



Environment Scrutiny Panel Energy Policy Review

TUESDAY, 9th JULY 2013

Panel:

Deputy J. H. Young of St. Brelade (Chairman)
Deputy S.G. Luce of St. Martin
Connétable P.J. Rondel of St. John
Mr. R. Levett (Panel Adviser)

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)
Deputy E.J. Noel (The Assistant Minister, Treasury and Resources)
The Director for Environmental Policy

[09:31]

Deputy J.H. Young of St. Brelade (Chairman):

Good morning, everyone. Welcome to this morning's session of the Environment Scrutiny Panel. For the record, continuing our review of Pathway 2050: An Energy Plan for Jersey, the Minister for Planning's draft energy plan issued for consultation. On this side we will introduce ourselves. Deputy John Young, Chairman of the Panel.

Deputy J.H. Young:

Probably I am rushing a little bit because this morning we are on a very short session with you, Minister, much shorter than we normally do. We very much appreciate you coming because I know you are very busy. We are going to try and ask you very short questions this morning so would appreciate it if you could try and be precise with your answers, it would help us. We are to some extent going to cut to the chase because this is a very, very big subject. So, first of all, Minister, what is your estimate of the total cost of implementing this energy strategy?

The Minister for Treasury and Resources:

Okay, just for the record, we have already provided you with written evidence which presumably is going to be put up on your website, and I know that you have been very helpful. You gave us some questions, we have responded and you are not going to cover them during the course of this morning, so that is fine, but they are going to be put in evidence on the website.

Deputy J.H. Young:

That is right, we are asking questions for the Minister to deal with what sort of savings in energy is to take place. So we have had a very comprehensive note on that but we may decide at a later date to come back on the detail at another hearing. At the moment we want to stick to the main questions for today. So big picture.

The Minister for Treasury and Resources:

Okay, fine. First of all, I will just say for the record, I welcome your review. It is very important, this energy policy has been in gestation for - as the Director for Environmental Policy will say - almost far too long, it has been 3 or 4 years and I welcome your review. I think this needs to be drawn to a conclusion. I have certainly been involved in this review since my time at Economic Development and probably even a bit before then. So just cutting to the chase in your answer. I cannot really add anything else apart from what is said in appendix 5 of the report, which does an estimate of effectively the costs of implementing the overall policy.

Deputy J.H. Young:

Can you refer to the page number, Minister?

The Minister for Treasury and Resources:

Twenty-five.

The Director for Environmental Policy:

Appendix 25.

The Minister for Treasury and Resources:

It is 25 in the appendix.

Deputy J.H. Young:

Okay, can you carry on talking us through that appendix.

The Minister for Treasury and Resources:

So the estimate of the ... the figures are obviously there, it is split total costs £891,000 in year 1, rising to £976,000 in year 5, and the ... well, the figures stand for themselves in terms of their sub headings. The Director for Environmental Policy advises me that we have made provision in the M.T.F.P. (Medium Term Financial Plan) for which year?

The Director for Environmental Policy:

One to 3.

The Minister for Treasury and Resources:

One to 3. Yes, that is right. Because the policy has been so long in gestation one forgets, but the policy which is was conceived last year, so year 1 is in the 2013 M.T.F.P. programme, 14 and 15. So it is already effective inscribed in the M.T.F.P. that the States has approved.

Deputy J.H. Young:

Beyond that, Minister, what commitments can you make for the future years set out in this appendix?

The Minister for Treasury and Resources:

As usual there are no commitments that can be put into any ... any meaningful way. What you will be aware of is the fact that we are working, and in fact we are briefing the Council of Ministers tomorrow, on long-term capital and long-term revenue plans. We are actually working now on M.T.F.P. 2 and these figures ... I mean, I am assuming they will continue to be inscribed in the next M.T.F.P. thereafter.

Deputy J.H. Young:

Minister, to some extent we are dealing with a strategy here that runs until 2050. The appendix you have referred us to is just 5 years. Is there no way we can plan ... you can plan for the longer term to make sure that this strategy becomes reality?

The Minister for Treasury and Resources:

I would say that the Treasury's not responsible for ... we can co-ordinate other departments' budgets but it is up to the promoting department to make their bids. We do not set ... while the M.T.F.P. is an organ of the Council of Ministers, and I am fully signed up to the policy, and clearly if the ... I do not think there has been a final decision about whether the States is going to approve it or whether it is going to be a ministerial report which is effectively Council of Ministers approving the policy. It depends I suppose to some extent on what the panel has to say. But if the policy is approved then that is a frontrunner in order to secure funding.

Deputy J.H. Young:

Is there any point, Minister ...

The Minister for Treasury and Resources:

We do not guarantee any departments ... we have improved matters a lot by giving departments 3 year certainty. You cannot give anybody certainty beyond that.

Deputy J.H. Young:

Minister, would you accept that this plan will go nowhere without any resources behind it?

The Minister for Treasury and Resources:

That is the same with all policies.

Deputy J.H. Young:

But this one particularly, would you not accept there are major financial implications both for government and for private sector in the Island as a whole?

The Minister for Treasury and Resources:

Yes, but that is the same thing for any policy, whether or not it is the new health strategy, whether or not it is education strategy, whether or not it is anything, it is ... that is absolutely right but it is no different, and it needs to sit alongside other priorities and that is ... the old days when the States would pass a policy and would say that is automatic funding, at the end of the day you cannot say that, it is wrong to say that because the only way you can settle funding, set against other priorities, is in an M.T.F.P. debate or an annual capital approval. I am committed to this, without resources it is not going to happen. I think that we have already demonstrated our commitment in putting significant resources into Planning and Environment in terms of the energy efficiency service and energy grants.

Deputy J.H. Young:

Minister, other witnesses have said to us that what they are looking, this is private sector witnesses, is certainty of the strategy in order to be confident about making investments. Do you consider the process you have just described of funding this plan or getting the decisions provides that certainty?

The Minister for Treasury and Resources:

Yes, of course, that is right and government needs to be clear about a strategy in order to create the right and appropriate climate for investment. There are some representations from certain elements of the different energy companies which I am less supportive of and I have heard, for example, the ongoing debate about the extent to which it is realistic to raise expectations about gas pipelines. So things are not in my view realistic and I think it is important not to raise expectations about things that it would not be wise to invest in. It would not be wise to raise expectations on. As far as certainty for the direction of investments in Jersey Electricity, then absolutely, and I know that Jersey Electricity, which the Assistant Minister and I spend time on with our shareholder responsibilities is they want certainty and they deserve certainty in order to support their infrastructure investments that are going forward. This policy does put a big emphasis on the future of electric power in Jersey, for absolutely appropriate reasons.

Deputy J.H. Young:

We are coming back to that, Minister. Financial incentives. If government itself is the ... if the process of deciding public funding is subject to what you just said, financial incentives for the private sector and others, can you considered and are you prepared to consider such incentives? For example, grants towards sustaining the able to pay sector.

The Minister for Treasury and Resources:

The energy efficiency grant which has been put to ... which is in Environment and Public Services budget, which is 2013? How much?

The Director for Environmental Policy:

Nearly £1 million.

The Minister for Treasury and Resources:

It is nearly £1 million. I have, in the last months, had quite a lot of very constructive discussion with the Director for Environmental Policy, Sir Nigel Bloomfield, the head of the Energy Trust, and we have been having an ongoing debate, I have sent lots of emails about ideas that people have come to me in terms of grants to support energy efficiency moves and where, certainly in an economic downturn, you could put more money in this particular area in order to generate and

stimulate activity in encouraging people to put in more home insulation. But the economic case and the business case needs to be made. Now, I think we have put £1 million in. That is a lot of money.

Deputy J.H. Young:

That money at the moment is going exclusively to low income households. The point made to us is that the major opportunity to do something about energy conservation is in the able to pay sector. The evidence given to us is that overwhelmingly unless there is some incentive in the system it is not going to happen.

The Minister for Treasury and Resources:

Yes, and there is a lot of debate about those incentives and what might happen. The Green Deal in the U.K. (United Kingdom) has had a chequered birth to put it mildly. I see your adviser is nodding in agreement. When I first heard of the Green Deal I thought: "It sounds like a pretty good idea to me" but clearly it has been ... its implementation has been less than satisfactory. Now, I have made it very clear in this year's budget that we are open and that is the case for certainly next year's budget too, I have made it very clear to Planning, to the Energy Trust, to Economic Development, where there are opportunities to leverage, to catalyse, to incentivise activity, to keeping people in work and achieve energy reduction targets, I am all ears. We have been having discussions with the Jersey Electricity Company about the case for providing incentives for electric cars. So we are looking ... we are absolutely looking, and I am willing to consider and take measures to the Council of Ministers and the States that achieve some of these objectives. But we have to have hard worked-up proposals in order to be able to do that.

Deputy J.H. Young:

I understand, Minister. What I interpret your answer is you are open to this, you are enthusiastic about the principle, you want worked-up cases, the criteria I am hearing you say is opportunities to keep people in work and reduce energy demand, is that correct?

The Minister for Treasury and Resources:

Yes, but it is important not to put ... let us be clear, £1 million into the energy efficiency service is a very substantial investment of public money into this area. Now, you are right when you say that the target for the energy efficiency service ... and I have asked some hard questions of Sir Nigel and the Energy Trust. There was a suggestion that the Treasury were looking for savings, which we were, and Sir Nigel came up with a very persuasive case about the success of the Energy Trust.

[09:45]

It is true, it has been for low income families, there have been literally hundreds of pensioner households that have benefited from this, and it has been a free service. Now, obviously it will come to an end because we will have finished and we will have completed low income families. Now, that funding ... that £1 million funding, I have said quite clearly, it is inscribed in budgets for 2013, 2014 and 2015, I can see it continuing and at that stage, if we can ... clearly those resources will be directed towards the can pay sector with incentives. If we can bring stuff forward I am willing to take that.

Deputy J.H. Young:

We have already got there, Minister. I repeat for the record what you have said, I think, is that £1 million of allocated tax that is already there will carry on and that that will be available once the not able to pay sector is complete, that you are open to that money being reassigned to the able to pay sector and that you are open to other schemes going forward that enable energy reductions and keep employment?

The Minister for Treasury and Resources:

If there is a case that can be made to bring forward investment in this area earlier in 2014, that would effectively mean that we would complete the groups of community that cannot pay and bring forward the incentive schemes, I am open for that.

Deputy J.H. Young:

What about loans, Minister? Loans for households, are you open to that idea?

The Minister for Treasury and Resources:

I think we need to be ... I am not going to be the person that is going ... the cases need to be put to the Treasury. I will not rule anything out but cases need to be made.

Deputy J.H. Young:

You will not rule anything out. Would you rule out G.S.T. (Goods and Services Tax) incentives on energy conservation works to homes?

The Minister for Treasury and Resources:

Yes.

Deputy J.H. Young:

Why?

The Minister for Treasury and Resources:

We have had 22 debates on use of the V.A.T. (Value Added Tax) system, on use of the G.S.T. system to provide incentives. We have had pastygates, we have had rum babas, we have had jaffa cakes, complexities ... Deputy, let me be clear, complications within the tax system are not the right way to provide incentives.

Deputy J.H. Young:

So you would rule that out. Would you rule out ...

The Minister for Treasury and Resources:

We are better to provide for the cash incentives and be clear.

Deputy J.H. Young:

I am sorry, I was trying to just focus. Differential tariffs, Minister, would you support such structures to assist energy conservation measures being adopted by the able to pay sector? Incentives through tariff structures?

The Minister for Treasury and Resources:

Sorry, you are going to have to be clearer.

Deputy J.H. Young:

Well, disincentives for the moment. At the moment there are no disincentives to excess energy users in tariff structures, for example in electricity.

The Minister for Treasury and Resources:

So what were you suggesting?

Deputy J.H. Young:

I am asking you about ...

The Minister for Treasury and Resources:

I am not a regulator. I think that ... I am not going to answer just wide questions and be caught into answering something which I am not qualified to answer. Those questions are best answered by experts who know how to provide the right incentives. Cases need to be made to me and then we will respond.

Deputy J.H. Young:

Right, well, Minister, thank you for that. I am going to now pass on to Phil. We are taking this topic by topic, one member at a time. Phil, do you want to pick up the next topic?

The Connétable of St. John:

Yes, I get on to utility scale renewables. Jersey has a major potential for offshore wind power, tidal power and other areas such as the use of - I cannot pronounce the word - anaerobic digestion of farm waste et cetera, plus we are wasting ... we have waste from the Energy from Waste plant going out to sea. All of these things obviously have a cost implication. What direct investment will the States of Jersey make, just using one area alone, shall we say, doing something about the Energy from Waste plant, putting a circuit into St. Helier so we do not have hot water going out to sea? Will the States of Jersey make a direct input to make sure that happens?

The Minister for Treasury and Resources:

The case needs to be made, willing to hear that case, I understand that is an improvement in the energy efficiency from the Energy from Waste plant that would be beneficial. It has been suggested that the hot water, as you rightly say, that cannot be converted into electricity could form part of a district heating system or, for example, could be used to heat a swimming pool. I understand a feasibility study for that is included in the energy strategy. Again, if there is a persuasive case that an investment will produce a return that has a good environmental outcome then these can be inscribed, we can evaluate them, we will evaluate them with a positive ...

The Connétable of St. John:

Were you not in place, Minister, when the Energy from Waste plant was decided upon, and was that not one of your arguments to have the Energy from Waste plant so that we could have a district heating system out of it?

The Minister for Treasury and Resources:

Yes, I was the President of Environment and Public Services when Mr. Young was also the Chief Officer of that department for a period of time, that was a long time ago but sadly I moved on to other departments so I am afraid you cannot hold me responsible for the implementation of those issues. It was an aspiration, if it remains a cost effective aspiration, if it works and if it can be useful for energy ... good conservation outputs then that is something that should be encouraged. Again, the States remains able to allocate money for capital projects, one off on an annual basis but we need to have the bids. We cannot write the bids for the departments, we can only respond to them.

The Connétable of St. John:

Okay, fine, thank you. I will move forward. Another area which is of concern which we have ... we need to identify is the ownership of the sea bed so that we can either move forward on tidal power and/or shale gas or other minerals that may be within our Island territorial waters. Obviously funding is required to make sure this goes through with the U.K. Government. Whatever happens there are cost implications with lawyers, et cetera. Will you provide the funding, without going over the same history you have just told me about providing bids, will you make sure it happens? Yes or no?

The Minister for Treasury and Resources:

Sorry, Connétable, you cannot ask questions like that because I am not empowered to do those things. What I can tell you is that we have an External Relations Department, Senator Bailhache has already, on a number of occasions, raised this with the Ministers that are responsible for external relations and the External Relations Department is perfectly well equipped in order to progress these things and, as I understand, is progressing them. In terms of cost, you will be aware that Crown revenues in the successor title of the Duke of Normandy are part of the Jersey ... are remitted as the Crown estate of Jersey and so it would be ... the cost that would be associated with the Crown is effectively ... it is not quite jam jar accounting but certainly the Crown's estate in Jersey is something which flows to the revenue. It is not correct to say that if the Crown ... if a lease was to be required to the Crown then that would be a cost to Jersey because the revenues from the Crown estate, as you know, flow to the Exchequer of Jersey. But all of these things, again, are under active discussion and I am very supportive of them being progressed. I certainly think and agree with you that they must be settled in order to enable the Island to, when the technology exists, effectively embrace that resource. I do not think, however, that it is sensible for the Island to take unwise risks. I think that we should certainly use the experience of other organisations which are much more equipped to evaluate the right technology and invest at that time. I know the resource is there, I understand that the arguments are going to be that that resource is going to be able to be of benefit to the Island but we should not be sinking tens of millions of pounds in unproven technology. We should be a fast follower, I do not think that we can be effectively a leader because the experience of science and university study and all the rest of it exists elsewhere. So fast follower.

The Connétable of St. John:

We do have proven technology in wind farms and wind power, would you be able to assist in funding in that area, but not just your £1 million a year as you have been talking about, we are talking about substantial sums of money to assist or to go into partnership with the J.E.C. (Jersey Electricity Company) or others for putting in a wind farm if required?

The Minister for Treasury and Resources:

We have to understand the economics of wind farms. Hugely in favour of it. There was a public meeting about 6 years ago in Grouville on the issue of wind farms, when I argued in favour of having wind farms. I think that wind farms are a good and visual demonstration of human energy needs, which I think is fine. But obviously there is an environmental impact and I understand that there are some strong views expressed by some people about having wind farms and when wind farms have been suggested on offshore reefs, et cetera, it is extremely controversial. My own taking the temperature of Islanders' opinion is that I think Islanders would be supportive. However, wind farms, the economics of wind farms only exist because of the substantial E.U. (European Union) subsidies that are available to make them work. We are not able to match, and neither would it be wise financially for us to match those kind of subsidies that are available elsewhere, and that is the dilemma. What I do know is that the Jersey Electricity Company, which I think is the right vehicle with a substantial States ownership to progress these matters, they are better equipped than the Treasury or T.T.S. (Transport and Technical Services) or even the Environment Department to progress matters. I know that there have been some constructive discussions about potential wind farms on some areas of our offshore Islands, which is the not the Ecrehous or the Minquiers.

The Connétable of St. John:

Right, okay. Working with our French neighbours who are on the Brittany side and beyond the Minquiers, would you be in favour of doing a partnership with a French consortium in putting in a wind farm that we get the benefit out of?

The Minister for Treasury and Resources:

I am open to those suggestions but I think you have to make sure that you are having the right people negotiating such arrangements, and it seems to me that the J.E.C. is the appropriate vehicle in order to progress those negotiations for us. The J.E.C. has a highly respected management. They have the proper expertise within that organisation to understand power generation and power usage, they have got the expertise in laying undersea cables, which obviously is an incredibly important, complicated, very expensive and - as we have seen recently - risky endeavour and so I think if we ... so I would ask the J.E.C. to keep these matters under review and certainly from a shareholder and a Treasury point of view we would provide ... certainly we would be open to their proposals. But, again, I am a little bit sceptical that we can develop a wind farm equivalent of say offshore Copenhagen, which I visited last year and I went to go and see some wind farms ... in fact I have been to see wind farms in a few places. I saw one just 2 weekends ago in Wales. They are progressing in other places within Europe but they are being progressed, and there is a huge investment in them, on the basis of E.U. subsidies that are not available here. We simply could not afford to replicate those E.U. subsidies. Where subsidies

might be able to be obtained by an investment in Jersey then that would make it viable. But there is also a debate in the U.K. about withdrawing offshore wind subsidies. So we need to be very careful that we do not make investments on the basis of subsidies that would not be continuing.

The Connétable of St. John:

But if we were in partnership with a French company, and we were the junior partner, we would fall within the E.U. subsidy bracket, would we not?

The Minister for Treasury and Resources:

Those are technical questions which, again, would depend on a number of different ... I am not able to answer that but it is up to the J.E.C.

[10:00]

Yes, we would be supportive of that but I would be concerned of effectively huge investments made on the basis of future subsidies which may change because of different political considerations within other countries.

The Connétable of St. John:

All right, let us move forward. On Island bio-gas, which could be used in small communities, small areas, small parish areas, whereby it could be made in an area ... say, on a lodge, farm holiday, would the States be prepared to fund this particular ...

The Minister for Treasury and Resources:

Again, I am not ... the Assistant Minister has remained quite quiet. We are not the Ministers for the Environment, Connétable, we are Ministers for Treasury.

The Connétable of St. John:

I appreciate that.

The Minister for Treasury and Resources:

I understand from the report that this is being evaluated and, again, if a study is progressed, which I understand it is, then we can take ...

The Connétable of St. John:

What I am really trying to draw out of you, Minister, how green your credentials really are without you wanting to show me you are as green as that bottle, for instance.

The Minister for Treasury and Resources:

Of course we all want to be green. Politicians like to talk about green issues, but at the end of the day projects have got to be worked up, they have got to be sustainable, they have to be financially viable and so, of course ... but I have never been somebody that just says: "Oh, I think I will support everything that is green." Give me a project that is financially viable, let us look at the opportunities to meet other environmental objectives and we will see whether we can support it.

The Connétable of St. John:

If I came to you with a project tomorrow that was acceptable to you and we wanted £20 million, as we have seen with the fibre optic cables, you would be prepared to probably go in partnership on ...

The Minister for Treasury and Resources:

I would have to see it.

The Connétable of St. John:

So that is basically a no answer.

The Minister for Treasury and Resources:

No, Connétable, come on.

The Connétable of St. John:

You could fudge for quite a period of years until your term was up, you mean?

The Minister for Treasury and Resources:

Connétable, if you have some serious questions to ask me I am happy to answer them. Look, the Treasury is more than capable of being bold where there is a persuasive case in order to support something. But we need the projects to do. I do not think there are any projects which are not being progressed because there is a lack of boldness within the Treasury in order to support them. I know you have your views on fibre optic but perhaps you will not bring them into this context.

The Connétable of St. John:

You have obviously read the report in its entirety. Do you think it is a wish list?

The Minister for Treasury and Resources:

No, I think it is a very good report and I wish it would have been progressed earlier. As I have said, the very highly regarded official to my right has been working on this for a long time and I think that she deserved progression of this policy, if I may say, rather quicker than it has actually happened. I think it is a shame. I want to see this well constructed, good policy progressed. Now,

if the panel has recommendations for it to be improved then so be it. Let us get on with it. It has been waiting for far too long.

The Connétable of St. John:

Thank you.

Deputy J.H. Young:

Before I bring Steve in for the next section, can I clear up, this question of persuasive cases, several times you have taken us back to this issue you need a persuasive case for funding. Does such a case need to hit both the financial viability and the environmentally beneficial because of energy saving? Does it need to hit both criteria or are you open to, say, a judgment being made between those 2 extremes? Does it have to achieve both?

The Minister for Treasury and Resources:

Again, those are very wide questions. It will depend on the persuasiveness of the case.

Deputy J.H. Young:

You are open to the possibility that maybe projects might get some States funding that do not necessarily pay in immediate strict financial terms but have major environmental benefit, would that be right?

The Minister for Treasury and Resources:

Well, yes, I have made that clear. We have put investments and we are open ... but we need the cases to progress matters.

Deputy J.H. Young:

Right, thank you for that. I am going to hand over to Steve now for the next part of the questions.

The Deputy of St. Martin:

Yes, thank you. Minister, I think we are fairly agreed there are difficulties with the gas infrastructure in Jersey and we have briefly discussed that. I think we are also going to agree that in the short term that oil is looking more expensive. So we are heading down a road of increasing domination by electricity and by the J.E.C. But surely as electricity becomes more dominant it is going to become harder for us to rely on States powers as a majority shareholder in the J.E.C. to ensure that it uses its monopoly in the public interest. Would you agree with that? A short answer will do.

The Minister for Treasury and Resources:

I am just trying to be very careful with the way I answer this because I ... I mean, I should declare that I am poacher turned gamekeeper because I set up the J.C.R.A. (Jersey Competition Regulatory Authority), was responsible for introducing Telecoms and postal regulation and I was the prime mover behind the Competition Law. So I am absolutely wedded ...

The Deputy of St. Martin:

Do you want me to rephrase the question?

The Minister for Treasury and Resources:

No, no, so I am absolutely utterly convinced of a segregation of duties between shareholder and regulation in most cases. I believe that despite views to the contrary, the Island has benefited very significantly from the work of the Competition Law. The fact that Jersey did not have any prohibition of abuse of dominant position cost the Island dear in terms of rising inflation over other places. Now, in relation to the J.E.C. the threat of regulation, which is a real and present threat, has, in my view, had a very beneficial effect. The J.E.C. will say regulation comes at a cost and they are right, regulation does not come at a zero cost, when you put in place a regulatory framework you effectively build a nomenclature, you build a cost within the regulator itself which needs to be paid for. You know, the J.C.R.A. will be costing between £400,000 and £600,000 a year and on the other side the regulated body is obviously going to incur substantial cost. Now, with the J.E.C. and Jersey Water the threat of regulation, if they are seen or there is evidence that they abuse their dominant position or are not being competitive, means that they know they will be regulated. That ongoing threat that they could be regulated, pretty easily because we have got the infrastructure in order to do so, has in my view kept them sharp and they do not want to be regulated. I absolutely understand the point that you make about if the J.E.C. has a greater market share in the future the arguments in favour of regulation are going to become greater. However, if we recall that there has been a review done by the J.C.R.A. of the J.E.C. and their prices recently, the J.C.R.A. or C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) as it is, concluded that the J.E.C. was performing well then they have got a further period of time where they have certainly proven to me that on the cost benefit side there is no benefit to consumers of imposing regulation. Because who will pay for regulation? Ultimately consumers will pay. So at the moment, I think it will probably be reviewed again in maybe 3 or 4 years' time. The evidence that I have that the J.E.C. has performed extremely well compared to competitor electric firms in Guernsey and the Isle of Man, and certainly of course there is going to be a cost of running a small electricity company and I am keener for the J.E.C. to be focusing on making sure they continue to drive efficiencies, that they continue to build a strong relationship with Guernsey and that they continue to get on and make sure they deliver effectively their big infrastructure products.

The Deputy of St. Martin:

This policy is going to need some political and ethical decisions made at a political level to bring about. The J.E.C. are a commercial company making profits and at some stage in the fairly near future I think we are going to have to decide which side of the fence we are falling.

The Minister for Treasury and Resources:

I think you are absolutely right and I think what we do is we continue to keep the matter under review. I think we do review and it is the right thing to do. Effectively to make a decision and it seems to me that it is appropriate to review that decision every 4 to 5 years. We have just completed a review. We asked ourselves: "Is there a case for regulating the J.E.C.? Are they abusing their dominant position? Are there issues that we need to be worried about which justify the quite big step?" and expensive step, I would imagine that regulation of the J.E.C. would be north of £500,000 to £750,000 inevitably. We have just been through that review. I think the J.E.C. came out of that review very well. There were some recommendations, as you would expect, and those recommendations, no doubt, are being implementing by the J.E.C. now and we will review it again in 2 or 3 years' time.

The Deputy of St. Martin:

The matter of, let us say, for example, tariffs and the different tariffs that could be applied to try to implement the policy that we have here, would you agree that tariffs are political decisions and not decisions for the J.E.C.? If it is our policy and we are determined to implement it ...

The Minister for Treasury and Resources:

In terms of which tariffs?

The Deputy of St. Martin:

Let us think, there is rising block tariffs, we could decide that that is a way to reduce people's ... we could do social tariffs, we could decide to ... what about cross-subsidy, for example. Are you in favour of continuing to tax certain parts of the economy and to use that money to favour environmental issues in this policy?

The Minister for Treasury and Resources:

To answer 2 questions. I think politicians attempting to regulate is extremely unwise. I think that is extraordinarily unwise. I also think that cross-subsidy is also something that should be avoided. We currently have the situation where we are forcing Jersey Telecom to provide a subsidy to all pensioner households, irrespective of income. With a growing ageing demographic, we have an increase in costs there. Again, a political decision and not a very sensible one, if I may say. If there are specific issues on tariffs which could be looked at and should be looked at, then under

the Article 6(4) requests that you can make to the J.C.R.A. you can ask them to look at that particular area. So a way forward, if you did think that there was an issue or the political body thought there was a question on tariff differentiation then you can ask that direct, discrete question to the J.C.R.A. in order to provide some guidance in order to give to the J.E.C. You would not then have to bring in the whole scope of regulation. But I think that politicians making regulatory decisions is generally a bad thing.

The Deputy of St. Martin:

But you would accept, Minister, that in this policy there is a lot of political decisions that are going to have to be made that cannot be made by the J.E.C.?

The Minister for Treasury and Resources:

Well, there is policy that is made by politicians, it should be implemented by those people that are best equipped and best able to implement those policy decisions. Now, if there is a policy desire to put in place a differentiated tariff structure, of which I offer no view because I just do not simply know, then that would be a matter that you could request the J.C.R.A. to look at, provide a way forward and then ask the J.E.C. to abide by that adjudication. That would be the right way to do it and it would be a lower cost way.

The Deputy of St. Martin:

So the J.C.R.A. would get involved in an ethical decision about using a particular type of tariff to achieve a political end?

The Minister for Treasury and Resources:

What would be an example of that?

The Deputy of St. Martin:

I am not sure, but the J.E.C. have already told us that they are not qualified to make what must be ethical or political decisions about tariffs.

The Minister for Treasury and Resources:

Quite right.

The Deputy of St. Martin:

So the politicians make the decision?

The Minister for Treasury and Resources:

What tariffs are you saying? Are you saying that we should provide low income households with lower tariffs? These are very bad ideas. You are better, if you need to support different groups of society, then the whole experience of the universal benefits that we have introduced in low income support is that you put ... if you provide support in the best way to do. For example, if you need to provide subsidies, to pensioner households with winter fuel allowances then you use the benefit system to do it, you do not disguise a benefit by putting such a benefit ...

[10:15]

The Deputy of St. Martin:

I am not particularly thinking about subsidising, I get subsidies, but if we are looking to reduce emissions, where you are looking to reduce energy, one example would be micro-renewables. Now the J.E.C. at the moment have a policy on their feed-in tariff, which is the same as the price they would pay to buy it from the supplier. Do you have a view on that? Do you think we should be paying more to encourage more local Jersey people to create their own power at home?

The Minister for Treasury and Resources:

I think it is a good question. I am not equipped to answer it. As a politician, at the end of the day you have an adviser, we are here to ask questions and to test those that are best judged to make those decisions and to advise us. I think we trespass into dangerous ground ...

The Deputy of St. Martin:

This is the policy that we are going to adopt in the Assembly and if commit ourselves to micro-energy in the homes I think we are going to need to make a political decision, which is to encourage that we are going to have to tell the J.E.C. to pay more for a feed-in tariff.

The Minister for Treasury and Resources:

Ask the J.C.R.A. to work out an appropriate mechanism to do that. But we should be very careful of trampling over the financial and economics as effectively well-intentioned amateurs in this area. We need proper advice from people who are best qualified and we should not reinvent the wheel from that that has been experienced in other places. There will be lots of other examples of other regulators and other countries that have made decisions in these areas. I have no idea whether feed-in tariffs are a good idea. It sounds like a good idea to me but I have no idea whether or not on balance it is the right thing to do.

The Deputy of St. Martin:

The point I am trying to make, Minister, is that this is a very long-term project. It is going on for many decades and there is obviously some political decisions. What I am trying to get from you is some sort of indicator as to whether we go down the political route and say: "This is how we have decided we want to use our energy in the future" when, on the other hand, we are a major shareholder in the Jersey Electricity Company which will almost certainly have a different view, to put it mildly.

The Minister for Treasury and Resources:

Again, and the J.C.R.A.

The Deputy of St. Martin:

How do you resolve that?

The Minister for Treasury and Resources:

Well, ask the J.C.R.A. to look at it.

The Deputy of St. Martin:

Do you think it is time we took 100 per cent stake in the J.E.C.?

The Minister for Treasury and Resources:

No, I think the J.E.C. with its outside shareholding presents quite a good balance.

The Deputy of St. Martin:

Will that not always compromise us politically?

The Minister for Treasury and Resources:

I would be as against nationalising the whole of the J.E.C. as I would be nervous about nationalising anything.

The Deputy of St. Martin:

You would not take 100 per cent stake and accept regulations as opposed to what we have at the moment?

The Minister for Treasury and Resources:

No. Why would you do that? We have a very carefully and finely balanced but extremely effective ownership structure which achieves many objectives at the same time with the J.E.C. We have it that ...

The Deputy of St. Martin:

Well, the reason why you would take the 100 per cent stake is it would allow you to implement this policy.

The Minister for Treasury and Resources:

I think it is a ...

The Deputy of St. Martin:

We may not be able to do it if we carry on as we are.

The Minister for Treasury and Resources:

That would be rowing in exactly the opposite tide of the politics of the last 30 years where governments have been effectively engaged in trying to get the private sector to be more efficient in stand-alone entities. It would certainly be of concern to me that we would start nationalising energy companies. There would have to be a very persuasive case or it would have to be a cracking investment in order to persuade the Assistant Minister and I, quite apart from to get the Treasurer to advise us that it would be a good thing, just to go and nationalise the whole of the J.E.C. I have never heard anything which would be as ... we would nationalise the J.E.C. to get the J.E.C. to put feed-in tariffs?

The Deputy of St. Martin:

There is no part of the Guernsey scenario that you find more attractive than the Jersey scenario?

The Minister for Treasury and Resources:

Those are ongoing and incredibly useful discussions with our Treasury counterparts in Guernsey where we have been working well with Guernsey in order to provide a structure of the way that we are certainly an activist shareholder with our States utilities and the J.E.C. and other States utilities are not entirely immune from appropriate, I say appropriate, shareholder intervention. It is important that the J.E.C. work within a policy framework. The J.E.C. have represented to me over many years that they want the States to direct effectively an energy policy and then they can make decisions on the back of it but I do not think we should nationalise it.

The Deputy of St. Martin:

I have got one more question. It is completely different to the subject that I have just been touching on because I am aware that the time is going on and it comes back to the £1 million a year that we are putting into this and I just want to mention the word "transport" and I just want to throw some figures at you, Minister. The average ballpark difference between an electric vehicle and a standard petrol or diesel vehicle at the moment is about £10,000. This policy is looking by

2020 to have achieved 30,000 registrations in ultra low emission vehicles and is assuming 6,000 new registrations a year from 2012 onwards. So 6,000 registrations a year at £10,000 a vehicle is about £60 million a year and that goes on for a number of years until we achieve our targets. Surely you cannot expect us to ... I know that the cost of all this is going to reduce but these targets are just not achievable, surely, purely from a financial point of view. How can the Island afford to spend £60 million a year replacing vehicles?

The Minister for Treasury and Resources:

I think the economics of the electric car which, as the Assistant Minister will confirm, has been the subject of quite a lot of debate within the Treasury because we have had an approach from the J.E.C. and I have been very open about the fact that I have tried and tested an electric car.

The Deputy of St. Martin:

So do I. I think they are fantastic.

The Minister for Treasury and Resources:

Yes, absolutely, they are great, and Jersey is incredibly well placed to embrace electric car technology. Clearly, electric cars are falling in price. The economics of them are improving rapidly. A case has been put to us, which we have been very recently evaluating, by the J.E.C. of supporting an electric car expansion. I am not about to make any budget announcements here today but it has been under active consideration. But I was also interested to read, which I will forward to the panel because I think it was interesting, a very persuasive article from *The Economist* about 4 weeks ago which poured quite a lot of cold water on the whole subject of electric car subsidies and advised governments not to do it. So this is an active debate which we are wrestling with at the moment. Clearly ...

The Deputy of St. Martin:

I am just trying to make the point that £60 million a year ...

The Minister for Treasury and Resources:

No, I mean, these numbers here ...

The Deputy of St. Martin:

... in anybody's money is an awful lot of money.

The Minister for Treasury and Resources:

Yes, these are decades, Deputy. They are decades and ...

The Deputy of St. Martin:

No, it says here: "Based on fleet renewal over 11 years assuming 6,000 new registrations per annum" is what I have got here.

The Director for Environmental Policy:

I am not sure we are looking at the same thing. I am looking at page 64 which is the number of U.L.E.V.s (Ultra Low Emission Vehicle) registered with D.V.S. (Driver and Vehicle Standards) which is looking at 6,000 by 2020. I think perhaps ...

The Deputy of St. Martin:

Anyway, Chairman, let us move on.

Deputy J.H. Young:

Okay. I would like to come back to this question of regulation briefly. I mean, you have explained, Minister, your preference for commercially driven policies. The issue is clearly is there a need for regulation of the forward supply of energy in the future? You have explained that you do not generally favour that but you have said because governments should not interfere. When we spoke to the ...

The Minister for Treasury and Resources:

I think the matter of J.E.C. regulation should continually be kept under regular review and if there is a case to be made for regulating electricity, then it should be regulated but at the moment, having conducted 2 or 3 reviews over the last period of 12 years since I have been involved in Treasury and Finance and Economics, the case has not been made.

Deputy J.H. Young:

No, the J.E.C. has told us that.

The Minister for Treasury and Resources:

They are certainly behaving themselves.

Deputy J.H. Young:

The J.E.C. have told us that they believe their house in order, there is not a case at the moment but the Competition Regulatory Authority have said to us that it is possible to have regulatory systems but politicians have to be very clear about the policy objectives that they are seeking to achieve and so therefore what the J.C.R.A. would need would be criteria, policy criteria for the construction of those tariffs. Now, I think that was the point that underlined Steve's questioning and I want to make clear ...

The Minister for Treasury and Resources:

Yes, and they would say that, would they not? Regulators do like to regulate.

Deputy J.H. Young:

Are you completely opposed to looking at the possibility of using tariffs in order to achieve the objectives of this plan or ...

The Minister for Treasury and Resources:

I do not know. Let us have some analysis and some proper evidence to show that this would be a wise thing to do but generally hiding subsidies in corporate entities that the States own is not particularly wise. It is just not a transparent and wise allocation of resources. So it is not: "No" but we need to look at it and ...

Deputy J.H. Young:

But that would favour direct government intervention, would it not? If you say that indirect subsidies within the entities that we own is not good, that would favour direct transparent financial adjustments.

The Minister for Treasury and Resources:

Give us the options and we will look at them.

Deputy J.H. Young:

Those matters are policy matters for the States to ...

The Minister for Treasury and Resources:

Yes, and again the money has got to be found from somewhere.

Deputy J.H. Young:

More sort of a focused question now, Minister, because time is running out and I want to give members a chance in the last 5 minutes to pick up but under one of the subjects, obviously housing, I think we covered most of the question about trying to encourage the able to pay sector implementing energy efficiency measures in their homes. New development, Ministers, it has been said to us that the cost of having carbon neutral homes in the future through building bylaws is astronomic and therefore would be a major disincentive to construction. Do you share that view?

The Minister for Treasury and Resources:

I would need to see the evidence. I have heard that that is the case but I have been advised that that is also not the case.

The Director for Environmental Policy:

Yes, perhaps I could assist. There is some B.R.E. (Building Research Establishment) work that you can achieve very good B.R.E.E.A.M. (Building Research Establishment Environmental Assessment Method) status with a cost increase of less than a couple of per cent, I think. I can find that report for you but I think it is a point that there is a discussion about whether the most energy efficient homes cost more to build. That is a question that you have to address by looking at who is making the profit in that transaction because ultimately the householder is getting a far better house that costs significantly less to run should they buy the most energy efficiency home. So that needs some currency around it. That should be what the market wants and I think what we talk about in here is providing some tools for the marketplace to be asking their developers that these are the sorts of houses that they are building.

Deputy J.H. Young:

Thank you for that. I think I am going to turn to my colleagues now. I think I will start with Roger. Roger ...

Mr. R. Levett:

I am happy, thanks.

Deputy J.H. Young:

Steve?

The Deputy of St. Martin:

Well, the first thing I would just like to do is to correct myself because Louise was quite right. I was reading from the wrong page and it is £60 million to 2020. It is not per annum so it is going to be roughly £10 million ...

The Minister for Treasury and Resources:

Yes, you did worry me with those figures, Deputy.

The Director for Environmental Policy:

Me too.

The Deputy of St. Martin:

It is still £10 million a year, Minister, which is still a ...

The Minister for Treasury and Resources:

At current prices but prices are falling.

The Deputy of St. Martin:

At current prices, yes, I appreciate that, and I just have one more question on that. I just wanted to be quite clear. In the U.K. and the E.U., there are big subsidy schemes for these types of vehicles and I presume what you were saying at the end there was you were alluding to some package that you are working on?

The Minister for Treasury and Resources:

Yes and other countries have V.A.T. at 20 per cent, income tax at north of 50 per cent and debt and deficits and we do not and I am afraid there is a reason why, because we are prudent and we do not just, you know, do feel good factor politics generally. So yes I am happy to look at the case and it has been sort of on and off and the Assistant Minister is smiling. I do not know whether he wants to make any comment.

The Deputy of St. Martin:

I think the point I was trying to make, Minister, if I could go back to it, was that I do find that the ... you know, it would be great to think that by 2020 we are going to have 6,000 electric vehicles in the Island but something, I think, is going to have to change dramatically for us to achieve that.

The Assistant Minister for Treasury and Resources:

I think by 2020, we will have that sort of proportion of low emission vehicles. Whether they are electric or super diesels, technology will lead the way on that. There is a recent article again, I think, in *The Economist* coming out of America where they are saying that the electric vehicle is dead and the super diesel will take over. So technology is moving at such a pace that we need to let the markets do what they do and prices of these vehicles will tumble. A second-hand electric vehicle, a 6-month old electric vehicle, is some £6,000 cheaper than the full price of a brand new one. That is 60 per cent of difference already for a 6-month old vehicle. Governments are not very good at providing subsidies to incentivise or change behaviour. I just think we should let the market do it.

Deputy J.H. Young:

Phil?

[10:30]

The Connétable of St. John:

Yes, several witnesses have argued forcibly that the lack of coherent co-ordinated approach across different government departments and the plans proposal for an energy partnership are vague and do not establish the need or the role for any one body. The department should take steps to move this forward. Now, what can you do as the man who holds the purse strings to make sure that all the departments, through the Council of Ministers, do grab hold of this, whatever it is, and run with it?

The Minister for Treasury and Resources:

I share the frustration. I mean, the amount of work that the Director for Environmental Policy has put into this policy has been significant. I think it is an excellent piece of work and I think it is a shame that Ministers have not progressed this policy earlier because I wish it would have been done earlier and it should have been done earlier. So the quicker it is agreed, the quicker we can move on, the quicker it can be implemented. I can remember, and Louise can confirm, I think I was talking with Louise about this policy probably more than 2 or 3 years ago.

The Director for Environmental Policy:

Oh, much more, yes.

The Minister for Treasury and Resources:

I think it started when I was Minister for Economic Development and if I had had my way, it would have been progressed a lot faster and I am not criticising. It is just one of those things that has just taken time but we need to get on with it and I am very committed to it.

The Connétable of St. John:

Will you commit today that you will annually or biannually call for an update of this report and make sure that the funding is in place to conduct the necessary business ...

The Minister for Treasury and Resources:

I am not the Minister for everything, Connétable. **[Laughter]**

The Connétable of St. John:

You are the Minister with the purse strings that can make things happen.

The Minister for Treasury and Resources:

Well, I am happy to make things happen. The budget, the M.T.F.P., has already been inscribed. The M.T.F.P. has already got the money in but with the policy not being adopted I think that underlines my commitment.

Deputy J.H. Young:

Steve, one last question.

The Deputy of St. Martin:

My final question, Minister, is around road transport because as we all know when you look at these energy policies, not only our own it is road transport which is responsible for so much of these emissions these days and we are looking to reduce it. Do you think there is a case to pump a bit more money into sustainable transport policy here in Jersey and get people on to public transport even more than they do at the moment? I realise there is already a subsidy in place but should we not be looking at it in ...

The Minister for Treasury and Resources:

On a lovely sunny day, I come into town at about 6.00 a.m. in the morning and I drive in and I think really should I have come in on my bike. Well, of course I do. On a winter's morning, do I really think that I can ...

The Deputy of St. Martin:

When you want to go home and it is a howling gale and raining.

The Minister for Treasury and Resources:

Yes, exactly. Now, I think my own view is that of course we need to encourage people. I mean, it makes us feel good, does it not, to say that we should all get on buses. I spoke to an Islander 2 days ago who said: "Why was I asked by Planning to do a green travel plan for my application for my garden centre which clearly, while, you know, I would love to get people on a bike, was it really realistic for people with a 50-kilo bag of peat to take it home on the back of their bike?" I think we need to be realistic and yet the travel plan for this garden centre, which was not on a bus route, which was not realistic, had cost that individual 3 months' delayed planning process and I think the travel planner cost £7,500. I think politicians just need to be reasonable and frank with people. There are going to be, and we have had this discussion about electric cars, car transport is going to become more quiet, less emitting and cleaner. I think that of course we should be encouraging people to where they are, where they can, and where there is a regular bus route, of course we should be encouraging people on public transport. Of course we should do that and where we can provide appropriate support to encourage people to buy electric cars which are silent, which are less environmentally damaging, of course we should do that. But should we be providing government subsidies for people who are making lifestyle choices? I spoke to another individual 2 days ago who wants me to go and try their electric car who says that: "I can afford to buy an electric car for £30,000" and frankly this particular individual, who is a lawyer, why should we

provide an individual who wants to do the right thing with the environment with a £10,000 cheque in order to reduce their car purchase costs?

Deputy J.H. Young:

Perhaps we should close that at that place. That is a good question. One last question for you, Minister, from me. Minister, compared with all the other things on your plate and the government has got on its plate, how important do you consider this energy strategy is to the Island on a scale of zero to 10? How much priority will you give it when this goes on the table of the Council of Ministers?

The Minister for Treasury and Resources:

It should have been done before. The J.E.C. needs clear direction. We need to settle some important issues about the future mix of energy use. We need to settle some of these arguments which I do not particularly have much confidence in about the future of some energy. Particularly I am not persuaded that there is a case for investment in gas pipelines. I think we are raising expectations. I think there is some very strong lobbying from different energy organisations, which I have not been persuaded by. I am absolutely committed to this and I want to see this energy policy adopted and it will have the full support of my department in order to implement it.

Deputy J.H. Young:

On a scale of zero to 10, 10 being high?

The Minister for Treasury and Resources:

Well, you know, what does it relate to?

Deputy J.H. Young:

Everything else.

The Minister for Treasury and Resources:

Well, I have got lots of priorities. It is just ...

Deputy J.H. Young:

I just wanted to test you to where it sits. Is it a 10, beyond ...

The Minister for Treasury and Resources:

These are sort of all silly questions. I am very supportive. I want to see it happen.

Deputy J.H. Young:

Okay, so you will not answer it.

The Minister for Treasury and Resources:

Well, you know, what do you want me to say?

Deputy J.H. Young:

Well, tell me what it is. Is it a one, is it a nothing or is it a 10?

The Minister for Treasury and Resources:

It is a 10. It should have been done 2 years ago so it is now ... if it is ... 20, I do not know. I want to get it done.

Deputy J.H. Young:

All right, Minister, we will leave it at that point. Thank you, Minister, and thank you for your colleagues coming along this morning. I am closing the meeting at that point, thank you.

The Minister for Treasury and Resources:

That is fine. I would just say one thing. If the panel has ideas or real ideas of economic boosting, environmentally boosting objectives, then we are in lockdown mode for budget matters within probably now 3 weeks. So if there is anything that is going to get in this year's budget, and even that is pushing it, okay, but we are in lockdown. Then when we have decided budget proposals, of course we do not announce them until the second week of October because we have all the work to do. So if people have got good ideas, let us have them and we will evaluate them and there will be a strong desire to see something happen.

Deputy J.H. Young:

This is for 2014?

The Minister for Treasury and Resources:

Indeed.

Deputy J.H. Young:

Within the M.T.F.P.?

The Minister for Treasury and Resources:

That is annual capital allocations for next year.

Deputy J.H. Young:

Thank you.

The Minister for Treasury and Resources:

Okay, thank you.

[10:37]