

Government of Jersey  
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Deputy Hilary Jeune  
Chair, Environment, Housing and Infrastructure Panel  
Morier House  
Halkett Place  
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Jersey  
JE1 1DD

9<sup>th</sup> June 2025

Dear Chair,

**RE: La Collette Fuel Farm**

Thank you for your letter of 29<sup>th</sup> May 2025.

In response, I believe it would first be beneficial to provide you with relevant background information on the La Collette Fuel Storage Site (also known as the Fuel Farm) which will help provide the context in addressing the specific questions posed.

The lease in question is a land lease, and not a lease or contract for the operation of the Fuel Farm. The facility and buildings on the site do not belong to the public of Jersey, only the land that the facility is built on. The Fuel Farm was originally built by a Shell and Esso joint venture in 1979.

In mid-2008 Rubis announced the acquisition of Shell UK's assets and fuel distribution business in the Channel Islands, which made La Collette Terminal Limited (LCTL), through its parent Rubis, a 60% owner of the fuel farm with Esso who owned the other 40%. The Channel Islands Competition Regulation Authority (CICRA) reviewed the acquisition in March 2009 and found that the acquisition would not result in a substantial lessening of competition in Jersey and approved it.

LCTL applied to CICRA again in 2014 to approve its acquisition of the remaining 40% share of the fuel farm owned by Esso. CICRA deemed that the acquisition would lessen competition and conditioned the approval of the purchase. The approval is therefore subject to conditions, which would remain in force for the period the land on which the fuel farm is situated is leased to LCTL (Rubis), including the duration of any new lease over the site from the Public of Jersey.

Although the facility is owned and operated by LCTL which is a wholly owned subsidiary of Rubis Energie, it does not import nor own the fuel that is stored at the facility. Fuel importers and distributors are responsible for the importation and distribution of fuel and LCTL is a service provider that stores fuel on behalf of other companies by means of a throughput agreement and does not own or sell fuel stocks. It should be mentioned however that Fuel Supplies (C.I.) Ltd, also part of the Rubis group, does sell and distribute fuel also via a throughput agreement with LCTL. And more importantly, that the conditions imposed by the JCRA on LCTL includes a

formula to calculate the service charge to throughputters, and a condition that any fuel importer or distributor, including ATF, can make use of the service provided by LCTL.

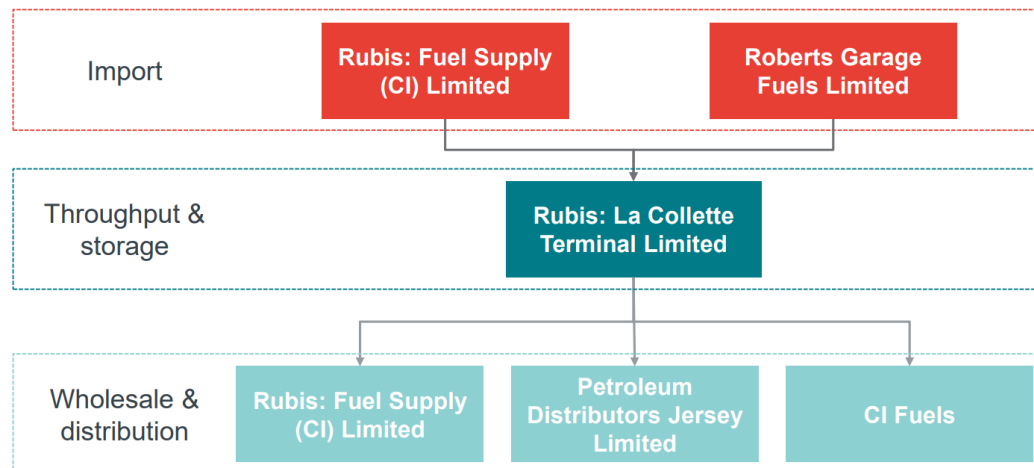


Figure 1: Structure of the market for petroleum products in Jersey (via the Fuel Farm)

Source: Frontier Economics

Note: This diagram was published in 2016 and is focused on illustrating the structure and the players involved in the activities at the Terminal, and the potential vertical competition issues within that specific supply chain. It is noted that ATF's alternative supply route via the ferry terminal with storage at the airport is excluded from this diagram, although it is recognised that is part of the wider fuel market in Jersey. Roberts Garages and PDJ were bought by Motor Fuel Group (MFG) in 2018.

The facility currently stores four grades of fuel (PU10, ULSD, KEROSENE and HVO), which are then distributed as road, heating, marine and aviation fuels. These products are fed directly by ship from various refineries and terminals in Europe, unloaded at the Ship Tanker Berth, and are made available ex-rack from loading gantries to fuel distributors. The Ship Tanker Berth in the Grande Mangeuse basin is the only facility in Jersey where liquid fuel products can be offloaded from tanker ships directly into storage tanks.

Hopefully this provides the panel with the relevant background and context, and I will now turn to your specific questions raised.

# **1. What further progress has been made by you and the Council of Ministers in relation to the Fuel Farm Lease Renewal?**

As mentioned by Deputy Ozouf during the question session in the States Assembly on the 13<sup>th</sup> of May, following a full briefing by officers over a number of previous meetings, the decision taken by the Council of Ministers at their meeting held on the 8<sup>th</sup> of April was to pursue with the current operator an extension to the land lease for 15 years, to include the possibility of adding relevant break clauses. Following this decision, Jersey Property Holdings have commenced with a red book valuation of the land and have discussed the possibility of adding 'break clauses' in preparation for the lease negotiations with the owner of the facility, La Collette Terminal Limited.

**2. During the States Assembly sitting on 13th May the Chief Minister indicated that further conversations would need to take place with you and the Council of Ministers in order to consider whether a break clause in the lease with the current operator would be appropriate ‘to allow flexibility’. Has this happened and what was the conclusion of those discussions?**

Advice was obtained to determine if and how possible break clauses can be introduced to the new lease agreement. Although possible, it is important to note that the proposals will still need to be negotiated with the owner of the facility.

As mentioned, the fuel farm was originally built by as a joint venture between Shell and Esso in 1979, and since the aging infrastructure is more than 45-years old, it requires significant Capital Investment. To allow the current owner enough certainty to be able to make the investment in the infrastructure that is necessary and provide them with an acceptable return on investment, LCTL has asked for a 20-year renewal on the lease of the land. An initial meeting was held on the 4<sup>th</sup> of June to start discussions on the terms of lease, which was positive. Once the draft lease has been agreed with LTCL, it will then be presented to COM to approve the final terms of lease before any agreement is signed.

**3. How do you envisage any lease or contractual arrangements changing in future in the best interests of the Island?**

The recommendation made to the Council of Ministers is in the best interests of the Island. The recommendation was made after a considered and data driven process of obtaining a valuation of the buildings and equipment, reviewing the historical decisions of the Jersey Competition Regulatory Authority (JCRA) and the conditions imposed on LCTL, and working closely with the Law Officers; the Housing, Environment and Placemaking section of the Cabinet Office; and the Chief Economist.

All the options available to the Government of Jersey were defined and the possible impact of all decisions analysed by means of a detailed decision tree. A full review was undertaken of all the options, measuring them all against key criteria such as resilience, competition, political impact, economic impact, and planning approval and other design constraints. As mentioned, the conditions imposed by the JCRA on LCTL includes a formula to calculate the service charge to through putters, and a condition that any fuel importer or distributor can make use of the service provided by LCTL. So, from a competition aspect, the JCRA is satisfied that the facility is accessible to all players in the Jersey fuel industry and all through putters are charged a fee calculated by a set formula. This is a condition that will logically be imposed on any future owner operator of the Fuel Farm.

Because the energy landscape is changing constantly, and a long-term Energy Strategy will be in place when the new lease terminates, we envisage that the same thorough and detailed process will be needed prior to any future lease or contractual arrangements to ensure that the outcome is in the best interest of the public of Jersey. For that reason, the current clauses that allow the public the opportunity to purchase the facility or for the tenant to conduct clean-up works should remain in the new lease agreement.

**4. What other arrangements for enforcement mechanisms to ensure safety have now been discussed and how will these be reflected in contractual agreements?**

Deputy Ozouf's concerns about safety as voiced in the States Assembly on the 13<sup>th</sup> of May are fully known and are being appropriately managed. Fire safety has always been paramount, as it should be with all players in the fuel industry in Jersey, whether the fuel is imported via the ship tanker berth at Grande Mangeuse in La Collette, or via ferry at the Elizabeth Terminal, and whether the bulk fuel is stored at the Fuel Farm in La Collette, Elizabeth Terminal, or at the fuel farm at the airport.

To date LCTL has worked closely and cooperatively with the Jersey Fire and Rescue Service and the company's annual petroleum license is issued based on compliance with international & local protocols. Fire safety is yet another reason why continuous capital investment in the facility should be a priority.

**5. Why was a decision taken not to put the contract out to competitive tender?**

**6. Were different approaches considered for the tender process, and what was ultimately determined to be the optimal route and why?**

Questions 5 and 6 will be answered as one below.

There is no contract. As mentioned previously, the facility is not owned by the public of Jersey, only the land that the facility is built on. The owner of the facility enters a land lease with the public and not a contract to operate a facility that is owned by the public. This is a very important distinction.

To tender for an operator of the facility, the Government would need to purchase the facility first. 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, renews the current lease, or serves notice for the incumbent tenant of the land to clean up the site (which would also involve the removal of the equipment owned by the tenant).

More importantly, the JCRA imposed fourteen conditions on LCTL that includes a requirement for an Operation Agreement as an addendum to the lease, a condition that any fuel importer or distributor can make use of the service provided by LCTL and that all users of the facility should be party to a throughput agreement and that the prices charged to through putters for the fuel storage service should be calculated by a formula stipulated that is equal for all. It is logical to assume that the JCRA will require any future owner/operator of the facility to be required to operate along the same conditions, which means that the cost to through putters will not change and that the downstream cost to the consumer is not determined by the income of the operator of the Fuel Farm.

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. It is not in the best interest to the public of Jersey to decommission the fuel farm all together as the impact on resilience is too great. Without a fuel storage facility in La Collette, the island will not have enough storage at the fuel farm operated by ATF Fuels at the airport and will lose the capability to

receive liquid fuels via tanker ship. 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 owner of the facility 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. 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.

It is therefore not considered appropriate or optimal for the public to acquire the facility, especially given the cost and risk of the public acquiring and maintaining a facility that is nearly 50-years old, and particularly with the uncertainty around the future ongoing need for liquid fuels.

Competition was a major consideration and is currently provided with the status quo operation of the facility, through the Operating Agreement which addresses the fourteen conditions imposed on the incumbent tenant by the JCRA.

Use of the facility is open to all importers and distributors of liquid fuel to the Island, providing competition and hence 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 to the Jersey Electricity Company, and the fuel storage facility at the airport is on land leased to Ports of Jersey.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Andy Jehan', with a stylized flourish at the end.

Connétable Andy Jehan  
**Minister for Infrastructure**