

STATES OF JERSEY



GOVERNMENT PLAN 2021–2024 (P.130/2020): FIFTH AMENDMENT

Lodged au Greffe on 30th November 2020
by Deputy R.J. Ward of St. Helier

STATES GREFFE

1 PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law”, insert the words –

“except that the estimate of income in 2021 for Impôts Duties Fuel shall be reduced by £56,000 by reducing the rate of fuel duty paid on 2nd generation biofuel to 0%”.

DEPUTY R.J. WARD OF ST. HELIER

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2021 – 2024 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2021 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law except that the estimate of income in 2021 is reduced by £56,000 as a result of reducing the rate of fuel duty paid on 2nd generation biofuel to 0%;
- (b) to approve the amounts to be transferred from one States fund to another for 2021, in line with Article 9(2)(b) as set out in Appendix 2 – Summary Table 2 to the Report;
- (c) to approve the proposed borrowing to be obtained for 2021, in line with Article 9 (2)(c), up to and including the amount set out in Appendix 2 – Summary Table 3 to the Report;
- (d) to approve each major project that is to be started or continued in 2021 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved government plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (e) to endorse the efficiencies and other re-balancing measures for 2021 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i);
- (f) to approve the proposed amount to be appropriated from the Consolidated Fund for 2021, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;

- (g) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2021 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (h) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2021 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report; (i) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2021 as set out in Appendix 2 – Summary Table 9 to the Report; and
- (i) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2021 as set out in Appendix 2 – Summary Table 9 to the Report;
- (j) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2021-2024, as set out at Appendix 3 to the Report.

REPORT

As we move towards the stated goal of Carbon neutrality, it is clear there will be a need to transition away from fossil fuels and provide alternatives that fit our current travel modes where possible. A trial of a 100% renewable 2nd generation biofuel is ongoing in Jersey. However, due to the relatively low quantities being trialled, the cost is around 50p per litre more expensive.

The duty is the same as normal diesel, so 56.55ppl. For illustration purposes we can split the price up as follows:

- 50-55ppl is the product cost (linked with Platts, the market for refined product), shipping, insurance, storage, demurrage, harbour dues, additives, distribution, admin, marketing, distributor margin and retailer margin.
- 50-60ppl refinery premium – this is based in euros and will fluctuate. This is partly based on production costs but also supply and demand factors. The demand for Renewable Diesel is significant and the supply is relatively small now, this is a key factor for the higher price.
 - This is European market supply and demand, nothing to do with the Channel Islands. EU countries with this product offer a tax incentive, this is driving high demand for business to switch as it will improve their tax credits. Not an area I am fully versed on but from what I understand you have a system which provides ‘green certificates’ which can be traded, business is incentivised/penalised for their green behaviour – so Renewable Diesel is an attractive way to gain ‘credits’
 - Supply is increasing, as more traditional refineries are switching to bio, this will eventually reduce the premium on this product
- 56.55ppl current JSY tax

This change will enable the creation of a level playing field regarding price and encourage the move to sustainable fuels. It is particularly important as older diesel cars can utilise the fuel and significantly reduce emissions and pollutants.

The sustainable transport policy will bring forward action of some kind on transition fuels as we move from a fossil fuel economy. We have an opportunity to encourage and trial one such fuel. 100% 2nd generation biofuel (named RD100) is available on island in relatively small quantities.

Currently there are 100,000 litres of RD100 diesel on island.

This fuel is expensive compared to traditional diesel. Around 50p per litre more expensive. By removing duty, this will make the cost comparable and have a positive environmental impact. RD100 is particularly useful for older diesel engines.

Biofuels are considered better for cars with diesel particulate filters. This is a particular issue for island stop/start travel.

There are examples around the world of ways to promote the move to more renewable fuels such as RD100.

The US incentives are for businesses and in Sweden it is all Biodiesel fuel. In the US there are tax credits that firms can claim for the use of R100 type fuels an incentive to use them.

This is from a KPMG report on how to claim them:

“The IRS today released an advance version of Notice 2020-8 that provides guidance for making a one-time claim for payment of the credits and payments allowable for biodiesel—including renewable diesel—mixtures and alternative fuels sold or used during calendar years 2018 and 2019”.

In Sweden, they passed legislation in 2017, making biofuels tax exempt, which led to a 124% increase in Hydrotreated Vegetable Oil (HVO) biofuel sales in October 2017 compared to October 2016

Financial implications

Costs are the non-receipt of duty as follows:

Currently 100,000 litres of RD100 are held on island. Therefore, a loss of circa £56,000 if all sold.

There was minimal spend of the climate emergency fund in 2020 due to Covid-19 and due to time being taken to develop specific actions. This fund can be used as whole or part reimbursement.

It is also noted that utilising RD100 within the Government of Jersey vehicle fleet would decrease the financial detriment, as the lower costs incurred would directly offset the decrease in customs revenue.

The longer-term benefits to the environment and support of the commitment to Carbon neutrality cannot be quantified easily.