

Deputy B Paint
Houmet Lodge
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Guernsey
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13th July 2017

Dear Deputy Paint

Rule 14 Questions

Further to your letter of 2nd July 2017 and the Questions submitted under the provisions of Rule 14 of the Rules of Procedure, please find enclosed my Answers to those questions.

A copy of the Questions and my Answers has been sent to the Presiding Officer of the States and HM Greffier and a copy has been deposited at the Greffe in accordance with the provisions of Rule 14. I have also enclosed a copy of the Question and Answer here for your information.

Yours sincerely



Deputy Barry Brehaut
President
Committee *for the* Environment & Infrastructure

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**REPLY BY THE PRESIDENT OF THE COMMITTEE FOR THE
ENVIRONMENT & INFRASTRUCTURE
TO QUESTIONS ASKED PURSUANT TO RULE 14 OF THE
RULES OF PROCEDURE BY DEPUTY BARRY PAINT**

Question

Fossil Fuel Imports - New Discharge berth

1. *At a presentation held on Thursday 13th June at Beau Sejour the consultants engaged on the project of the construction of a proposed fossil fuel discharge berth confirmed that they had discovered that the UK and EU have no plans to introduce restrictions on tankers laying aground on harbour beds whilst discharging their cargo. This was a revelation as it has previously been understood that, in future, there were likely to be restrictions on tankers lying aground when discharging fossil fuels, which would have a significant effect on the Bailiwick. Given this revelation does the President of the Committee for the Environment & Infrastructure and his Board consider that –*
 - (i) *it is now clear that there will be no restriction on fuel tankers being able to discharge their cargos whilst laying on the harbour bed at St Sampson's harbour? And*
 - (ii) *it is therefore a pointless and expensive exercise to continue proceeding with an unnecessary project to build a new fossil fuels discharging berth?*
2. *Has the President of the Committee for the Environment & Infrastructure and his Board discussed with local fuel importers the best way to import fossil fuels in future, now that it has also been established by the consultants that the Bailiwick, including Alderney will have to import fossil fuels for at least the next 50 years or more?*

Answer

The response is set out in three parts below 1i, 1ii and 2.

Reply to question 1(i)

For the avoidance of doubt, the presentations on the progress of the Hydrocarbon Programme to Stakeholders and States Members did **not** confirm that the consultants had discovered that the UK and EU have no plans to introduce restrictions on tankers lying aground. It would be incorrect to assume the UK and EU have given some assurance in this regard. The consultants did express they had found no evidence of pending restrictions or a desire to place restrictions at the current time. Further detail is contained within the Statement of Requirement which states, "Should there be a legislative change that outlaws the use of NAABSA operations this would have a significant impact on the

import of hydrocarbon product. An alternative import mechanism would need to be implemented. While there is no known change in legislation pending or planned, it remains an unusual method for offloading petroleum product and is uncommon in Europe.” During the presentation it was said that Guernsey is the only hydrocarbon port in Europe that requires NAABSA vessels. This document, and others relating to the Hydrocarbon Programme, are freely available at www.gov.gg/fuels.

It is important to understand that the commonly received wisdom that ‘future restrictions on tankers lying aground are likely’ is not based on any evidence and is in reality not a fact but a supposition. The consultants were not making any revelations – they were simply clarifying the situation to ensure stakeholders were able to distinguish between factual evidence and unsupported supposition. The programme has found no evidence to support the suggestion that it is ‘likely’ NAABSA vessels will have restrictions placed on them. However, just because there is no evidence that the risk is ‘likely’ does not mean to say that the risk does not exist. It does. The consultants were clear that although the risk is low, it is still a real risk that must be taken into consideration. If restrictions were to be placed on NAABSA vessels, the impact for Guernsey would be high. Stakeholders (including Deputy Point) have been widely engaged on this programme and have been encouraged to bring forward any evidence they may have to inform the likelihood or otherwise of future restrictions of this kind.

Finally, it would be a gross simplification of the supply chain to suggest NAABSA restrictions are the only risk, or indeed even a primary risk in the current supply chain. It is incorrect to interpret a low likelihood for this single risk as equating to a low risk for the entire supply chain. Understanding and evaluating the full range of risks within the current supply chain and assessing whether alternative delivery methods would reduce these risks is a key part of the evaluation of options for future supply chains. A comprehensive risk assessment of the current supply chain has identified five very high risks. Restrictions on the use of NAABSA tankers are identified as a slightly lower risk than these very high risks, although they are still a high risk in their own right. Further information on the risk assessment can be found at www.gov.gg/fuels.

Reply to question 1(ii)

The Hydrocarbon Programme has identified a long list of options and has not yet concluded the work to select a preferred option for the supply of hydrocarbons. It is therefore not relevant to talk about proceeding with an “unnecessary” and “expensive exercise” to build a new fossil fuels discharging berth. This was explained to all attendees at the presentations. The next phase of the project is to identify preferred option(s).

- a) the need to address high risk elements within the current supply chain that have been identified and were explained at the presentations; and
- b) the need to provide a sound basis from which value for money investment decisions securing continuity of hydrocarbon supply can be made by both the public and private sector.

There are numerous examples of imminent investment decisions that will be impacted by the decisions made around the future hydrocarbon supply chain. For example, how should gas be imported when those vessels become end-of-life? Should the States of Guernsey

replace their existing NAABSA vessels with new NAABSA vessels when they become end-of-life? How will heavy fuel oil be imported when the current privately-owned vessels become end-of-life? With reduced volumes of hydrocarbons being imported, does a shift to greater electrification mean Guernsey Electricity will need to increase its electricity supply capacity, and if so what investment decisions does this impact? These are just some of the many examples of capital investments that require a sound platform on which to base decisions.

It is critical to understand that the decisions regarding the supply of hydrocarbons are not isolated from the wider energy market. A simple example of this is cost: if the price of hydrocarbons increases significantly compared to alternative forms of energy – for example electricity – the demand for hydrocarbons will reduce at a quicker rate whilst the demand for electricity will increase at a faster rate.

Reply to question 2

Yes. The current fuel importers and other stakeholders have been proactively and constructively consulted as part of the Hydrocarbon Supply Programme on future import solutions. We welcome the participation of the industry and other stakeholders and we encourage continued ongoing two-way communication and co-operation with the project managers to ensure we arrive at the most suitable and robust solutions for the next 50 years and beyond.

Date of Receipt of the Question: 2nd July 2017

Date of Reply: 13th July 2017