

2020.06.30

14 Deputy I. Gardiner of the Minister for Economic Development, Tourism, Sport and Culture regarding the cost of heating oil in Jersey: (OQ.175/2020)

Given that, from January to May 2020, the average Jersey heating oil price per 1,000 litres decreased by approximately 10 pence, whereas in the United Kingdom during the same period there was a decrease of almost 25 pence, will the Minister advise whether any examination has been undertaken of the reasons for this significant difference in price and, if not, why not?

Senator L.J. Farnham (The Minister for Economic Development, Tourism, Sport and Culture):

Current prices in Jersey as of 23rd June range from 48.5 pence to 51.62 pence per litre. I do note that prices in the United Kingdom vary considerably based on the delivery window that is required. A random online search showed prices ranging from 28.94 pence per litre to 48.74 pence per litre for delivery in Poole and Dorset area, for delivery ranging from next day, the cheapest prices, to 2 weeks. There are clearly some added costs applicable to local fuel suppliers versus a U.K. counterpart such as lack of scale to the business shopping costs in the U.K. to Jersey and the prevailing requirement that they stock-hold a certain number of days' supply to provide resilience to the local market. I was going to ask the Deputy to supply her research so we could look at that, which she has very kindly done this morning, and I have forwarded that to officials and asked that they carry out some investigation to see if we can get a renewed idea on the price difference. I would say that, since the addition of an additional distributor in Jersey, we have seen more competitive prices and better services with the distribution.

4.14.1 Deputy I. Gardiner:

During the years we usually have a very steady difference between the U.K. and Jersey and now it is increased. What can be done to ensure that all Islanders benefit from the drop in international oil prices and not just the local heating oil suppliers?

Senator L.J. Farnham:

We have seen a drop across the board in fuel prices and, as I said, the prices we pay over here, as in other markets, do vary largely because of the economies of scale that apply.

[11:15]

That is one of the reasons behind the anti-inflation group that we established with a strategy at the tail end of last year. Competition is a hugely important part of controlling inflation so we need to be very alive to these situations and I have said to the Deputy I have now passed her research on together with the work we have done on the pricing to ask for some guidance on how we proceed.

4.14.2 Deputy L.B.E. Ash of St. Clement:

Would the Minister agree with me that we have many pricing difficulties, particularly regarding competition, and that hopefully the new Jersey Island Competition Regulator, replacing the old C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities), will improve this situation?

Senator L.J. Farnham:

I do agree with the Deputy. The Jersey Competition Authority will be resourced and based upon and focused upon our local market and will be able to commit more time and effort into dealing with some of the challenging competition issues that we do have.

4.14.3 Deputy G.P. Southern:

Will the Minister act in any way, now that oil prices have gone down, to ensure that prices in Jersey, including those of gas, are maintained at the levels appropriate for the falling price of wholesale oil?

Senator L.J. Farnham:

We have acted in so much as now I have asked officials to come back to find out exactly the reasoning and rationale for the latest differences and the unexplained increase in the gap during the COVID-19 period. We need to see their answers first before we decide on the next course of action but, like the Deputy, I am committed to ensuring Islanders get the fairest possible deal. I am committed to ensuring these markets are competitive and work properly.

4.14.4 Deputy G.P. Southern:

Is the Minister prepared to cap prices in Jersey? Because it is clear to me that competition in a small economy like ours does not work.

Senator L.J. Farnham:

It is not that easy; we do not have the power, either as Ministers or an Assembly, to simply cap prices. We refer to the Gas Company Law, for example, that is the piece of work we are conducting now in light of the recent increase in the gas price tariffs. But before we can intervene we have to ask for the rationale behind the reasons that prices are included. We cannot act without understanding that rationale, so we are in the process of trying to understand that rationale.

Deputy G.P. Southern:

How long does that take?

The Deputy Bailiff:

You have had your second question, Deputy Southern.

4.14.5 Deputy R.J. Ward:

Given the Minister's keenness on competition in order to bring down prices, would he act to remove duty or reduce duty on biodiesel that has been developed on the Island so that it is a genuine choice for users who want to use a more environmentally-friendly fuel as we transition towards a less carbon rich economy?

Senator L.J. Farnham:

I would like to see as much incentive as possible to drive us to a much more environmentally and sustainable future. That no doubt will be a discussion the Assembly will have later in the year when the Minister for Treasury and Resources delivers the budget I am sure. Given the sentiment that came out during part of the in-committee economic debate that we had, which clearly showed an appetite for States Members to drive the economy in that direction, preferably on biofuel or sustainable other forms of propulsion. So, yes, I am supportive of that move and I would like to see, wherever possible, duties and charges and taxes that encourage that behaviour kept to a minimum.

4.14.6 Deputy R.J. Ward:

Can I ask the Minister then has his officers looked at the figures from Deputy Gardiner? Perhaps they should also look at a trial of removal of biodiesel duty for particular groups to see whether we can encourage its use and make it more competitive as a choice for Islanders.

Senator L.J. Farnham:

I will certainly ask them to consider that when they present their findings to myself and other interested Ministers.

4.14.7 Deputy I. Gardiner:

Increasing profits for oil prices, it is one of several examples that we have seen during the COVID crisis. Would the Minister consider profiteering legislation so businesses that are taking advantage of the COVID crisis to increase profits will be held to account?

Senator L.J. Farnham:

Like I said previously, it would be important to fully understand the issues we are facing, fully understand the reasons and rationale behind why we suddenly have seen during the COVID period this increase in the gap between prices, which is normally reasonably steady. So the answer is not no, but it is not yes either. I think we need to get all of our facts lined up before we can make those sort of decisions.