oil as well. So it is always difficult to make the split between what is due to the weather aspect and what is due to the natural trend of the market.

**Deputy J.H. Young:**

Can you share your forecast with us? You must have a view about the size of your market in, say, 2020, that sort of timescale and beyond perhaps.

**The Connétable of St. John:**

2030, 2040.

**Deputy J.H. Young:**

Okay.

**Managing Director, Fuel Supplies CI:**

I could not provide any figure. Nobody is capable to provide a figure because it is too difficult to assess how quickly the other energies or the new energies will develop. What I am convinced, you will have less players in other energy because there is a critical mass which is required and of course if the volume will decline you do not have sufficient volume for so many players.

**The Deputy of St. Martin:**

Just going back to something you mentioned previously. We know that RUBIS are very active in island economies in various parts of Europe. How do comparable jurisdictions to ourselves, how are they facing these problems? How are RUBIS having to look at these problems in other islands around Europe with reducing carbon footprint? Is it any different to ourselves? I mean do other parts of Europe have different views on how they are moving forward with saving energy?

**Managing Director, Fuel Supplies CI:**

Again it seems surprising but usually in the islands we are operating you do not have a framework on this type of matter. We are in the Caribbean, the carbon emissions in the Caribbean, which is

more dominated by the U.S. (United States), is not a priority at the moment. It is more in Europe. In fact you have this stage in place for this type of matter.

[9:15]

Corsica, because we are in Corsica, has been excluded from the scheme so in fact France of course as part of Europe complies with the European legislation and the framework that has been put in place. But Corsica has been excluded and the French Antilles have been excluded as well. Usually in the Islands you do not have ...

**Deputy J.H. Young:**

Why has Corsica been allowed to be excluded? What is the reasoning behind that? Because they cannot plug into an electricity grid?

**Managing Director, Fuel Supplies CI:**

Electricity is generated on-Island, same in the French Antilles. Jersey is slightly different because Jersey benefits from cheap electricity I would say because it is close to France, so there is this cable when in fact the situation is different in the islands I have mentioned. Because electricity is generated locally and the electricity is expensive the approach is slightly different.

**The Connétable of St. John:**

Given that the U.S.A. (United States of America), which are one of the biggest producers of these greenhouse gases, et cetera, and they are all signed up to the Kyoto agreement<sup>1</sup>, if they are not going to meet the bar when the time comes in 2020 or 2019, whenever it is, it means the bar will fall and the whole lot have to be renegotiated. Is that how you are reading it?

**Managing Director, Fuel Supplies CI:**

Yes.

**The Connétable of St. John:**

So we are all spending a lot of time and energy on this but only a percentage of the world to sign up to it.

**Managing Director, Fuel Supplies CI:**

When you compare the various energies of the world clearly the U.S. are not leaders in this type of process; Europe is the main leader.

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<sup>1</sup> Clarification: the USA did not ratify the Kyoto Protocol, withdrawing from the process in 2001.

**Deputy J.H. Young:**

Just coming back to the plan's targets. We have been discussing up to now I think what you might call the medium term. We have fossil fuels today, we have carbon fuels, we have been trying to tease out how long they will last and so on and the strategies in the meantime. Do you consider that the overall target though, that by 2050 we are going to reduce by 80 per cent; do you think that is an obtainable target? What is your expectation?

**Managing Director, Fuel Supplies CI:**

The easiest part has been done because when the decision has been taken to import electricity of course we had a big drop. It was easiest part of the ... it is now more difficult. To achieve the objective it will always be a combination of various factors. One factor is homes more insulated and so on, there is a programme in place. You will of course have boilers, cars, whatever, more efficient so the consumption should reduce. Then you will have a switch from the existing energies to greener energies and we could speak about the biofuels because it is also a way to achieve it. The thing is the target, 2050, we have 40 years to achieve so it seems achievable at this point but it comes to this proposal to have a ... let us call it a new working group to manage the process and move forward together. It makes sense but clear milestones are required, otherwise 20 years later, you are right, that only a small percentage of the savings have been achieved.

**Deputy J.H. Young:**

So it is realistic if we put in place the right framework or at least if the right framework is in place to ... what are the main elements of that?

**Managing Director, Fuel Supplies CI:**

Yes, but the process would not only be driven by Jersey. The process is also driven by Europe because Jersey is impacted by the decisions which are taken in Europe. If I take the example of the biofuels, the introduction of biofuels for example in Jersey is mainly driven by what is decided in Europe and Jersey itself, so it is exactly the same aspect or same matter for the aspects of the carbon emissions. If the renewables are developed quickly, and at the moment we are just at the trial period, I would say, if you take the example of what is happening around Alderney, with DCNS in France and so on, nobody knows at this stage how long it will take to exploit them or to develop them at large scale. Jersey will be impacted by this type of limitation.

**Deputy J.H. Young:**

But at the outset, you said you thought we should be market driven. I think what you have just explained is that we should just be responsive. Do we follow or do we lead?

**Managing Director, Fuel Supplies CI:**

What I am saying to you is you can lead part of the reduction but there is another part which will be driven by the market in general and Europe in particular.

**The Deputy of St. Martin:**

I just wanted to go back to biofuels, because we know that at the moment we associate your normal unleaded petrol and oil and what have you with carbon, but you do have a product potentially coming online in a number of years, which is lower carbon, which is, like you said, ethanol-based fuel. Could you just run through when you see that might be coming on, and I know it is a difficult one for you, but the practical difficulties with using ethanol-based fuels with the engines that we run in our cars and vehicles at the moment?

**Managing Director, Fuel Supplies CI:**

Yes, in fact we have 2 types of biofuels. You have petrol and diesel, so petrol is an ethanol-based product and diesel is with F.A.M.E. (fatty-acid methyl ester). To me the timescale is 3 to 4 years and it is clearly, what I was saying earlier, something which is driven more by the market and by the European market than Jersey. What does it mean? It means less carbon emissions of course. But you have some implications in terms of tax, I will come back to this later, and the other implications are mainly how you make sure that the current fleet of vehicles is capable to be run with this type of fuels. You have 2 types of petrol available in Europe, you have E5 and E10. E5, 5 per cent ethanol, E10, 10 per cent ethanol. If you go up to E5 it should be fine because it is like premium unleaded, so most of the vehicles should be capable to be run with this fuel. If you take diesel, it's called D7, which means 7 per cent F.A.M.E. and now it goes up to D10. Diesel with F.A.M.E. would create some issues for the marine industry in Jersey. Just to come back to the tax aspect. The biocontent is more expensive than the standard product, let us say. So what has been done in Europe, they removed the duties on this small part of the product to make sure that the level of price was about the same as what it used to be with the standard fuel.

**Deputy J.H. Young:**

Has that been done throughout Europe?

**Managing Director, Fuel Supplies CI:**

Yes. Of course each country has its own specificity but in general it is the way it has been managed.

**The Deputy of St. Martin:**

That is a significant reduction in their Exchequer income.



**Managing Director, Fuel Supplies CI:**

The point I want to make, so I am not sure if you really would welcome the introduction of biofuels. Then you have at some stage a decision or balance between the environmental aspects and the income for the States budget.

**Deputy J.H. Young:**

What is the price differential then that the tax change would have to get rid of at the moment? What is the price differential that ...

**Managing Director, Fuel Supplies CI:**

If you consider that you have 5 per cent of ethanol in your petrol volumes and 7 per cent of F.A.M.E. in your diesel volumes, and you could say that road fuels are representing 30, 35 per cent of the fuel volumes in Jersey, so you lose 6 per cent of 35 per cent of the totals or you lose around 2 per cent of your total revenue.

**The Deputy of St. Martin:**

Going back to the ethanol-based products, what problems or difficulties would that give you in your facility at La Collette? I mean we know you are in the middle of a major upgrade but you mentioned 3, 4, 5 years, your upgrade takes you further, must be a 10, 15-year upgrade, so are you making allowances in your upgrading of your facilities to cope with ethanol?

**Managing Director, Fuel Supplies CI:**

Yes. It is something we considered in the investment programme. In fact every new equipment is designed and will be designed to accommodate ethanol and F.A.M.E. later, of course to reduce the initial investment at a second stage. The group RUBIS is involved in the fuel industry in Corsica. We have 2 terminals in Corsica, one north, one south; market is pretty similar to Jersey where the market is the same; the terminals are both the same storage capacity as Jersey, and biofuels will be introduced at the end of the year. We have experience over there.

**The Deputy of St. Martin:**

You mentioned Europe and our necessity to follow their lead but if the Government locally decided that it was not going to give subsidies to biofuels and the public demanded and continued with diesel and unleaded, are those fuels going to continue to be available through your company or through fuel companies generally?

**Managing Director, Fuel Supplies CI:**

There are different aspects in your question with different responses. The decision to switch to biofuels is mainly driven by supply because you need to make sure that you can source your product. It will become more and more difficult to source premium unleaded and diesel, as they

are at the moment, as refined product. More and more the refiners are moving to the base product, for example for petrol it is called RBO. So it becomes more and more difficult to source and you still find these grades but we expect that in 3 or 4 years you will no longer find them. You will find them in Europe but far from Jersey and price will be higher because it will refine these products in small quantities for very specific uses. So the decision is more driven by aspect, why the refiners are moving to these new products? It is just because the demand in Europe is for this type of product. In terms of choice of the consumer and availability, the more grades you have the more difficult to manage it is and the more tankage you need and everything along the supply chain, so should we have to maintain the existing grades at the same time as the biofuels, we would put the Island at risk in terms of fuel supplies because the storage capacity would then be reduced because it would be split between more grades. So you need to switch ...

**Deputy J.H. Young:**

So you need to switch to one to the other.

**Managing Director, Fuel Supplies CI:**

Overnight. I would say it will go overnight. To switch at once from a grade to another.

**The Deputy of St. Martin:**

Surely that gives us, or any small country, enormous difficulties with people with their heating, relying on diesel, people with fleets of cars or lorries.

**Managing Director, Fuel Supplies CI:**

Jersey is not unique and it is not the first time it happened, because it already happened in those European countries. Heating is not an issue. The 2 main areas with potential issues are vehicles, because we will have some vehicles, which will have difficulties to run on E5. We will still have to keep what we would call protective grade, let us say, for this type of vehicle, but in fact it is the same type of situation as the SU10 at the moment, so we would have to scheme in place to import small quantities of another grade for these cars.

[9:30]

But the main concern I have is more for the marine industry because in the U.K. (United Kingdom) or in Europe you have diesel for vehicles and you have gas oil for heating, agriculture, marine and so on. You have different fuel specifications and among the various types of gas oils you have again a specification for type of gas oil. In Jersey to optimise the supply, to optimise the storage capacity at La Collette and so on, we only import diesel. This product, which is of course a better quality product because it is more refined than the standard gas oil, is used as diesel for cars but we downgrade it into gas oil. In fact we dye it and we sell it as gas oil, so the gas oil which is sold

in Jersey is better quality than what you would obtain in the U.K. for example. It means that the marine gas oil at the moment is F.A.M.E. free because you have no biocontent in the diesel, which is imported. In the future, should we have to import diesel with biocontent, so D7, it would mean that the gas oil for marine would have F.A.M.E., which is then an issue for the marine industry. So we would have to consider 2 options: one to split the tankage at La Collette and import diesel on one side and gas oil on the other side, F.A.M.E. free, or work with the marine industry to try to find additives to manage the issue of F.A.M.E. But it is something we would prepare of course ...

**The Deputy of St. Martin:**

That diesel would be imported with the F.A.M.E. in it already. You are not intending to blend it at La Collette?

**Managing Director, Fuel Supplies CI:**

No, the diesel is different.

**The Deputy of St. Martin:**

So the ethanol you will blend at La Collette.

**Managing Director, Fuel Supplies CI:**

The ethanol we have to blend it at the terminal when in fact the diesel, it is already blended at the refinery.

**Deputy J.H. Young:**

So the implications for the marine industry you are worrying about is the ability of their marine engines to run this fuel, and I mean what is the size of that market? To what extent, is it a substantial market because boats come in and out all the time, do they fuel up in Jersey?

**Managing Director, Fuel Supplies CI:**

The marine business can be split in 2 parts. You have the local marine industry and you have visiting yachts and ferries and so on. The local market is not very large, we are not talking about a huge volume, but the volume of visiting yachts and so on is larger and it is also important for the Island to still have this business, not only for the fuel industry but also in general for the harbour. I think, but it is early stage, we have to import in the future diesel on one side and gas oil on the other.

**The Connétable of St. John:**

What percentage of the overall fuel importation - you told us 35 per cent for the roads - what percentage is for heating and what percentage is for marine?

**Managing Director, Fuel Supplies CI:**

For marine ... if you take the market you have around 10 per cent for aviation, 35 for retail, 45 for heating and the rest is commercial, and in commercial I put marine. In fact you have more than marine because you have all the commercial customers.

**Deputy J.H. Young:**

So your conclusion then is that you probably need to stock a variety of fuels. Even though they are going to be market driven you are going to have to take on board those fuel stocks and have storage for both?

**Managing Director, Fuel Supplies CI:**

It is considered when we do the works and we work on the investment programme at the moment.

**The Deputy of St. Martin:**

Are there any safety issues with moving over to these new types of fuel? Increased safety issues over and above where we are at the moment?

**Managing Director, Fuel Supplies CI:**

The main difficulty is with ethanol because it is a chemical product, it is more flammable even than petrol, and ethanol will have to be imported by the tank because the quantities will not be sufficient to import in dedicated ships, so the main difficulty will be the importation of ethanol.

**Deputy J.H. Young:**

So there is an increased risk then to manage?

**Managing Director, Fuel Supplies CI:**

Yes, but a risk which is manageable and a risk which is managed in other jurisdictions. It is not something that would be new or specific to Jersey.

**Deputy J.H. Young:**

But relative to L.P.G. (Liquid Petroleum Gas), for example?

**Managing Director, Fuel Supplies CI:**

It is a completely different product because L.P.G. is a pressurised product so the risk is higher than for ethanol, for example. It is ...

**Deputy J.H. Young:**

Manageable.

**Managing Director, Fuel Supplies CI:**

Yes.

**Deputy J.H. Young:**

Okay, thank you. So can I just move the conversation on, if I can please? We spoke about targets, the impact on buildings and the market in general. One of the comments you made about tariffs, obviously the picture you painted is that fuel prices are going to rise, come what may, it is going to become more expensive. The market will moderate it but you are still going to have high prices. You say that you do not think the objective of targeting fuel poverty is the right thing to do.

**Managing Director, Fuel Supplies CI:**

No, what I have said, to have a scheme in place to target fuel poverty is welcome. But it should be States risk from our perspective, more than something for the industry to put in place.

**Deputy J.H. Young:**

What about tariff structures? I mean at the moment you are not regulated in any way, are you, there is no regulation of tariffs, prices?

**Managing Director, Fuel Supplies CI:**

No. In the future the price of oil will increase for part of it and will increase or decrease for the other part. What is unknown is the cost of the product itself because nobody knows if you will have less pressure on the reserves and you have now the shale oil and the U.S. will be self-sufficient in the coming years, so nobody is capable to say oil will still rise in the future. I think you will have less pressure on oil and the prices should not increase further. The second part of it relates more to the local costs. If you have less consumption in the future of course prices ... the local cost will decrease because you still need your infrastructure basis and the cost of the product is built, you have the cost of the product from refinery, you have the cost to bring the fuel in and you have the costs on-Island, and if you take the costs on-Island and you take the fuel farm, for example, most of the costs are fixed and if the volume had to reduce in the future, in general, of course your unit cost per litre will increase because your divider will be smaller. The risk is if the volumes are going down, and heating oil could be an example, it could have an impact on the other fuels because it would lead to increases on the other fuels. The unit costs per litre will increase. So in fact you have an interaction between the various segments and the various types of fuels. So let us take aviation and marine, the costs would be higher in the future if heating oil volumes had to decline.

**Deputy J.H. Young:**

You mention there, if you like, the effect between the fuels. You have spoken a number of times about Jersey being a very small market. What is unknown is how long those carbon fuels will last, how long that ... when there will be a change to alternative technologies. Is there a point at which the market becomes so small for your products that effectively the price becomes so high that it is difficult to maintain a viable business? Does that point ever come?

**Managing Director, Fuel Supplies CI:**

We would have had this discussion 10 or 15 years ago. You would have read in the newspaper, in magazines, that the peak oil would be, or at that time, will be 20, 25 years later. We are still saying that the peak will be in 20, 25 years because you have new reserves, you have new discoveries, you have shale oil, shale gas and so on. Nobody is capable to say at the moment when will be the peak. So I am not capable to answer your question. You would give me a date I would not accept it because I think nobody is capable to say when it will happen. It will happen for sure but we still have at least, I would say, 40 or 50 years in front of us.

**Deputy J.H. Young:**

You have got a substantial investment in the Island, the plant, the whole fuel farm and so on. It is owned by your company, is it not?

**Managing Director, Fuel Supplies CI:**

Yes.

**The Connétable of St. John:**

If the fuel farm was in France, and getting back to a pipeline, would that not be more economical?

**Managing Director, Fuel Supplies CI:**

If the fuel farm was in France the only difference would be the fact that the annual throughput would be higher. In fact the main issue when you are on an island, but again it is not something which is specific to Jersey, is that the annual throughput because the divider to calculate the cost per litre is more. If you take as an example the terminal at Hythe, next to Southampton, same type of storage capacity as Jersey but the volume which is throughput per year ... they throughput in a week what we throughput in a year in Jersey, so the cost per litre is significantly lower. We have exactly the same situation in other terminals from the RUBIS group in France. But because you are on an island, first the volume is smaller but you also need to have larger storage capacity because it is the only storage capacity, so you need to hold stocks. You have more cost because you have larger storage capacities to compare ...

**The Connétable of St. John:**

If your storage was kept in France, because your Conseil Général some years ago mentioned that we take over an area of duty free land in Normandy ...

**Managing Director, Fuel Supplies CI:**

Yes, but the frame you have with this project, one is you have no fuel terminal on this coast so you will have to build a new facility and the same on the cost of the pipe, is a huge cost. So it will just lead to increases in Jersey and abroad.

**The Deputy of St. Martin:**

Could I move to the Sustainable Transport Policy? You will have read in the document there is a move to ultra low emissions vehicles and a steady increase in the number that is expected to be registered. Can you just tell us how you see your company fitting into that move and where the biofuel-based vehicles fit into that as well?

**Managing Director, Fuel Supplies CI:**

In terms of transport, more and more you will have hybrid cars, you will also have electric cars, and the unit consumption per car is declining. You have also a general trend or general switch from petrol to diesel. You have more and more diesel cars and less and less petrol cars because you have more energy in a litre of diesel than a litre of petrol. The volumes ... if you take the split between petrol and diesel in Jersey in 2005, diesel was 25 per cent of the volumes and petrol was 75. Diesel is now 35 per cent and petrol is only 65. So you have a clear trend and this trend is exactly the same as the trend in Europe. It is again the same changes in the market. So on our side we consider that the unit consumption per car will reduce in the future, so the fuel market will reduce and you will also have the introduction of the biofuels to have greener fuels on top of this. So the reduction in carbon emission will come from 2 aspects. It will come from less consumption and different fuels.

[9:45]

**Deputy J.H. Young:**

Are we geared up to be able to do that as an Island? What do we need to do to achieve that? You said that there are issues about some vehicles obviously not being able to run on these new fuels. They come in, the market provide them. What interventions do we, as a Government, need to do, if any. Or can we just leave it to the market?

**Managing Director, Fuel Supplies CI:**

We have experienced the same type of situation with the withdrawal of super unleaded fuel. We experienced it a few months ago now. It is exactly the same type of situation. You have a small number of vehicles which have to be run with another grade or another product and you will have imports of dedicated and small volumes imported for these vehicles. So this type of change will be implemented and will be done in co-operation with the States department, which are responsible for this type of matter, maybe TTS (Transport and Technical Services). Again, this type of process has already been implemented in other European countries so we benefit from the experience. As a group we will benefit from the experience of Corsica which will happen in the coming months. But it is a process which has to be prepared and structured and we have to communicate to the customers, but we have time in front of us to prepare it.

**Deputy J.H. Young:**

I would like to go back to my question; I do not think we got a complete answer to it. Is there a point possible in the future where the products will be so expensive and the market will decline such that it becomes uneconomic to continue, or is that just dreamland?

**Managing Director, Fuel Supplies CI:**

At the moment it is just an assumption with common sense, but nobody knows and nobody is capable to confirm because you will have less pressure in terms of consumption because you have more efficient equipment and so on. You also have the impact of the economic growth in general, you have less pressure from China, from India and so on at the moment, nobody knows what it will become in 10 or 20 years and you also have new fields, which are discovered on a regular basis.

**Deputy J.H. Young:**

You spoke about minimum stock levels, you mentioned an agreement. Can you tell us about that? You have got a memorandum of agreement?

**Managing Director, Fuel Supplies CI:**

I think it is something the States have always been keen on implementing and in 2010 we started discussions with the Emergency Planning Department to put a framework in place. Guernsey started in 2008 or 2009 because the fuel supplies in Guernsey were affected in 2008 when the 2 States ships lost the Total vetting at that time, and in fact F.S.C.I. had to supply all the Island for a period of time, so the States of course have considered at that time that something had to be put in place to guarantee minimum stockpiling obligations. I think it came from this situation to have ...



**The Connétable of St. John:**

And they bought the ship.

**Managing Director, Fuel Supplies CI:**

Yes, they bought the ship at that time, just after they bought the ships. Then it became important for Jersey to have also something in place, so we used Guernsey M.O.U. (Memorandum of Understanding) as a basis to develop an agreement in Jersey. So the way the agreement is structured you have 4 parties. You have the 2 importers, Esso U.K. and Fuel Supplies. You have the operator of the La Collette terminal and you have the Emergency Planning Department for the States of Jersey. The obligation to maintain minimum stock levels remains with the 2 importers because they have stock. Because the fuel farm and the stocks are managed by the operator of the La Collette terminal, in practical terms, the operator provides on a weekly basis the stock levels to the Emergency Planning Department. The operator makes sure that the 2 importers are compliant with the obligation in terms of number of days and the stock management programme for the following months is also prepared by the operator of the terminal. So in fact in the day-to-day, let us say, management is done by the terminal operator. The mechanism in the M.O.U. specifies that when we reach 7 or 8 days of stock for grades then there is a specific procedure to follow and decisions are taken by the Emergency Planning Department to allocate the stocks to the emergency services and so on, and the restriction measures. In fact, the situation is slightly different between Jersey and Guernsey because you have more restrictions for importing in Guernsey than in Jersey. In Guernsey you have a tidal window so you can only import fuel twice a month for 4 to 5 days, when in Jersey you can have a ship at any time. So the risk of shortage is of course lower in Jersey than in Guernsey. We also have contingency plans and if I take F.S.C.I. as an example, of course our terminal in Guernsey is a backup for the Jersey terminal and vice versa.

**The Deputy of St. Martin:**

Has your refurbishment of the terminal given you any problems with maintaining sufficient stocks?

**Managing Director, Fuel Supplies CI:**

No, because we ... of course we have a reduced storage capacity at the moment because of the ongoing works. We do the works one tank by one, sometimes 2 by 2 depending on the season, and the programme is progressing well. The main premium unleaded tank has been refurbished. The works are nearly completed. The tank will be back into service by the end of the month and we move to the second one. So by mid next year, the third quarter 2014, all the tankage should have been refurbished.

**The Deputy of St. Martin:**

When we move forward 3 or 4 years and we start bringing in ethanol-based fuels and you mentioned importing diesel and the alternative, do you still have capacity then to stock ... because that will be a larger number of options, do you have the capacity to do that at La Collette currently?

**Managing Director, Fuel Supplies CI:**

We have capacity for ethanol because we can relocate an existing tank to this grade and to split the diesel between gas oil and diesel it will be tougher, but it is manageable. In fact all the works we conduct, we always make sure that we put a provision for all these changes and we also have as much flexibility as possible. If I take an example, all the pipe work will be replaced, next project, when all the tanks have been refurbished. What we will do, we will put connections on all the pipes to be able to switch a tank from a grade to another easily by just changing a small piece, which is one of our difficulties at the moment because it has not been designed for these type of changes, so every time you change a tank from a grade to another you are talking about significant works.

**The Deputy of St. Martin:**

If you had to build a new tank from scratch how long would that take from, physically ... if you had permission to do it and you needed to put up a new sensible sized tank, how long a project is that?

**Managing Director, Fuel Supplies CI:**

I would say you need 3 to 4 months for the studies, the ground investigation, this type of thing, and the construction of the tank, 6 months. So let us say a year from the beginning to the end.

**Deputy J.H. Young:**

Thank you. I would like to bring Roger, our adviser in now please.

**Panel Adviser:**

Thanks very much. You have made the case that the energy plan should provide for all fuels to play their part for the sake of choice and security of supply. I would be very interested to know if you had any concrete proposals for how the plan should do this. I was thinking under several headings: the way that new standards are framed for new buildings, the way that retrofit energy efficiency is approached in all existing buildings, combined heat and power we have not talked about at all, that should play a role, what should the plan be doing to open that up to all fuels equally. And finally this vehicles question, because the plan as it stands concentrates on the one hand on ultra low emission vehicles, which will be largely electric or hydrogen vehicles rather than fossil fuel vehicles, and on the other hand on demand management of reducing the need to travel. There does not seem to be much at the moment about the sorts of things you were talking about earlier. So concrete suggestions for what you would like to see in it.

**Managing Director, Fuel Supplies CI:**

The first proposal is something we have discussed earlier; the possibility to offset the carbon emissions to make sure that every fuel has its checks, let us say, in the future. The second thing, and it is something which I think is wider than just this energy policy, but when you consider the future of renewables in Jersey, and the future for renewables in Jersey clearly electricity will have a larger market share or will at least be the main fuel for the new build. The way the market is structured at the moment, the market is locked because there is one provider, Jersey Electricity, and there is no option for another operator to access the market. The RUBIS group is of course assessing different options, not only for Jersey but in general we review our portfolio on a regular basis. From our perspective the grid should be split from the generation and the marketing as in many of the European countries. It would give the opportunities for existing players in other energies to also provide maybe electricity to their customers, which is something we cannot do at the moment.

**Deputy J.H. Young:**

To separate out the generation and supplier, or at least the supply from the distribution?

**Managing Director, Fuel Supplies CI:**

You put the grade aside to make sure that anybody has access to the grid. Same type of situation as the landlines, for example ...

**Deputy J.H. Young:**

Telephones?

**Managing Director, Fuel Supplies CI:**

,... with the competition.

**Deputy J.H. Young:**

So open up access to the network?

**Managing Director, Fuel Supplies CI:**

To competition, yes.

**Deputy J.H. Young:**

Does the RUBIS group do that elsewhere?

**Managing Director, Fuel Supplies CI:**

We do not do it at the moment but we have relationships with electricity companies, for example, in the Caribbean because we have some projects with them for generation plans. It could be a perspective for the group in the future.

**Deputy J.H. Young:**

Sorry to interrupt you, Roger.

**Managing Director, Fuel Supplies CI:**

But if, and I am not talking only about the RUBIS group, but in general operators in the renewable field could be interested in producing their own electricity and the ability to sell it on the market.

**Deputy J.H. Young:**

Any other suggestions in response to that?

**Panel Adviser:**

The other one was the vehicles one.

**Managing Director, Fuel Supplies CI:**

On the vehicle side, to me the change will mainly come first from the manufacturers because you need to have vehicles available to implement the change and the trend to my mind will be a slow trend in fact and a progressive trend.

[10:00]

I do not think you will have a significant switch from fossil fuels, and I put the biofuels with the fossil fuels because it is part of them, to electric in the short term.

**Deputy J.H. Young:**

Just one last question on that vehicle supplementary, if I can. One of the submissions we have had puts great stress on hybrid vehicles as an intermediate step towards electric-powered vehicles which dominate as it were. The fuels you have been talking about, are there any complications of using those type of alternative fuels with hybrid vehicles?

**Managing Director, Fuel Supplies CI:**

All vehicles I would say manufactured from 1990s should be able to run on biofuels without any difficulty.

**Deputy J.H. Young:**

The introduction of these new fuels you have been telling us about, do you think that will have an impact on a number of old vehicles driving around in Jersey? Because it is likely that this will speed up the rate of replacement.

**Managing Director, Fuel Supplies CI:**

No, because the solution will be provided for these vehicles.

**Deputy J.H. Young:**

At a price.

**Managing Director, Fuel Supplies CI:**

If the volume imported for these vehicles is small it will have an impact on the price, for sure. But there is not a unique answer for all the vehicles. In fact the situation is different from a type of vehicle to another. Some will put an additive, some will use another fuel, some will be able to adapt to these biofuels. It is a combination from a vehicle to another.

**Deputy J.H. Young:**

Thank you for that, you have answered my question.

**Managing Director, Fuel Supplies CI:**

What type of vehicle do you have? **[Laughter]**

**Deputy J.H. Young:**

What I am hearing is: "You give me the vehicle, we will find a fuel to make it run." So any other questions? Well, thank you, and you have given us a real insight into your industry, fascinating. Thank you for that and I will close the session.

[10:02]