

**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 1

The Committee *for the* Environment and Infrastructure will apparently be spending anything up to £830,000 of taxpayers and public money on a report that seeks to mitigate against potential future eventualities. Would the President and his Board consider it appropriate for every other Committee or department to spend anything up to £830,000 on one report, on one issue, that seeks to mitigate against potential future eventualities?

Answer

The Committee *for the* Environment & Infrastructure is undertaking a detailed programme of work to ensure the future security of supply of hydrocarbons to the Island. The programme involves far more than the production of a single report. This programme of work was approved by the States as a pipeline programme in the 2014 to 2017 capital plan (Billet XVI, 2014) and again in the debate on the Policy and Resource Plan in June 2017.

In order to access funding of this nature any Committee has to make a robust case to the Policy & Resources Committee. The Policy & Resources Committee approved the funding of phases A and B of the programme in November 2016. All committees are bound by and operate within the same funding approval processes and scrutiny. The Policy & Resources Committee made the decision to release funding only after careful scrutiny of the proposals. The fact that the Policy & Resources Committee released the funding in question is evidence that the business cases that underpinned the funding requests were robust.

Question 2

How much of the above allocated £830,000 have the Committee *for the* Environment and Infrastructure spent, to date, on their report?

Answer

Phases A and B of the Hydrocarbon Programme have a combined budget of £830,000. The work completed is not simply a “report” and includes development of a demand study, detailed risk assessment of the existing supply chain, development of a “long list” of options, production of a statement of requirements, development of evaluation criteria and significant stakeholder engagement (which Deputy Paint has been involved in). Funds were committed or “spent” upon engagement of the consultants for Phases A and B and the final account is expected to be below £800,000.

Question 3

(a) In the first part of the written Reply to Question 1(i) (paragraph 1, second sentence) it states “*The consultants did express that they had found no evidence of pending restrictions or a desire to place restrictions at the current time.*”; Would the President explain how he and his Board came to the decision that consultants were required at

this time when the conclusions in the report basically noted there was only a possibility of there being a risk in the future? Could the same conclusions not have been reached by the Board and the Committee's staff, for much less cost?

- (b) In the first part of the written Reply to Question 1(i) (Paragraph 2 first and third sentences), it states that *"It is important to understand that the commonly received wisdom that 'future restrictions on tanker lying are likely is not based on any evidence and is in reality not a fact but a supposition. The program has found no evidence to support the suggestion that it is 'likely' NAABSA vessels will have restrictions placed on them. However, just because there are no evidence that the risk is 'likely' does not mean to say that the risk does not exist."* Would the President and His Board agree that these statements do not appear to take into account the fact that all supplying vessels of fossil fuels products to the Bailiwick are privately owned or managed companies and therefore would do all they could to continue trading with the Bailiwick? If so, does the President and his Board agree that this is a relevant factor for them to take into consideration when making any decisions in relation to this issue?

Answer

- (a) The consultants investigated the NAABSA (Not Always Afloat but Safely Aground) issue and drafted the report referred to in the question, which includes the conclusion summarised in the question. Therefore, it is not the case that consultants were engaged on the back of a report stating "there was only a possibility of there being a risk in the future". The report is part of the work the consultants were engaged to carry out.
- (b) I note that the question referred only to selected parts of the previous answer and, in so doing, have taken some of the words out of context. The full answer clearly states it would be incorrect to take a single risk and interpret it as the only or main risk for the entire supply chain. The answer goes on to say the work being undertaken is to understand and evaluate the full range of risks. The full risk assessment includes risks associated with a wholly privately owned or privately managed supply chain. There are no guarantees that privately owned companies will do "all they could to continue trading with the Bailiwick" as stated in the question. Private companies operate for profit, not security of supply and this in itself is a risk. For example, when market forces were at risk of failing to provide security of supply the States had to step in and purchase two tankers. The Committee therefore agrees that market forces are a relevant factor that can potentially present significant risk to the security of supply and to ignore this factor would be foolhardy.

Question 4

In relation to Paragraph 2 of Question 1(i) paragraph 1, (sixth sentence) it states *"The Consultants were clear that although the risk is low, it is still a real risk that must be taken into consideration."* -

- (a) Would the President explain why he and his Board are seeking to mitigate against events that may never occur, instead of acting on evidence substantiated by facts?

- (b) Would the President explain why he and his Board were not prepared to monitor the situation over the next few years and act only when and if it became necessary rather go to the huge expense of employing consultants at this time?

Answer

- (a) The Committee strongly refutes the suggestion that it is not acting on evidence substantiated by fact. On the contrary, the Committee via the Hydrocarbon Programme is doing exactly the opposite, researching, investigating and engaging with stakeholders, including Deputy Paint to make informed decisions based on fact and analysis. The fundamental premise of risk management is to assess what may occur and evaluate mitigation options to reduce likelihood or impact of an event.
- (b) The Hydrocarbon Programme is clearly identified as a top priority by the Committee *for the Environment & Infrastructure* in the Policy & Resource Plan – Phase 2 recently approved by the States; thus it is not only the Committee that considers the issue needs to be addressed. Further, the programme was also identified and approved, again by the States, in the previous capital prioritisation round. An approach of “wait and see” does nothing to provide a stable platform from which the private sector or the States can make sound investment decisions, nor does it address the risks or ensure security and continuity of supply for hydrocarbon fuel which underpins the fabric of our society and economy. Put simply, a “reactive” policy - i.e. do something when something goes wrong as suggested in the question does nothing to mitigate the impact on our society and economy of a failure in the continuity of fuel supply. In any event, given the likely time scales involved in implementing a solution, it would be irresponsible not to plan for the future.

Question 5

In relation to a statement made by the President on BBC radio on Thursday a.m. the 18th July, when he said that “*We think it may cost as much as £120,000,000 to build a fueling berth*” - Would the President explain how he come this conclusion on the cost of building a fueling berth, when it has not been decided yet what options, if any, are necessary?

Answer

As per the answers given to the previous questions dated 2nd July 2017, the Hydrocarbon Programme has not yet concluded the work to select a preferred option for the supply of hydrocarbons. The statement above given in interview simply refers to the potential cost of one of the options, which would have been clear to anyone listening to the entire interview. It is misleading to use a single comment from an interview out of context in this way, particularly when a full explanation has recently been provided clearly stating no preferred option has been selected.

Question 6

In relation to Paragraph 3 of the Reply to Question 1(i), (fourth and sixth sentences), which state that – “*a comprehensive risk assessment of the current supply chain has identified five very high risks.*”

Further information on the risk assessment can be found at www.gov.gg/fuels.”

- (a) Can the President and his Board explain what the five high risks identified are as a detailed examination of the web site www.gov.gg/fuels by colleagues has not been able to identify them?
- (b) Would the President explain why he and his Board have decided not to publish for public consumption the five “very high” risks noted above?

Answer

- (a) A summary of the risks can be found on www.gov.gg/fuels in the Statement of Requirements at page 48 including the five red risks. The full risk assessment can be found in the Statement of Requirement Appendix D.
- (b) They have been published, as explained in the previous answer.

Question 7

In the Presidents Reply to Question 2 he states that the Board and one would presume their Officers are in discussions with fuel importers and other stakeholders. Will the President give further detail on this part of his reply, for example:-

- (a) Are there minutes kept of all the meetings with stakeholders?
- (b) Have the private shipping companies who are transporting the hydrocarbons to Guernsey specifically been asked if they will have the ability to continue supply when their vessels will pass their end of their life time and, if not, has any attempt been made to find other ship owners that may be interested in supplying suitable vessels?

Answer

- (a) Yes. In accordance with good practice in project/programme management, meetings with stakeholders are recorded for future reference.
- (b) None of the existing shipping companies has the ability as it stands today to continue to supply Guernsey once the current vessels reach end of life unless replacement vessels are commissioned. Multiple vessels are used to import fuel to Guernsey. It is not possible for each individual vessel to carry all fuel types, for example the States’ owned vessels are not able to transport LPG and would require conversion and the introduction of costly operational procedures to carry HFO. Therefore multiple shipping companies would need to commit to commissioning new replacement vessels in order to continue today’s supply chain. There is some indication individual shipping companies may make such investments, however to do so they are looking for clarity regarding Guernsey’s continued use of NAABSA vessels for import. Any such vessel would be built purely due to Guernsey’s specific supply chain, it therefore follows that in the event shipping companies did not complete on a commitment made today the States bears the risk.

Question 8

Has any attempt been made to investigate the building of suitable vessels to meet the special conditions that appertain to the Bailiwick waters?

Answer

Yes. NAABSA vessels could be commissioned to be built, either by private sector or the States. Any such commission would be specific to Guernsey needs. Therefore a commitment to the continued use of a supply chain requiring NAABSA vessels is a pre-requisite for any such investment. Any such commitment needs to be made in the full knowledge of the risks and the alternative supply chain options, particularly given a declining demand in hydrocarbon fuels. This work is being carried out by the Hydrocarbon Programme, the long list of options includes replacement NAABSA vessels amongst the many options.

Date of Receipt of the Question: 26th July 2017

Date of Reply: 3rd August 2017