

STATES OF JERSEY



PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): THIRTEENTH AMENDMENT (P.51/2024 AMD.(13)) – COMMENTS

**Presented to the States on 22nd November 2024
by the Council of Ministers**

STATES GREFFE

COMMENTS

Summary

The amendment seeks to commit the Government to increasing fuel duty by RPI plus an additional 2 pence per litre on an annual basis from 2026 to 2028. The Budget 2025 already assumes that fuel duty will increase by at least RPI from 2026. This is consistent with the long-standing convention of uprating impôts by at least RPI on an annual basis to maintain their real value.

The impact of the amendment - as a result of adding 2 pence per litre (ppl) above RPI to fuel duty rates - would be to increase Exchequer receipts by £781,000 for 2026, £1,555,000 for 2027 and £2,331,000 for 2028.

Deputy Renouf has proposed that the entire increase in receipts should be ring-fenced into the Climate Emergency Fund (CEF).

The Council of Ministers do not support this amendment and ask States Members to reject it.

Comments

The Budget 2025 – 2028 has proposed to freeze fuel duty for 2025 but does not commit to future duty changes beyond 2025. The decision on whether to maintain the convention to uprate fuel duty for 2026 and beyond (by RPI inflation) will be for next year's Budget (Budget 2026).

It is uncommon for the Government to make an explicit commitment before the corresponding Budget debate—in this instance, the Budget 2026 debate scheduled for winter 2025.

Increasing fuel duty by RPI from 2026

The reinstatement of the indexation of fuel duty in line with RPI beginning in 2026 is the baseline assumption that has already been factored into budget planning. The proposed amendment to uprate by RPI seeks only to emphasise a policy that is a matter of record.

Under the Public Finances (Jersey) Law 2019, each annual budget and variations of a tax or duty within must be approved independently by the States Assembly. Annual budgets cannot bind future Assemblies or Councils of Ministers to specific fiscal policies.

While the Council of Ministers can signal policy intentions for future years, these are inherently subject to reconsideration based on the prevailing economic, fiscal, and social circumstances at the time. The current wording within the Budget strikes a balance between clarity and flexibility, enabling the Government to address future economic conditions without unnecessary constraints.

Fuel duty and the climate emergency

The Government currently hypothecates 9 pence per litre into the CEF from fuel duty on an annual basis, which is the most significant source of funding into the CEF. This is in line with the commitment made in 2020 to introduce above RPI increases to fuel duty to support the Carbon Neutral Roadmap. The other source of funding is from Vehicle Emission Duty (VED) receipts.

From 2020 to 2022, fuel duty was increased between 2ppl to 3ppl each year in support of the Carbon Neutral Roadmap. In 2023 and 2024, the decision was made to freeze fuel duty to support Islanders in the cost-of-living crisis. As a result, this led to ceasing further uprating of fuel duty for hypothecation into the CEF.

The Council of Ministers’ decision to freeze fuel duty for another year is consistent with the [Common Strategic Policy](#) for 2024 – 2026 which aims to keep Government fees, duties and charges as low as possible to support households during the cost-of-living crisis.

The Council of Ministers remains committed to the climate emergency agenda and, in support of this agenda, the 2024 – 2027 Government Plan approved a reduction in the duty for biofuels. A 9ppl reduction for specific biofuels was introduced for 2024 to encourage Islanders to switch to more sustainable fuels. This reduction in duty is to remain for 2025 and, unless specifically amended, will continue into the future. This aligns with the need to meet our commitments to address climate change through the Carbon Neutral Roadmap as part of the Common Strategic Policy 2024 - 2027.

Impact on fuel duty rates

The current rate of fuel duty for unleaded fuel is £63.89 per hectolitre, equating to £0.6389 per litre. The median price of unleaded fuel on 6 November 2024 was £1.48 per litre¹. The breakdown of the price an Islander pays for a litre of fuel is outlined below:

Unleaded price paid by Islanders: £1.48 per litre
 Duty paid per litre: £0.639
 GST paid per litre: £0.070
 Retail price per litre before tax: £0.771

This provides a snapshot of the components that influence the price of fuel with fuel duty already accounting for at least 43% of the price of fuel. Any increase in fuel duty will directly influence the price paid by Islanders.

The Council of Ministers has been cognisant of the impact which fuel duty has on the purchase price of fuel and, as a result, has chosen to freeze any increase in the duty to help keep fuel prices lower.

The amendment proposes to uprate fuel duty by RPI from 2026 with an additional 2ppl premium to the rate of duty each year. Using unleaded fuel as an example, the duty rate of fuel will likely increase as follows:

pence per litre	2024	2025	2026	2027	2028
Fuel duty (RPI increases)	63.89	63.89	64.98*	68.32	71.86
+ 2 pence			2.0	2.0	2.0
Revised rate			66.98	70.32	73.86

*RPI is based on the June RPI forecast from the Fiscal Policy Panel’s (FPP) Spring 2024 economic assumptions.

Inflationary impacts

For many Islanders, their essential household costs include fuel. Any increase in the rate of fuel duty will have a direct impact on the price of fuel and thus on a person's disposable income. Whilst the Council of Ministers is committed to supporting the climate emergency goals, they must also strike the right balance for Islanders.

The price of fuel in Jersey has declined since 2022 but remains slightly above February 2022 averages.² With fuel prices declining, there is merit in considering increasing fuel duty to revert back to the policy to introduce annual above RPI increases to support the Carbon Neutral Roadmap. However, the price of fuel cannot be viewed in isolation.

According to [Statistic Jersey's Retail Price Index Report](#) of September 2024, RPI increased by 3%. In reviewing the percentage change for each group that is factored into the headline RPI rate, motoring saw no price increase over the 12 months to September 2024. For motoring, as there was no change, the annual contribution to overall RPI was -0.1%. Overall impôt duties increased in January 2024, contributing +0.2pp to overall annual change in RPI (noting that fuel duty remained frozen in 2024). As a result, fuel has not created any upward pressure to RPI over the past 12 months. It may be that this is as a result of the previous fuel duty freezes and the reduction in fuel prices, furthering the argument to support Islanders by continuing the freeze to fuel duty.

Whilst RPI inflation is forecast (by the FPP) to return to and remain at more normal levels, cost of living pressures will continue. The Council of Ministers has committed to helping Islanders mitigate the cost of living and to keeping fees and duties as low as it can. On this basis, the Council of Ministers is unable to commit to accepting an increase to fuel duty for 2026 without considering the economic climate at the time.

Other jurisdictions

The UK announced in its Spring 2024 Budget that it will continue to freeze fuel duty for the 2025/26 tax year, stating it will save drivers approximately £59.³ This extends the previous decision to introduce a temporary 5 pence cut for a year. In freezing fuel duty, the UK aims to support "hard-working people and businesses".

Similarly to Jersey, the other Crown Dependencies (Guernsey and Isle of Man) only set their excise duties on an annual basis. Guernsey has announced that it will freeze fuel duty for 2025 to support individuals.⁴ Isle of Man has also announced that it will freeze fuel duty for 2025. Neither jurisdiction has made any commitment to amending the fuel duty rates for 2026 and beyond.

Conclusion

The Council of Ministers opposes this amendment on the grounds that fuel duty rates are set on an annual basis and it does not support committing the Government to setting rates without understanding the impact it will have on Islanders at that time.