

**STATEMENT TO BE MADE BY THE ASSISTANT CHIEF MINISTER  
ON MONDAY 14th DECEMBER 2015**

**Next steps for the Fuel Market Review**

I would like to take this opportunity to update members on my recent discussions with the Jersey Competition and Regulatory Authority concerning next steps on the fuel market review.

I am pleased to say that officials and I had a full and frank discussion with the Board last week.

I explained that there was a need to better explain their findings from the first stage of the fuel market review.

The initial analysis found, on the basis of the information provided, that “there are no reasonable grounds” to suspect that fuel markets in Jersey “are not acting in the best interests of consumers”. However, the JCRA has agreed to undertake further analysis to help States Members and consumers better understand the situation.

The Council of Ministers and the JCRA agree that fuel costs are an important part of Islanders’ budgets and we all want to make sure consumers are getting the best outcomes.

Jersey is a small market, and as a community more remote than some in the UK we may not always be able to expect the same fuel costs as elsewhere. But taxes and duties on certain fuels are considerably lower in Jersey than in the UK, so we need to look at prices *before* these are applied.

It is a very high priority for the Council of Ministers to ensure that competition, and if necessary regulation, work to deliver the best results for Islanders.

We should not be afraid to use regulation where markets are clearly not working in consumer interests and there are no alternative remedies. Such a step should not be taken lightly though, as it will entail costs that could ultimately be borne by consumers.

We need to move beyond simple price comparisons that often do not compare equivalent prices or reflect the characteristics of the local market.

Given the concerns among States members about the situation in the gas market I have asked the JCRA to consider this market first and provide further analysis on:

- Retail prices and how they compare over time in Jersey relative to an appropriate benchmark - such as equivalent prices in the UK or elsewhere - and how they have varied relative to wholesale prices.
- The rates of return and gross margins achieved in the sector that were calculated on the basis of the accounting information provided are sensitive to changes in assumptions such as the value of the asset basis and further analysis of operating costs.

I express the hope that under the current arrangements the JCRA will agree that this approach will be applied to the other aspects of the fuel market covered in the first stage review, including petrol and heating oil.

My officers are working with the JCRA to agree terms of reference and timetable for this additional analysis and I will update members as soon as this has been finalised.

It is also worth noting the parallel work already underway on improving our competition framework. The influential independent review by Oxera, has been well received by all stakeholders, including the JCRA. The review took into account the context within which the JCRA operates, and focussed on securing better outcomes for local consumers and the Jersey economy. The review was clear in terms of how we can strengthen all aspects of our competition framework.

Professor Sir John Vickers, who acted as an adviser to Oxera on this review, said that it is just as important for markets in a small island economy to work well as it is for markets in larger economies.

He added that to achieve this, it is necessary to recognise that competition policy is not just the task of the competition authority but also of Government. He observed that, while it is hard to conduct competition and regulatory policy well and that there are particular challenges in a small jurisdiction, the economic benefits can be substantial.

The Oxera report identifies that, while there are benefits in maintaining the current competition framework, there is a perception that the JCRA is not as effective as it should be.

Themes emerging from stakeholders included the need for better communication from the JCRA, better coordination on policy between the government and the JCRA, and a pragmatic approach to competition and regulatory activity.

I intend to see that all 23 of the recommendations are implemented either by changes in legislation, implementation by the JCRA itself or where appropriate more involvement from the Government. The Government must ensure that whilst maintaining the JCRA's appropriate operational independence the JCRA is in the best position to perform the very important role with which it has been entrusted.

Having been delegated the ministerial portfolio for competition, I am determined to ensure that our laws, policies and arrangements are the best they can be. This will allow our markets to continue to work in the interests of consumers and the Island as a whole. Effective competition and regulatory policy, combined with low barriers to entry and greater innovation, is critical in supporting jobs and growth and in keeping inflation low.

Work is already underway in implementing Oxera's 23 recommendations and I intend to respond in detail to each one. Officials are working with the JCRA to publish an action plan, by the end of January 2016, which will explain how each of the recommendations will be addressed.

I hope States members recognise that by undertaking further analysis of the fuel market and by implementing Oxera's recommendations we will be in a position to properly understand the situation in our fuel markets and whether consumers are getting a fair deal. We will also be taking all the necessary steps to ensure that our competition and regulatory framework is as strong as it should be and that consumers' wider interests are being protected.

An up to date and robust competition framework is essential to help address concerns about the cost of living in Jersey and to ensure that markets work efficiently and effectively in supporting

productivity led economic growth. That is why Council of Ministers place such high priority on this work and why I am determined to drive it forward.