

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

6th September, 2023

Proposition No. P.2023/55

Committee for the Environment & Infrastructure

Electricity Strategy for Guernsey

AMENDMENT

Proposed by: Deputy R C Murray

Seconded by: Deputy S P Haskins

1. To replace the words 'a cost optimal' in Proposition 1 with the words 'an affordable'.
2. To delete Proposition 2(a) and replace it with the following:

“(a) Agree that Guernsey’s electricity supply and demand strategy between now and 2050 should be the most affordable balance of the Energy Policy objectives as updated and detailed in Section (4) of the Policy Letter (subject to the amendments set out in Proposition 2A), and that until that affordability is established by more detailed financial analysis with stakeholders, Pathway D becomes an interim States’ strategic direction only; and”.
3. To insert the following Proposition immediately after Proposition 2:-

“2A. That in recognition of the omission in the current States Energy Policy of a specific objective identifying affordability (recognised in paragraph 4.1.8 of the Policy Letter to deliver a ‘fair and equitable market framework (that) there needs to be a prioritisation of affordability and practicality for the Island’) to agree that the updates to the Energy Policy vision statement and objectives set out in Section (4) of the Policy Letter shall be amended as follows:

(a) Replace the proposed Vision Statement, set out in paragraph 4.2.2 (aimed at encompassing the defined energy trilemma, as described on page 23, Note 24 of the Strategy, as being *the requirement to balance the affordability, reliability and environmental sustainability of energy systems*), with the following:

“Guernsey will strive by 2050 to be aligned with global efforts to reduce emissions and develop renewable technologies insofar as they remain affordable, reliable and sustainable reflecting the Island’s economic limitations and resources. Facilitating reliable and affordable renewable energy supplies can act as an economic enabler, providing diversification and vibrancy to the Island’s economy, whilst also improving Guernsey’s credibility and reputation in the green finance sector. Guernsey’s natural resources will be used appropriately and maintain the unique surroundings, biodiversity and natural beauty of the Island.”, and

4. (b) Replace the intended update to the Energy Policy Objectives set out in Figure 2 immediately below paragraph 4.2.3 of the Strategy, with the following:

“Existing objective	Proposed Version
<p data-bbox="448 779 647 808"><u>Decarbonisation</u></p> <p data-bbox="293 853 802 1021">Decarbonisation of the Island’s energy system will be in line with developing and evolving international standards and those set by other jurisdictions to mitigate climate change.</p> <p data-bbox="300 1066 799 1272">This means our aim must be to have an energy system in which our energy supplies come from clean, low carbon sources. The outcome of this will be clean air and a healthy environment in which our community lives.</p>	<p data-bbox="903 779 1283 846"><u>Minimise carbon emissions and environmental impacts</u></p> <p data-bbox="855 891 1331 987">Decarbonisation of the Island’s energy system will endeavour to be in line with evolving international standards.</p> <p data-bbox="847 1032 1339 1312">This means that our aim must be to have an energy system in which our energy supplies come from low carbon sources insofar as affordable and practical, with the intent that this will result in an outcome in which clean air and a healthy environment can be enjoyed by our community.</p>
<p data-bbox="352 1350 743 1379"><u>Security and Resilience of Supply</u></p> <p data-bbox="300 1424 799 1559">Maintaining the required level of security of supply to withstand simultaneous infrastructure failures within the system and still serve our energy needs.</p> <p data-bbox="300 1603 799 1809">Working on the basis of increased interconnection, the existing N-2 criteria (on-island generation provision) would be updated, as appropriate, to maintain security of supply levels in light of increased connectivity.</p>	<p data-bbox="895 1350 1294 1379"><u>Security and Resilience of Supply</u></p> <p data-bbox="847 1424 1347 1559">Maintaining the required level of security of supply to withstand simultaneous infrastructure failures within the system and still serve our energy needs.</p> <p data-bbox="858 1603 1331 1850">In the event that increased interconnection becomes affordable to implement, the Island’s criteria for on-island generation provision will be updated, as appropriate, to maintain security of supply levels in light of such increased connectivity.</p>

<p style="text-align: center;"><u>Consumer value and choice</u></p> <p>An approach to competition in the energy market that is aligned with Guernsey’s scale and size, and one where consumers can have a choice over their primary source of energy.</p>	<p style="text-align: center;"><u>Consumer Value</u></p> <p>An energy market where cost-effective procurement of energy and energy efficiency are prioritised to deliver affordable energy for the Island.</p> <p style="text-align: center;"><u>Appropriate Competition and Consumer Choice</u></p> <p>An energy market that encourages investment and competition and provides the consumer with choice over energy sources. Critical infrastructure should not be duplicated.</p>
<p style="text-align: center;"><u>Equity and Fairness</u></p> <p>An energy market where all consumers pay a share of the maintenance of the system, and in return receive equal access to the opportunities that come from technological advances.</p>	<p style="text-align: center;"><u>Transparency and fairness</u></p> <p>An energy market where costs of services are well understood and clearly explained, where the maintenance of the system is shared fairly by consumers, and who in return receive equal access to the opportunities that come from technological advances.</p>
<p style="text-align: center;"><u>Greater energy independence</u></p> <p>A system where a greater and significant proportion of our community’s energy needs are supplied through local energy sources. This will increase resilience by reducing exposure to external and geopolitical factors</p>	<p style="text-align: center;">No change”</p>

AND to agree that the changes to the Vision Statement and Energy Policy objectives shall be incorporated into the States Energy Policy 2020-2050.”

Rule 4(1) Information

- a) The proposition contributes to the States’ objectives and policy plans by seeking to maximise the benefits of the Government Work Plan (“GWP”) by ensuring that debate on and decisions relating to the long-term electricity strategy for Guernsey are appropriately linked with forthcoming debate on and decisions about the associated competing financial demands and consequences of the components of the GWP and Funding & Investment Plan (F&IP).

- b) In preparing the proposition there has been consultation with stakeholders in relation to the anticipated competing demands of the F&IP.
- c) The proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- d) There are no financial implications to the States of carrying the proposal into effect.

Explanatory note

When the Energy Policy proposals 2020-2050 were approved in the closing days of the previous assembly in May 2020 (P.2020/47), it is the view of the Proposer and Secunder that a significant omission occurred in not proposing or recognising the fundamental role that affordability must play when it established the six objectives that now appear in paragraph 4.1.2 of the Policy Letter in ranked order.

It is inconceivable to presume that Policy objectives (of any description) can be endorsed without the limitation of their delivery being financially possible within the context of the associated market and what it will bear. The Oxford Dictionary definition of 'affordable' is *'the fact of being cheap enough that people can afford to buy it or pay it'*.

Hence, the words 'cost-optimal' which appear in propositions 1 and 2(a) do not in themselves stipulate achievable, market affordability, rather they describe a process for comparison of competing prices arising from the presentation of pre-defined pathways only and therefore exclude the possibility that none of these pathways may upon further analysis, in actual fact be 'affordable'.

This issue is recognised in paragraph 1.23 which identifies that affordability is an issue on two fronts – to consumers and to the States. It also rightly identifies that the current grid infrastructure has suffered from years of under-investment. But although referred to in other places in the Policy Letter – the circa £30 million necessary to upgrade the grid infrastructure is not included in the estimated costs of any of the pathways.

This issue of affordability is critical and especially so in the Committee's current recommendation in proposition 2(a) that Pathway D becomes the States Strategic direction. This is because it includes a second interconnector (GF1) despite there being no indication that negotiations have yet to provide an affordable contract price for the purchase of electricity it would be designed to carry. This has been a development that has been in the sights of Guernsey Electricity (GEL) since at least 2012 which is referenced in paragraph 8.3 of the current States Energy Policy 2020-2050 as a

strategic aim (to have) two interconnecting cables to ‘provide electricity to customers at affordable prices’.

Given the massive impact upon electricity prices worldwide in the wake of the war in Ukraine, it is by no means a given that the affordable contract price we currently enjoy transmitted over GJ1 will be available to us on that existing cable, let alone a second. It is therefore of paramount importance that the likely contract price of electricity is negotiated before we invest time, effort and cost in specifying a second interconnector.

Furthermore, Pathway D includes Offshore Wind which is the most expensive of the renewables currently on offer. That is in respect of construction, maintenance and subsequent decommissioning. The rotor blades for instance contain toxic substances which requires them to be buried – and they are enormous.

There are also increasing concerns that the windfarm marketplace has significantly changed and that the economics of windfarms is no longer as cost-effective, reliant as it has been upon an acceptable contract for difference (CfD or guaranteed subsidy) between operator and intended market.

By means of illustration, in July this year the development of the Norfolk Boreas site off the Norfolk coast was shut down by Swedish energy giant Vattenfall. Chief Executive Anna Borg told the BBC *“Conditions are extremely challenging across the whole industry right now, with a supply chain squeeze, increasing prices and cost of capital, and fiscal frameworks not reflecting market realities”*. Siemens own wind division (Gamesa) has lost billions in market value after numerous turbines developed faults. Until the States can establish the likely costs of pursuing a windfarm, it should not commit to anything other than an interim Pathway containing it as an option.

Finally, given that Decarbonisation was agreed as an objective in the States Energy Policy, without any regard for (again) affordability and that lack of it as an objective has clearly impacted a great deal of the work of Siemens contained in the intended Electricity Strategy, it is proposed that the suggested changes to the States Energy Policy objectives set out in Figure 2 below paragraph 4.2.3 of the Policy Letter now be amended to address best endeavours instead. This provides for necessary flexibility in implementation of decarbonisation measures rather than a rigid adoption of targets that a number of jurisdictions are now struggling to implement due to practical issues (eg lack of mass adoption of heat pumps in the UK); of unaffordability; or outright public opposition (such as in the Netherlands).

Concern for these foregoing, overriding issues of affordability should not come as a surprise to the Committee as they are already recognised in paragraph 9.13 of the Policy letter (top of page 57):

‘...The Committee is aware that any funding or backing would need to be considered in line with wider States commitments and, if all capital investment in the Strategy were to

be funded through States funding or backing, this may be unaffordable or impact upon the ability to deliver other vital required investment....'