

STATES OF JERSEY



EVIDENCE-BASED ENERGY STRATEGY (P.11/2025): AMENDMENT (P.11/2025 AMD.) – COMMENTS

**Presented to the States on 16th April 2025
by the Minister for Infrastructure**

STATES GREFFE

COMMENTS

These comments should be read in conjunction with the Second Amendment to P.11/2025, lodged by the Minister for the Environment, and the Comments paper presented in response to P.11 by the same Minister. The Government's position, as set out in the second amendment, and the comments paper is unchanged.

Accordingly, and subject to the proposal as lodged in the Second Amendment to this proposition being adopted, the Council of Ministers will be supporting the substantial proposition of Deputy Jeune.

The Council of Ministers is, however, unable to support this amendment lodged by Deputy Ozouf. Overall, it is considered that the amendment largely serves to add unnecessary wording to the proposition. The majority of the amendment is already covered and enabled by the substantial proposition of Deputy Jeune (as amended by the Minister for the Environment) and therefore doesn't bring additional value. Part of the amendment is also undeliverable at present, and Ministers consider that the consequences of attempting to deliver it are not in Jersey's strategic interests.

The position of the Government is set out in more detail below in respect of each aspect of Deputy Ozouf's amendment.

New part (b) reads as follows –

“to request the Council of Ministers to include within the development of the Energy Strategy a comprehensive review of Jersey's fuel storage and distribution infrastructure, ensuring it is aligned with the objectives of affordability, energy security, market competition, and the Island's transition to net-zero, such review to –”

This is already covered and enabled by the substantial proposition and the proposal set out in the second amendment (part a). Long term fuel storage and distribution will form part of an evidence-based and long-term energy strategy. Part (a) also already covers the need to consider affordability, safety, security, and carbon neutrality. The second amendment has been proposed to ensure the strategy works towards a market that delivers competitive outcomes. It is therefore not necessary to incorporate the additional wording proposed as part of new part (b) in this proposition.

New part (b) i reads –

“assess whether the existing lease arrangements and operational structure of Jersey's primary fuel storage facility support a competitive and non-discriminatory market, ensuring that all fuel suppliers have fair access at reasonable commercial terms;”

It is important to be clear that the existing distribution infrastructure facility at La Collette is not leased, but is owned by La Collette Terminal Limited (“LCTL”). It is the land which is leased. The Environment Minister's comments cover market competitiveness and considerations for Jersey in this respect so far as energy markets are concerned. In respect of the La Collette site, the Jersey Competition and Regulatory Authority (“JCRA”) has a remit. An Operation Agreement is in place, and this contains 14 conditions which have been required by the JCRA, including to ensure fair access. For these reasons, Ministers consider that these matters are already being accommodated, and therefore do not accept this part of the amendment.

New part (b) ii reads –

“ensure that any renewal or future lease arrangements for fuel storage facilities, including but not limited to the La Collette Fuel Farm, are subject to an open and transparent competitive tendering process;”

It is important to be clear that the Council of Ministers have taken a policy decision that the actions that would be required to run a tender process for the fuel farm would not be in the best strategic interests of the island, as opposed to a decision to continue with the current operator. A decision as to whether to grant a new lease to the current operator needs to be taken by the end of April. That decision has been paused pending the outcome of P.11. The policy of the Council of Ministers is to issue a new 15-year lease to LCTL.

The adoption of this part of Deputy Ozouf’s amendment would therefore require the policy position of the Council of Ministers to be reversed, with the associated consequences. The reasons for Ministers taking this decision, and not deciding to take the actions that would enable a tender process to take place, are set out below.

Prima facie, this part of the amendment appears to be a desirable approach. However, the position is more nuanced.

Fundamentally, the fuel farm is not owned by the public – it is only the land on which the fuel farm is based which is owned by the public, and leased to the operator. In order to tender for an operator, the Government would need to purchase the facility first. The equipment at the fuel farm is owned by the operator, reflecting historical arrangements that predate the current lease. As the equipment does not belong to the Public, the position of the Public as matters stand is that it either exercises an option to purchase the equipment or serves notice for the operator to clean up the site (which would also involve the removal of the equipment owned by the operator).

This would inevitably lead to an interruption to the service, creating resilience risks and generating costs associated with the acquisition and specialist technical knowledge that is required to maintain the specialist equipment at the fuel farm. The fuel farm also requires immediate investment which would total several millions of pounds in the coming years. In addition, there would be an acquisition cost which would also total several millions of pounds. The current operator will deliver the investment needed if they have certainty of tenure. This expenditure does not include the cost of the clean-up and decontamination works, which is also the responsibility of the owner of the facility and would fall to the taxpayer were Government to acquire the facility. It is therefore not considered appropriate or optimal for the public to acquire the facility. The current operator is best placed to provide the investment that is required in the fuel farm and can be given the assurance that is needed to secure that investment by means of a renewed lease agreement. Competition is currently provided with the status quo operation of the facility, through the Operating Agreement. Use of the facility is open to all importers and distributors of liquid fuel to the Island, providing competition and best value for consumers.

It is also important to point out that a tender process for the fuel farm would only have a limited effect on competition as not all the land that fuel storage facilities are located on is under direct Government control. In fact, there are other storage tanks in La

Collette on land leased by the Jersey Electricity Company, and the fuel storage facility at the airport is on land leased to Ports of Jersey.

Regard must also be given to the cost and risk of the public acquiring and maintaining a 50-year-old facility, particularly with the uncertainty around the future ongoing need for liquid fuels.

New part (b) iii reads –

“examine opportunities for optimising fuel storage capacity in light of projected reductions in fossil fuel consumption, ensuring right-sized infrastructure that meets the island’s resilience needs without excessive cost burdens on consumers;”

This is already covered by P.11 as proposed and amended by the Environment Minister. This consideration will form part of the long-term strategy. Capacity can be adjusted through current and future lease arrangements.

New part (b) iv reads –

“explore whether alternative models for fuel storage management, including: the States of Jersey either directly or delegated to an appropriate majority or 100% States-owned entity, potential public-private partnerships or other non-States diversified infrastructure, could enhance both security of supply and consumer pricing; and”

Again, this is already covered by the provisions of the existing proposition and the second amendment, and would feature as part of the review of long-term energy requirements.

New part (b) v reads –

“ensure that the forthcoming Energy Strategy explicitly considers all options for the long-term management of fuel storage in Jersey, including a review of alternative models that separate infrastructure management from fuel supply distribution, in line with the Government’s commitment to energy security and resilience;”

Ministers similarly consider that this represents unnecessary, additional wording, and is already covered by P.11 and the second amendment lodged by the Minister for the Environment. It should also be noted that a separation between infrastructure management and fuel supply distribution is already in place at La Collette Fuel Farm. LCTL owns and manages the infrastructure and provides a service to three different distributors.

Conclusion

It is for the reasons set out above that Ministers request that the Assembly rejects the amendment lodged by Deputy Ozouf.

There is no intention, however, to discredit or disregard all of the requests that are set out in the amendment. Ministers are content for these considerations to form part of the work that would be mandated by P.11, as amended by the second amendment. The exception is new part (b) ii, for the reasons given.

Making this a lengthy and more prescriptive and complex proposition will likely be counter-productive to the work that needs to take place.