

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

SARK'S GOVERNMENT – REQUEST FOR LOAN FACILITY TO PURCHASE SARK ELECTRICITY LIMITED

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Sark's Government – Request for Loan Facility to purchase Sark Electricity Limited' dated 21st March 2025, they are of the opinion:-

- 1 To authorise and direct the Policy & Resources Committee, working with the Chief Pleas of Sark (or one or more of its Committees) to:
 - a) agree the terms of reference and constitution of a commission on the future arrangements for the constitutional and working relationships between Guernsey and Sark;
 - b) establish that commission; and
 - c) bring the relevant findings of that commission back to the parliaments of the islands involved, firstly with an interim report before the end of 2025 and secondly with a final report 12 months after that (before the end of 2026).

- 2 To authorise the Policy & Resources Committee to provide a loan facility of up to £1.5 million to the Chief Pleas of Sark, for the purpose of purchasing Sark Electricity Limited and/or Sark Electricity Holdings Limited and any remedial work required for electricity generation and distribution in Sark, and to delegate authority to the Policy & Resources Committee to agree the terms of the loan, on the conditions that:
 - a) the Chief Pleas of Sark participate in the Bailiwick Commission set out in Proposition 1 above;
 - b) Impôt payments (duties on alcohol, fuel and tobacco collected by the States of Guernsey on behalf of the Chief Pleas of Sark) be used as a security guarantee to repay that loan to Guernsey in the event of non-payment by Sark of any loan utilised; and
 - c) the Chief Pleas of Sark undertake a comprehensive review of Sark's taxation regime to ensure that it can acquire sufficient reserves to support essential capital investment requirements, including the aforesaid loan.

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ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

**SARK'S GOVERNMENT – REQUEST FOR LOAN FACILITY TO PURCHASE SARK ELECTRICITY
LIMITED**

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

21st March 2025

Dear Sir

1. Executive Summary

- 1.1. Securing the supply of electricity in Sark is critical to the welfare of its population. It is essential for the medium and long-term viability of that island; both to sustain the existing population and for the island's future economic development.
- 1.2. The generation and supply of electricity in Sark has been an ongoing issue for the government of Sark, and Guernsey to a lesser extent, for a significant period of time due to difficulties engaging with the private company, Sark Electricity Limited ('SEL'), which generates and supplies much of the electricity in the island and the risks of ageing infrastructure (including safety risks, as in Section 4). It has consumed significant resources (including officers and politicians' time), in both Sark and Guernsey, responding to frequent crises and threats that the electricity supply may be cut off.
- 1.3. Attempts have been made by the Chief Pleas of Sark ('Chief Pleas') to purchase SEL in order to gain control over the company and its assets, with the intent of achieving reliable, predictable and safe provision of electricity in Sark. The most recent attempt, in 2022, progressed to mediation with the current owner but the parties did not find a way to progress beyond that stage. The current owner of SEL has publicly stated that there is an alternative acquisition in progress that is due to complete by 30th April 2025 (under an exclusivity agreement with SEL) by a consortium, called "Island Power" and linked to the University College London's "Institute for Strategy, Resilience and Security".

- 1.4. While recent progress has been made by Chief Pleas, acting through its Policy & Finance Committee ('Sark's P&F'), in exploring alternative options to secure sustainable energy provision in that island, there remain substantial operational and technical risks to progressing these options without control over the existing electricity network in Sark, owned by SEL. It is understood that the assets of the generation and distribution system are owned by Sark Electricity Holdings Limited and leased to SEL.
- 1.5. Following a number of political discussions during the past few years, Sark's P&F wrote to the Policy & Resources Committee ('the Committee') in March 2025 requesting the consideration of a £1.5 million loan facility, which Guernsey's government might make available to Chief Pleas to enable it to purchase SEL, as an early part of its longer-term plans to improve the electricity generation and distribution system in Sark, and to secure a reliable and sustainable long-term supply of this utility.
- 1.6. As Sark, like Guernsey, is not part of the UK, there are limited opportunities for its government to access funding or grants from the UK Government or other UK non-governmental bodies. Such funds or grants may be available to small communities in the UK (or the Overseas Territories, which have a different relationship with the UK).
- 1.7. The business case does not fit the usual profile of investment decisions by the States of Guernsey, but the investment needs to be viewed on its social, rather than its commercial, merits. Given the critical importance of electricity supply to the health and viability of the Sark community, and the close relationship between Guernsey and Sark, including the shared international reputation of the Bailiwick, Guernsey's government may wish to assist Sark, as long as there is no detriment to the Guernsey taxpayer.
- 1.8. Guernsey does not have a formal constitutional responsibility in relation to these matters, but it might be considered that the situation has reached a point where there is a moral argument for the States of Guernsey to support Chief Pleas, by way of a financial loan, to secure reliable and sustainable provision for energy generation and supply in Sark.
- 1.9. Given the circumstances set out in this Policy Letter, it is the Committee's recommendation that the States of Deliberation authorise and direct the Committee to negotiate and enter into an agreement with Chief Pleas for a loan facility of £1.5 million to support Sark in securing its generation and supply of electricity for the future, on the conditions that:
 - a) the Chief Pleas of Sark participate in the Bailiwick Commission;

- b) Impôt payments (duties on alcohol, fuel and tobacco collected by the States of Guernsey on behalf of the Chief Pleas of Sark) be used as a security guarantee to repay that loan to Guernsey in the event of non-payment by Sark of any loan utilised; and
- c) the Chief Pleas of Sark undertake a comprehensive review of Sark's taxation regime to ensure that it can acquire sufficient reserves to support essential capital investment requirements, including the aforesaid loan.

2. Introduction

- 2.1. Securing the supply of electricity in Sark is critical to the welfare of its population. It is essential for the medium and long-term viability of that island; both to sustain the existing population and for the island's future economic development. In addition to its obvious purposes, the electricity supply in Sark is also critical for providing clean water – it powers the UV treatment processes and pumping of water from boreholes into residents' homes, businesses and public buildings. There are also a small number of residents who rely on electricity to power medical equipment which they need to continue to reside in their homes. Significant disruptions to electricity supply would create an urgent threat to public health in Sark.
- 2.2. The generation and supply of electricity in Sark has been an ongoing issue for the government of Sark, and Guernsey, to a lesser extent, for a significant period of time, due to difficulties engaging with the private company which generates and supplies much of the electricity in the island and the risks of ageing infrastructure (including safety risks, as in Section 4). It has consumed significant resources (including officers' and politicians' time), in both Sark and Guernsey, responding to frequent crises and threats that the electricity supply may be cut off.
- 2.3. While recent progress has been made by Chief Pleas, acting through Sark's P&F, in exploring alternative options to secure sustainable energy provision in that island, there remain substantial operational and technical risks to progressing these options without control over the existing electricity network in Sark, which is owned by a private company, SEL. It is understood that the assets of the generation and distribution system are owned by Sark Electricity Holdings Limited and leased to SEL. For simplicity in the Policy Letter, Sark Electricity Limited/SEL has been used to refer to both companies.
- 2.4. Following a number of political discussions during the past few years, Sark's P&F wrote to the Committee requesting consideration of a loan facility which Guernsey's government might make available to Chief Pleas (as in a letter, dated 13th March 2025, from the Chair of Sark's P&F to the President of the Committee – Appendix 1). The loan facility requested by Sark is for up to £1.5 million, to

enable it to purchase SEL, as an early part of its longer-term plans to improve the electricity generation and distribution system in Sark and secure a reliable and sustainable long-term supply of this utility.

- 2.5. Guernsey does not have a formal constitutional responsibility in relation to these matters (further detail in Appendix 2), but it might be considered that the situation has reached a point where there is a moral argument for the States of Guernsey to support Chief Pleas, by way of a financial loan, to secure reliable and sustainable provision for energy generation and supply in Sark.

3. Background

- 3.1. SEL currently has the monopoly for generating and supplying electricity in Sark. It does so using diesel generators and an electricity grid which covers much of Sark (including Little Sark). SEL is, and always has been, a private company¹. However, there is currently no legislation in Sark that would restrict which individuals or organisations can generate and supply electricity. There is some private generation, primarily using diesel generators and solar panels.
- 3.2. The relationships between SEL, Sark's community and its government have changed over time. In 2007-8, a global recession pushed up global oil prices, and many small communities, which were reliant on diesel to generate electricity, experienced soaring electricity prices. In Sark, some in the community began to question the prices being charged by SEL and the management of the business.
- 3.3. In 2016, Chief Pleas approved the Control of Electricity Prices (Sark) Law, 2016 ('the Price Control Law'), in an attempt to ensure fair electricity prices for the community. At that time, electricity prices were 85p/kWh. The Price Control Law established the role of the Sark Electricity Price Control Commissioner ('SEPCC'), who has the power to investigate and determine whether electricity prices are fair and reasonable. The SEPCC has the power to issue Price Control Orders ('PCO') which set the unit price that can be charged for electricity in Sark. When the first PCO was made, in 2019, the price was regulated to 53p/kWh. It has fluctuated since then but is currently 49p/kWh (with effect from 1st March 2025²). That is high compared to the other larger islands in the Bailiwick and the other Crown Dependencies³.
- 3.4. There is limited evidence about investment by SEL in its infrastructure beyond

¹ Sark Electricity Limited sets out its view of its history at <https://www.sarkutility.com/about>

² PCOs available at <https://sarkelectricitypcc.org/>

³ The current price set by the PCO is 49p per unit (kWh). In comparison, Guernsey electricity price is 23.89p per unit standard rate (or 11p and 25p super economy). Alderney electricity price is 36.26p per unit flat rate. Jersey is 21.66p per unit (inc GST at 5%). IoM is 28.5p per unit (inc VAT at 5% for domestic users).

the minimum required to maintain supplies to its customers. It is understood that there was investment until 2012 or so, but during the last decade there has been less investment in the infrastructure. Independent infrastructure reports were published in 2021 and 2022 (one about the high voltage electricity network in Sark⁴; and another about engineering and operational considerations for the supply of electricity in Sark⁵).

- 3.5. The commercial electricity supply in Sark has had many crisis points during the last decade. Numerous warnings have been made, by the previous owner and the current owner of SEL, that the company would cease the electricity supply, as a result of disputes with Chief Pleas and others, finances, legal action and/or failing infrastructure.
- 3.6. While no urgent action to reinstate electricity generation or supply has been required to date, these incidents have required the Civil Contingencies Authority ('CCA') to be briefed on occasion, in preparation for a potential emergency. The Civil Contingencies (Bailiwick of Guernsey) Law, 2012 ('the Civil Contingencies Law 2012') includes definitions about emergencies or near emergencies, which includes threats that would damage human welfare. Guernsey's government would be obliged to intervene under that legislation if such an emergency were to occur within the Bailiwick. Chief Pleas would, of course, also have obligations to the people of Sark.
- 3.7. Attempts have been made by Chief Pleas to purchase SEL in order to gain control over the company and its assets, with the intent of achieving reliable, predictable and safe provision of electricity in Sark. The most recent attempt, in 2022, progressed to mediation with the current owner but the parties did not find a

⁴ Chief Pleas commissioned an independent review of the high voltage electricity network in Sark by reviewing SEL/SEHL's infrastructure/assets visible above ground and accessible by the public. The decision to commission the report was made at the Chief Pleas Easter meeting 14th April 2021 - Agendas and papers for Chief Pleas meetings are available at www.sarkgov.co.uk/chief-pleas. The subsequent report by EIS Ltd, published in October 2021, raised significant concerns about the state, and safety, of the network, including evidence of a lack of necessary maintenance and deterioration of existing infrastructure. The report also highlights significant public health risks. Chief Pleas Extraordinary meeting 17th November 2021 - Report available at [ca46aa_aba9e0b4a7214d8f88d40cff80dfbbfe.pdf](https://www.sarkgov.co.uk/media/1466/ca46aa_aba9e0b4a7214d8f88d40cff80dfbbfe.pdf)

⁵ In February 2022, the Sark Electricity Price Control Commissioner ('SEPCC') commissioned an independent engineering and operational report by 'Energypeople' (engineering consultants) to determine the range of costs that a reasonably efficient organisation would incur in providing electricity in Sark. The purpose of the report was to enable the SEPCC to make fact-based judgements on the prices charged for electricity in Sark, which they considered was not possible based on the evidence available to them at that time from SEL as the sole electricity supplier. The report also advised that it did not make financial sense to purchase the existing grid and generation plant. It advised that the best value could be achieved by establishing an entirely new grid, if it is technically, operationally and politically feasible to do so. The report can be found at: [ca46aa_8181271df3f440c69815bae1eb2c2842.pdf](https://www.sarkgov.co.uk/media/1466/ca46aa_8181271df3f440c69815bae1eb2c2842.pdf)

way to progress beyond that stage. While the ownership of electricity grids varies by country and region, governments generally have some degree of involvement whether it be through policy, legislation or ownership, to ensure a reliable supply, given the strategic importance of the utility.

- 3.8. The current owner of SEL has publicly stated that there is an alternative acquisition in progress that is due to complete by 30th April 2025 (under an exclusivity agreement with SEL) by a consortium, called “Island Power” and linked to the University College London’s “Institute for Strategy, Resilience and Security”.
- 3.9. While Guernsey has some constitutional responsibilities for Sark for certain defined topics⁶, Guernsey does not have any responsibilities in regard to Sark for fiscal matters or for the supply of electricity (Appendix 2). The Committee recognises that the UK’s Ministry of Justice has previously indicated that the States of Guernsey has a moral obligation to assist as part of a ‘Bailiwick together’ approach. The Bailiwick has a shared international reputation. Given the critical importance of the electricity supply to the health and viability of the Sark community, and the close relationship between Guernsey and Sark, Guernsey’s government may wish to act to assist Sark, as long as there is no detriment to the Guernsey taxpayer.
- 3.10. With due regard to those considerations (as in paragraphs 3.5-3.9), the Committee has provided some ongoing strategic support to Sark’s P&F, since 2021, to assist the work required to maintain continuity of supply for electricity in Sark. This has included the Committee being supportive of Guernsey Electricity Limited (‘GEL’), through the States’ Trading Supervisory Board (‘STSB’), assisting with advice about the transition to a new model of supply in Sark. There was an exchange of letters in 2021 between the Committee and Sark’s P&F to clarify responsibilities, liabilities and limits about the support provided by Guernsey in regard to Sark’s electricity supply. These included:
- Any support provided by the States of Guernsey to the Chief Pleas of Sark should not adversely impact the States of Guernsey, or Guernsey residents.
 - Any liabilities – financial or otherwise – which would otherwise impact public funds or services in Guernsey, while the States of Guernsey (or GEL) are providing support, must remain the responsibility of Chief Pleas until any transition is complete (this was in the context of exploring a

⁶ Certain functions are transferred to the Guernsey Financial Services Commission and other Guernsey-based regulators. The States of Deliberation has jurisdiction in Sark in respect of matters of criminal justice law. Some secondary legislation can be made by the States of Deliberation that has effect in Sark. It is normal for consultation to take place on these measures, but usually, if consultation has not happened for any reason, this does not affect the validity of that legislation.

possible supported purchase by GEL).

4. Current situation for Sark's electricity generation and supply

- 4.1. Sark's electricity generation and distribution system is privately-owned by SEL. Information on the Sark Community Power website⁷ advises that electricity in Sark is generated in the small power station equipped with four diesel engines. Those engines are at the end of their serviceable life (one has been replaced with a second-hand engine, though the estimated serviceable life of that engine is unknown). It is understood that the transformers located around Sark, which step power down from 6,600 volts to 400/230 volt supply, have an average age of 38 years and some are 70 years old.
- 4.2. It is stated by Sark Community Power (same reference as above) that, based on the reports already referenced in this Policy Letter (paragraph 3.4), Sark's power system should be treated as being at the end of its life and be considered for replacement. The electricity generation facilities are in need of replacement, which could be done in stages. The distribution network is also considered to be at end of life. Some parts of that network may be usable, subject to further assessment. The full extent of any replacements and upgrades required will not be known until SEL has been purchased and a full assessment can be undertaken.
- 4.3. There are two groups of houses (19 in total) in the north of Sark which have been cut off from the electricity grid for several years (since a landowner requested that SEL's equipment be removed from their land). There is no legislation in Sark about wayleaves for utilities. These houses are being supplied by temporary generators installed and maintained by Chief Pleas, with part of the costs covered by charges to the users.
- 4.4. The 2021 grid condition and safety report (paragraph 3.4) identified a risk that the transformers may contain PCBs (polychlorinated biphenyls) which can only be confirmed by oil sample analysis⁸. PCBs represent a serious health hazard and were banned in the UK in 1987. Should these be present, the cost of removal (especially considering Sark's remote location) and incineration at a specialist facility would be considerable.
- 4.5. Unlike Guernsey, Sark has no interconnector with any external sources of energy supply. The majority of Sark households (those which do not self-generate electricity) are entirely reliant at present on the SEL generation and distribution

⁷ Background on the Sark Community Power website can be found at:

<https://www.sarkcommunitypower.com/background>

⁸ Chief Pleas commissioned an independent review of the high voltage electricity network in Sark, by reviewing SEL/SEHL's infrastructure/assets visible above ground and accessible by the public. Access to undertake oil sample analysis was not available. The assessment report can be found at:

ca46aa_aba9e0b4a7214d8f88d40cff80dfbbfe.pdf

system, which is managed as a completely private endeavour.

5. Plans for the future of electricity provision in Sark

- 5.1. Given the importance of a safe and reliable electricity supply to Sark's community and businesses, Chief Pleas resolved (in September 2022⁹) to progress work on a new community owned power system, potentially focusing on renewable energy sources. Chief Pleas appointed Communities for Renewables¹⁰ as a consultant to tender for an experienced contractor to design and build the system. The intention at that time was for the new system to run in parallel with the existing SEL system, following the unsuccessful attempt at a negotiated purchase in 2022.
- 5.2. Following a three-stage tender process, Infinite Renewables and Sancus were recommended in September 2023 as the preferred bidders for the design and build contract. Following approval of an investment of £175,000 by Chief Pleas in January 2024, the design work has been undertaken for the new system. A meeting for local residents has been scheduled for 25th March 2025, to provide an update on the design work and the next steps for the project.
- 5.3. The longer-term and more expensive project for a complete replacement of Sark's generation and distribution system to a renewables-based system is also being progressed by Sark. Information on the Sark Community Power website¹¹ suggests that the longer-term project will cost approximately £8.6 million. In October 2024, media reports¹² suggested that the estimated project cost had increased to £11.5 million. Sark's P&F has been exploring different options to raise the capital required for that longer-term project.
- 5.4. Currently, Chief Pleas does not have a capital budget to support such projects¹³

⁹ Chief Pleas meeting on 21st September 2022 – Policy & Finance Committee report titled 'Securing the long-term resilience of energy generation and supply in Sark' - Agendas and papers for Chief Pleas meetings are available at: www.sarkgov.co.uk/chief-pleas

¹⁰ Communities for Renewables describes itself as a "mission-led community interest company that helps communities, public sector bodies, and not-for-profits in developing financing, and managing their own renewable energy generation." Homepage found at: <https://cfric.co.uk/#about>

¹¹ <https://www.sarkcommunitypower.com/new-project>

¹² For example, <https://guernseypress.com/news/2024/10/28/sark-asks-crown-estate-to-lend-115m-for-its-power-plans/>

¹³ As part of its 2025 Budget, Sark's Policy & Finance Committee advised Chief Pleas about the creation of a new Capital Reserve Fund (as allowed for under The Direct Taxes (Sark) Law, 2002), which is to be assigned the expected surplus from the 2025 Budget and future years. However, the maximum sum which may be held in the reserve fund at any time is "an amount equal to the budgeted cost of financing the public purposes which the Chief Pleas have by Resolution determined should be provided or undertaken in the then current financial year". The total expenditure budget approved by Chief Pleas in 2025 was £2.2 million. – Budget meeting of Chief Pleas – 2025 Budget and Taxation Report – 20th November 2024 - Agendas and papers for Chief Pleas meetings are available at: www.sarkgov.co.uk/chief-pleas

and any capital expenditure is budgeted for on an in-year basis. Chief Pleas needs to secure funding to realise its ambitions to secure electricity resilience in Sark. Due to the limited opportunities for economies of scale in Sark and the logistical challenges in replacing/developing the grid, Sark's P&F is of the view that to deliver power at affordable prices, without unduly burdening the Sark taxpayer, it will need to secure grants or low-cost government finance, rather than borrowing funds at a commercial rate.

5.5. Significant efforts have been made by Sark's P&F to investigate what options might be available to fund Sark's electricity project. That has included discussions with commercial lenders locally and UK Government departments. However, because Sark's government does not have control of the existing electricity generation and distribution system, it is experiencing challenges in progressing such funding options.

5.6. In addition to the proposals for a new renewables-based electricity generation system and distribution grid, the risk of SEL running a parallel grid continues to cause concern. Therefore, from Sark's P&F's perspective, the acquisition of the company remains important. Such a purchase would:

- Enable prompt action to be taken to address the safety concerns about SEL's infrastructure.
- Allow the chosen preferred operating partner for the new system to use existing infrastructure, if deemed appropriate, to plan a phased transition to a new system. This would also have financial benefits, of spreading the investment needed and potentially reducing the total costs.
- Remove the technical and operational risks associated with operating two distribution grids in parallel.

5.7. There are two routes available to Chief Pleas to purchase SEL:

- **Negotiated purchase** - Chief Pleas has made previous efforts to purchase SEL; most recently in 2022. However, these negotiations have been challenging and there have been difficult relationships between the previous and current owners of SEL and members of Chief Pleas. The two parties were not able to agree on a potential purchase price or a methodology to determine it.
- **Compulsory purchase** - Chief Pleas approved the Compulsory Purchase (Electricity) (Sark) Law, 2021 ("the Compulsory Purchase Law") in December 2021, and the Law was granted Royal Sanction and came into effect in February 2022. That legislation was intended to provide Chief Pleas with the mechanism to purchase SEL's assets relating to the generation, conveyance and supply of electricity in Sark, should that become necessary. In October 2022, Chief Pleas agreed that the

Compulsory Purchase Law should only be used as a last resort. Such an approach could potentially result in a lengthy process to value the assets. Furthermore, if a compulsory purchase process were to be started, it might be subject to a legal challenge by SEL, which could prolong the duration of the process.

- 5.8. At this time, it is understood that Sark's P&F's preference remains to progress a negotiated purchase should that be possible, although the option of a compulsory purchase remains available if necessary.
- 5.9. There have been public statements¹⁴ which suggest that SEL's managing director/owner is currently in negotiations with a third party to sell the company by a deadline of 30th April 2025.

6. Loan Request

- 6.1. Following a number of political discussions during the past few years, Sark's P&F wrote to the Committee requesting consideration of a loan facility which Guernsey's government might make available to Chief Pleas (as in a letter, dated 13th March 2025, from the Chair of Sark's P&F to the President of the Committee – Appendix 1). The loan facility requested by Sark is for up to £1.5 million, to enable it to purchase SEL, as part of its longer-term plans to improve the electricity generation and distribution system in Sark and to secure a reliable and sustainable long-term supply of this utility.
- 6.2. Sark's P&F has advised that it does not intend to seek the financing required for its longer-term ambitions for Sark's electricity supply from the States of Guernsey (as in paragraphs 5.1-5.3). If more favourable financing were to become available, Sark's P&F intends that any loan from the States of Guernsey would be repaid at an earlier date and Sark's government would consolidate its debts associated with Sark's electricity project.
- 6.3. The request is for a loan facility of up to £1.5 million over a 20-year period to enable Chief Pleas to:
- Purchase the assets of Sark Electricity Limited and/or Sark Electricity Holdings Limited either through a voluntary sale or a compulsory purchase; and
 - Undertake immediate remedial works to ensure the safety of the existing network to mitigate any existing health and safety risks.

¹⁴ "Potential new owner found for Sark Electricity" – Channel Eye – 18th November 2024 - [Potential new owner found for Sark Electricity - Channel Eye](#)

"Sark Electricity owner ready to sell to an unnamed buyer" – Guernsey Press – 19th November 2024 - [Sark Electricity owner ready to sell to an unnamed buyer | Guernsey Press](#)

- 6.4. The amount requested has been estimated based on available information from the SEPCC on SEL's existing financial operations and supplementary information from Alderney Electricity Limited ('AEL') as a comparable operation within the Bailiwick. The purchase of the assets has been estimated to cost c.£400,000-500,000, based on the current Regulated Asset Value of £425,392, as used by the SEPCC as at March 2025¹⁵. Additional budget has also been set aside for immediate safety works. Estimates of £300,000-500,000 for those works have been arrived at by an independent electrical contractor with 20 years of experience working on the SEL system. The remaining funds would be to cover any other costs associated with the purchase and a significant contingency element aligned to the risks of the purchase.
- 6.5. It is noted that there is significant uncertainty in these estimates, as SEL's recent accounts are not published and have not been shared with Sark's P&F/Chief Pleas and the state of all of the company's assets has not yet been ascertained. The 2021 grid condition and safety report (as in paragraph 3.4) identified a risk that the transformers may contain PCBs, which would require disposal. A contingency sum has been built into the loan request, particularly in relation to the remedial works that might be required to make the grid safe and to dispose of any contaminants.
- 6.6. Sark's P&F's request indicates that the loan repayment costs would be met through revenue generated from electricity sales to consumers, rather than by any general taxation in Sark. The intent is to move financial ownership of the SEL assets into a Special Purpose Vehicle that would run the electricity company as a community owned project, on an open-book basis. However, the liability to make the loan repayments would remain with Chief Pleas.
- 6.7. A financial model has been provided by Sark's P&F as evidence of Sark's ability to service the loan repayments. The States of Guernsey's Treasury team has indicated that any such loan would incur interest rates in the region of 5.5-6% interest based on current prevailing rates. As in paragraphs 6.4-6.5 above, the model is based on assumptions and estimates from limited information sources, because of the lack of information currently available from SEL. The model is particularly sensitive to changes in diesel prices and general operational costs. In addition, the model provided does not include estimates for ongoing capex requirements or the impact inflation could have on the projected income and expenditure over the 20-year loan period.

¹⁵ It is stated in a PCO Variation (dated 7th March 2025) that the Regulated Asset Value used in the SEPCC's calculations for acquisition assets is £425,392. The SEPCC advises that for regulated utilities the RAV is generally accepted as the value of the business. PCO Variation available at [Price Decrease from March 2025 and Next Steps .pdf](#)

- 6.8. The model of purchase that has been presented by Sark's P&F has not been agreed by the current owner of SEL, who has publicly stated that there is an alternative acquisition in progress that is due to be completed by 30th April 2025. It is noteworthy that Chief Pleas could use the powers under the Compulsory Purchase Law even in the event of a change in the ownership of SEL.
- 6.9. Given the limited data availability on the actual finances of the company and the full state of the assets, it is recognised that there are significant risks in the business model put forward by Sark's P&F. Whilst it is entirely possible that the loan may be affordable, based on the financial model provided, it is far from certain, due to a number of risks and uncertainties in the data and the assumptions on which it is based. Consequently, it would be very unlikely at present that Chief Pleas would be able to secure funding from a commercial lender.
- 6.10. As Sark, like Guernsey, is not part of the UK, there are limited opportunities for its government to access funding or grants from the UK Government or other UK non-governmental bodies. Such funds or grants may be available to small communities in the UK (or the Overseas Territories, which have a different relationship with the UK).
- 6.11. The business case does not fit the usual profile of investment decisions by the States of Guernsey, but the investment needs to be viewed on its social, rather than its commercial, merits. Given the critical importance of electricity supply to the health and viability of the Sark community and the close relationship between Guernsey and Sark, including the shared international reputation of the Bailiwick, Guernsey's government may wish to assist Sark, as long as there is no detriment to the Guernsey taxpayer.
- 6.12. Should the States be minded to support a loan, it would need to be funded from the General Revenue Reserve.

7. Security for the States of Guernsey

- 7.1. A loan from the States of Guernsey to Sark's Chief Pleas is likely to provide the best opportunity for Sark to ensure its own immediate energy security and to minimise the risk to life that a total failure of the energy system would cause.
- 7.2. Should the States of Deliberation be minded to support Sark by offering a loan, as set out in this Policy Letter, consideration needs to be given to ways of minimising any inherent risks to the Guernsey taxpayer.
- 7.3. Sark's P&F has advised that, to offset the risk of insufficient revenue being raised, the consumer unit price for electricity in Sark could be changed as required. This

would be to ensure that sufficient surpluses can be generated to cover any loan repayments needed to fund the necessary investment in the infrastructure. As mentioned earlier (paragraph 3.3), the SEPCC has the power to investigate and determine whether electricity prices are fair and reasonable. In their considerations, the SEPCC must consider the company's ability to recoup the cost of investments. It is understood that the current SEPCC is aware of Sark's P&F's proposals to acquire SEL.

- 7.4. While there is some comfort in the SEPCC's approach to recouping capital investments, given the 20-year loan term, there is no guarantee that views about how the loan can be repaid will be shared by any future Sark's P&F, Chief Pleas or SEPCCs. It is intended that loan repayments would be covered by (a Sark government owned) SEL revenue, but the financial model is sensitive and there is a reasonable risk that insufficient revenue will be generated. There are inherent risks associated with the acquisition, supply, demand and purchase price for electricity in Sark. It will be desirable to build in some additional security for the States of Guernsey for the loan repayments.
- 7.5. It is recommended that there be a provision in any loan agreement so that, if there were to be any shortfall in loan repayments, the States of Guernsey could retain monies from Sark's Impôt duties. Impôt is essentially duties on alcohol, fuel and tobacco applied by Sark's government for those items imported to Sark. The Impôt monies are currently collected by Guernsey on Sark's behalf and then remitted to Sark. In Sark's 2025 budget, these duties were estimated to be circa £350,000 which is 25% of Chief Pleas' overall annual revenue. This is an established tax and the risk of it being abolished, or the rate reduced, by Sark is low. If Chief Pleas did not make the full loan repayments on the dates required, the States of Guernsey could retain the funds from Impôt payments to repay the loan instead. Of course, Sark has options to raise more revenue by increasing Impôt rates or through alternative revenue raising initiatives (such as tax reform or use of any monies relating to Sark which might arise from the forthcoming Guernsey Goods and Services Tax).

8. Review of Sark's taxation regime

- 8.1. In considering the loan request, the Committee reflected on Sark government's financial resilience to support infrastructure projects, whether they be planned or unforeseen. The Coupée has had to be repaired at various intervals (most recently as an urgent project in January 2025). Maseline Harbour might require repairs or alterations in the future. It is recognised and respected that as an autonomous jurisdiction, Sark's tax regime is a matter for Chief Pleas. However, the Committee is concerned that, without a robust financial plan in place, there may be a need in the future for the States to provide further support, particularly if the CCA were ever required to step in as a result of insufficient infrastructure

investment by Sark. As highlighted by the Major Portfolio Projects Review¹⁶, the States itself currently has insufficient funds for Guernsey's own intended infrastructure projects over the next 5 years.

- 8.2. It is recommended that one condition of the loan should be a commitment from Chief Pleas to review its current taxation regime, so that it can support a reasonable approach to strategic planning, including infrastructure investment.

9. Proposed Constitutional Commission on intra-Bailiwick constitutional relationships

- 9.1. There have been significant reforms in the machineries of government and the electoral systems of each jurisdiction of the Bailiwick of Guernsey in the last 25 years. Most notably by the States of Guernsey (in 2004, 2016, 2020)¹⁷, States of Alderney (in 2004¹⁸) and Chief Pleas of Sark (in 2008¹⁹). Aspects of the machinery of government of each island have also been adjusted from time to time, on an *ad hoc* basis, in response to external pressures and domestic issues.

- 9.2. The main reasons for those reforms have been to ensure that the systems of government in each island are capable of meeting the increasingly complex demands on governments in the 21st century. These include, but are not limited to:

- Achieving and maintaining modern democratic norms;
- Setting and meeting regulatory standards to protect the interests of the economy, businesses and the public;
- Providing services within their communities;
- Meeting their respective international obligations.

- 9.3. During the same 25-year period, there have been challenges that have tested these systems of government and intra-Bailiwick relationships, including the 2008 global financial crash, Brexit, the Covid-19 pandemic and certain challenges in respect of the constitutional relationship with the UK. There have also been domestic political and operational challenges, including the current financial pressures, the provision of healthcare, education, energy supply and external

¹⁶ Green paper – Policy & Resources Committee – ‘MAJOR PROJECTS PORTFOLIO REVIEW’ – Billet d’État V of 2025 – 19th February 2025 – as at <https://www.gov.gg/CHttpHandler.ashx?id=186710&p=0>

¹⁷ 2004 – Machinery of government changing committee structure to departments, reducing the number of political committees required to cover the States’ mandate. 2016 – Further machinery of government changes reducing the political committees to 7. 2020 – Introduction of island wide voting for elections of People’s Deputies to the States of Deliberation.

¹⁸ Review of the Reform Law. Set out election process for President and members of the States of Alderney, rules of procedure for States of Alderney and civic precedence.

¹⁹ Abolition of the feudal system in Sark. Introduction of full democratic process to elect Conseillers to the Chief Pleas of Sark.

transport links. There are growing global political pressures, such as on taxation, energy markets and climate change, which create an increasingly demanding and complicated global environment in which all jurisdictions need to operate. All of these issues have become increasingly complex in nature, faster-paced and more difficult for small jurisdictions (such as those within the Bailiwick) to resolve.

9.4. Each of the islands continues to review and develop their own governance systems, either as part of their own strategic plans or *ad hoc*. However, there are complex links between the islands of the Bailiwick, including:

- the 1948 Agreement (in respect of Guernsey and Alderney) – including payment of Guernsey income tax by Alderney residents, provision of services by Guernsey to Alderney residents and two Alderney representatives being members of the Guernsey parliament;
- Bailiwick-wide civil legislation (or legislation that covers two of the three jurisdictions), civil legislation being made by each of three parliaments;
- Guernsey (the States of Deliberation) which can approve criminal law for the entire Bailiwick;
- the links between the judicial systems of the islands;
- the application of international agreements across the Bailiwick implemented by the States of Guernsey only by virtue of the transferred services (for Alderney) or services undertaken by Guernsey due to domestic legislation (such as financial service regulation);
- public services provided by the States of Guernsey to residents of the other islands.

9.5. These complex inter-relationships are not widely understood, leading to confusion about oversight and accountability.

9.6. The Committee is of the view that it is important to review the existing relationships and set out recommendations for how the constitutional and governance arrangements might work for each island and for relationships within the Bailiwick, rather than each island making piecemeal reforms in isolation. This should include looking at pan-island relationships and the strategic, policy, administrative and operational support that is, and might be, provided to the governments and legislatures of the islands.

9.7. It is suggested that the islands work together to set up a constitutional commission (to be called a “Bailiwick Commission”) with agreed and clear terms of reference which include objectives and timelines, agreed by the parliaments of the islands that intend to take part. There should be a common understanding of the Bailiwick Commission’s purpose and intended outputs, in addition to an acknowledgement of the need to exercise fiscal restraint and obtain value for money.

- 9.8. A constitutional commission is a form of review by an external party. It will help to ensure that there is wide community engagement to support any mandate for change. A constitutional commission would be undertaken by an independent panel tasked with reviewing the relationships within the Bailiwick and making recommendations for the islands to consider.
- 9.9. The constitutional commission format could be based on models that have been conducted elsewhere. The most recent example is in Wales²⁰, but various Privy Council Committees or Royal Commissions over the centuries have also occurred which could provide helpful ideas about how a Bailiwick Commission could be constituted and be operated.
- 9.10. The proposal from the Committee is to establish a similar commission in the Bailiwick to undertake a review, informed by a “national conversation” and subject matter experts, with a view to the Bailiwick Commission putting forward ideas for the islands to consider in terms of reform, based on the input from the community. The community engagement piece creates a basis for the legitimacy of any subsequent reforms to be considered and creates a possible platform for constitutional change.
- 9.11. The establishment and operation of such a commission would need to be by consent from the governments of those jurisdictions involved (Guernsey, Alderney and/or Sark). It would be the intention that the commission members would consider the relationships between Guernsey and Sark, and Guernsey and Alderney, separately. It could work on these issues in parallel or as separate phases. There would need to be coordination between the two strands of the commission to ensure that any Bailiwick-wide issues could be properly considered and relevant recommendations tailored to accommodate the needs of all three jurisdictions.
- 9.12. The outcome of a constitutional commission is informative; it is not binding. Any

²⁰ The Independent Commission on the Constitutional Future of Wales was formed in 2021 and published its final report in January 2024.

The commission had 11 commissioners, 2 of whom were co-chairs, and was set up to consider and develop options for reforming the constitutional structures of the UK and to consider and develop all ‘progressive principal options’ to strengthen Welsh democracy. The commission ran for two years and gathered evidence via a range of methods, including taking oral evidence from experts and political leaders, public consultation and a programme of citizen and community engagement. An interim report was published in December 2022, available at:

<https://www.instituteforgovernment.org.uk/explainer/independent-commission-wales>

The commission received support from an expert panel and a secretariat staffed by officials from the Welsh government. During the period, August 2021 to October 2023 the Commission expenditure was £1,507,377. c£816,000 of that was for secretariat staff costs. The final report can be found at:

<https://www.gov.wales/sites/default/files/publications/2024-07/independent-commission-on-the-constitutional-future-of-wales-final-report.pdf>

proposed changes resulting from the Bailiwick Commission's report(s) would be for the governments/parliaments of each of the islands involved to approve (or otherwise).

- 9.13. Membership of the Bailiwick Commission would include external independent experts and professionals. It is suggested that the Commission would have 3 or 5 members depending on the members' skills and expertise (ideally with an odd, rather than even, number of members). Suitable candidates would have a good knowledge of the islands and their constitutions. This could include independent external experts with knowledge and experience of the islands of the Bailiwick of Guernsey and their constitutions. This may include Privy Councillors, former MPs (particularly former previous Ministers from the Ministry of Justice, or chairs of relevant UK Government parliamentary select committees), members of the House of Lords, lawyers, academics or public servants. There may be potential to seek external experts from the other Crown Dependencies. It is the intention that the Bailiwick Commission would have significant experience of public service in general and relevant expertise.
- 9.14. To assist the Commission, a panel of experts on constitutional matters or relevant areas of public service delivery from within and outside the Bailiwick could be established to provide advice to the Bailiwick Commission. It would allow for subject matter experts on the islands' constitutional relationships to be part of the process.
- 9.15. The Bailiwick Commission would seek to gather evidence on a range of core issues, determined by the terms of reference for the inquiry. Evidence could be provided in writing and in person, as appropriate. Oral evidence sessions could be held in the islands for the general public, stakeholders and subject matter experts. The general public could be provided with various opportunities to engage with the process and to enable all views to be expressed. Evidence would be invited on a voluntary basis. There would be no powers to compel any evidence to be provided. The evidence gathering process could be phased throughout the period of the project and could be split out into distinct and logical themes.
- 9.16. The establishment of a Bailiwick Commission is also proposed in the Committee's Policy Letter titled 'Alderney Airport Runway Rehabilitation Project'. It is intended that that Policy Letter and this one will both be scheduled for consideration at the States Meeting of 30th April 2025. If there were to be any amendments to the Guernsey and Alderney focused Bailiwick Commission Proposition, during the debate on the Alderney Airport runway, it might be necessary to amend Proposition 1 for this Policy Letter to ensure that no difficulties are caused for the establishment of the Bailiwick Commission (which could involve two, or all three, islands).

- 9.17. The intent is for the Commission to report back, with at least an interim report, in 2025 and a final report in 12 months after that, before the end of 2026²¹. This would have the benefit of providing the next political assembly with clear recommendations on how it can work with the other islands of the Bailiwick.

10. Engagement

- 10.1. There has been ongoing engagement with Guernsey's government on the matter of Sark's electricity situation with Sark's P&F for a significant period of time, predominantly through the Sark Liaison Group (which includes a representative from the Committee), but also with updates through the CCA. The matter is now referred to the States of Deliberation by the Committee, following receipt of the loan request from Sark's P&F.
- 10.2. In drafting this Policy Letter, there has been engagement with officers of the Chief Pleas of Sark to ensure that the Policy Letter accurately reflects the request made by Sark's P&F and the background of the electricity project.

11. Resources

- 11.1. Should Proposition 2 be approved, resources will be required from the Committee, the Law Officers of the Crown, the States' Treasury and External Relations and Constitutional Affairs officers to negotiate the terms and finalise the agreement for the loan facility with Chief Pleas.
- 11.2. Subject to the agreement of Sark, further work will be required as the islands work together to set up the Bailiwick Commission (as in section 9 above) with clear objectives and timelines, agreed by the parliaments of the islands that intend to take part (which might also include Alderney).
- 11.3. Members of the Bailiwick Commission might be prepared to act voluntarily or would be appointed on a contract for services, which will require appropriate compensation for their time, reasonable travel, accommodation and expenses as well as any external legal and technical advice they might require. Any rate for their work has yet to be agreed, but there are existing precedents which can be used to ensure best value.
- 11.4. The Bailiwick Commission would need a secretariat function. This could be provided by Guernsey civil servants seconded to the Bailiwick Commission for this purpose. It would be appropriate for the secretariat to be connected to Guernsey's External Relations and Constitutional Affairs team, with assistance

²¹ This is comparable with timeframes that a UK parliamentary Select Committee would need to undertake a detailed inquiry.

from members of the Law Officers' Chambers if required. This support would be impartial and in line with the Civil Service Code of Conduct. This support would be similar to that provided by the Clerks that support UK parliamentary Select Committees in Westminster.

- 11.5. The intent is for the Commission to report back, with at least an interim report in 2025 and a final report in 12 months after that, before the end of 2026. This would have the benefit of providing the next political assembly with clear recommendations on how it can work with the other islands of the Bailiwick.
- 11.6. A budget will be required for the Bailiwick Commission to cover the costs of the work, including a secretariat and travel and expenses for the expert panel. The budget for this project will need to be agreed by the Committee. It is estimated that the Commission would cost approximately £400,000-500,000 at the most and that the proportion of the work undertaken during 2025 would be funded in year from the Budget Reserve.

12. Conclusions

- 12.1. Guernsey does not have a formal constitutional responsibility in relation to the matters set out in this Policy Letter, but it might be considered that the situation has reached a point where there is a moral argument for the States of Guernsey to support Chief Pleas, by way of a financial loan, to secure reliable and sustainable provision for energy generation and supply in Sark.
- 12.2. Given the circumstances set out in this Policy Letter, it is the Committee's recommendation that the States of Deliberation authorise and direct the Committee to negotiate and enter into an agreement with Chief Pleas for a loan facility of £1.5 million, to support Sark in securing its generation and supply of electricity for the future.

13. Propositions

The States are asked to decide: -

- 1 To authorise and direct the Policy & Resources Committee, working with the Chief Pleas of Sark (or one or more of its Committees) to:
 - a) agree the terms of reference and constitution of a commission on the future arrangements for the constitutional and working relationships between Guernsey and Sark;
 - b) establish that commission; and
 - c) bring the relevant findings of that commission back to the parliaments of the islands involved, firstly with an interim report before the end of 2025 and secondly with a final report 12

months after that (before the end of 2026).

- 2 To authorise the Policy & Resources Committee to provide a loan facility of up to £1.5 million to the Chief Pleas of Sark, for the purpose of purchasing Sark Electricity Limited and/or Sark Electricity Holdings Limited and any remedial work required for electricity generation and distribution in Sark, and to delegate authority to the Policy & Resources Committee to agree the terms of the loan, on the conditions that:
 - a) the Chief Pleas of Sark participate in the Bailiwick Commission set out in Proposition 1 above;
 - b) Impôt payments (duties on alcohol, fuel and tobacco collected by the States of Guernsey on behalf of the Chief Pleas of Sark) be used as a security guarantee to repay that loan to Guernsey in the event of non-payment by Sark of any loan utilised; and
 - c) the Chief Pleas of Sark undertake a comprehensive review of Sark's taxation regime to ensure that it can acquire sufficient reserves to support essential capital investment requirements, including the aforesaid loan.

14. Compliance with Rule 4

- 14.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 14.2. In accordance with Rule 4(1)(a), the propositions within this Policy Letter contribute to the States objectives and policy plans, including defining future Bailiwick relationships which is in priority 4 're-shaping government' as set out in the Government Work Plan reset 2023-2025.
- 14.3. In accordance with Rule 4(1)(b), the Committee's consultation with other parties is outlined in Section 10. The Committee will continue to consult and engage with relevant stakeholders regarding the Sark electricity project and the Bailiwick Commission as outlined in this Policy Letter.
- 14.4. In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- 14.5. In accordance with Rule 4(1)(d), the resources required to fulfil the Propositions of this Policy Letter are set out in Section 11.
- 14.6. In accordance with Rule 4(2)(a), the Propositions relate to the duties and powers of the Policy & Resources Committee because its mandate includes

responsibilities for: developing and promoting the States' overall policy objectives (a1); setting the framework for the planning, approval and control of public expenditure (b1); and relations with the other islands of the Bailiwick and the island's parishes (c4).

- 14.7. In accordance with Rule 4(2)(b), it is confirmed that the Propositions have the unanimous support of the Committee.

Yours faithfully

L S Trott OBE
President

H J Soulsby MBE
Vice-President

J A B Gollop
J P Le Tocq
R C Murray

LETTER FROM CHAIR OF SARK'S POLICY & FINANCE COMMITTEE



The Government of Sark

POLICY & FINANCE COMMITTEE

A COMMITTEE OF THE CHIEF PLEAS OF SARK

Committee Office, La Chasse Marette, Sark, GY10 ISE

Tel: (01481) 832118 | E-mail: policy.finance@sarkgov.co.uk

Deputy Lyndon Trott OBE
President of the Policy & Resources Committee
States of Guernsey
Sir Charles Frossard House
La Charroterie
St. Peter Port
Guernsey GY1 1FH

13th March 2025

Dear Deputy Trott,

Request for a loan facility from States of Guernsey

The Policy & Finance Committee wishes to make a formal request to Guernsey's Policy & Resources Committee for consideration of a £1.5 million loan facility to be made available to the Chief Pleas of Sark.

The facility will be used to provide the Chief Pleas' negotiation team with the capital to negotiate the purchase of Sark Electricity Limited's ('SEL') and / or Sark Electricity Holding Limited ('SEHL') electricity generation and distribution assets. Should the loan be granted, it is Chief Pleas' intention to use the revenue from the sale of electricity in Sark to repay the loan.

The loan would also pay for immediate health and safety upgrades to make the system safe.

While it is recognised that further discussions will be required on any detail of the loan agreement, should the loan be granted, Policy & Finance Committee can confirm that it supports the following conditions which it understands are being considered by the States of Guernsey's Policy & Resources Committee (subject to approval by the Chief Pleas of Sark, where necessary):

- The use of Impôt payments as security in the event that loan repayments are not made in full or on time;
- A review by Chief Pleas of Sark's system of taxation; and
- Sark's participation in the proposed Bailiwick Commission to consider the constitutional and working relationships between the jurisdictions of the Bailiwick.

The taking into local ownership of Sark Electricity Ltd's assets will secure Sark's future, providing safe and reliable energy generation and distribution to residents and businesses for generations to come.

Your support and that of the Policy & Resources Committee in taking this to the States of Deliberation on 30th April is much appreciated.

I enclose the financial model.

Yours sincerely,



Conseiller John Guille
Chairman, Policy & Finance Committee

CONSTITUTIONAL RELATIONSHIP WITH SARK – A SUMMARY

- A1.1 Sark is part of the Bailiwick of Guernsey which is a dependency of the British Crown, but Sark also has a direct relationship to the Crown through the Seigneur. Sark has owed its allegiance to the English Crown since it was granted as a Fief Haubert in 1565 by Queen Elizabeth I to Helier De Carteret, a Jersey man who became the first Seigneur of Sark. However, the relationship with the Crown is multi-faceted, it does not just exist through the Seigneur but also through the Bailiff and the Law Officers of the Crown, the Lieutenant Governor of the Bailiwick and through the Bailiwick's Courts.
- A1.2 Sark, like Alderney, developed a constitutional status largely distinct from Guernsey but, unlike Alderney, it has retained its complete fiscal autonomy separately from the other jurisdictions of the Bailiwick. However, there are complex relationships with the States of Guernsey for the delivery of services, such as the functions transferred to the Guernsey Financial Services Commission and other Guernsey based regulators. The States of Deliberation has jurisdiction for the whole Bailiwick (including Sark) in respect of criminal justice matters. Additionally, some secondary legislation can be made by the States of Deliberation that has effect in Sark. It is normal for consultation to take place on these measures, but usually if consultation has not happened for any reason that does not affect the validity of that legislation. This is one of the reasons why it is important to manage a cooperative relationship between the States of Guernsey and Chief Pleas of Sark.
- A1.3 Sark's population did not evacuate the island in June 1940 (unlike Guernsey and Alderney). Its administration and Court functioned throughout the German Occupation and so the physical and economic state of Sark, following its Liberation on 10th May 1945, was totally different to that which confronted Alderney following the surrender of the German forces. There had been no significant destruction to property in Sark and most of the population had remained throughout. The administration and Court had functioned throughout the German Occupation and so had the Chief Pleas, the Island's parliament.
- A1.4 After the Second World War, Sark did not have any particular need for any assistance, unlike in Alderney where support was required to rebuild that Island. That requirement for support for Alderney led to 'the 1948 Agreement' between Guernsey and Alderney. The 1948 Agreement tied those two islands in a fiscal union and meant that Guernsey took on an obligation to provide transferred services. The 1948 Agreement also gave Alderney the right to representation in

the States of Deliberation²². Sark has an independent system of taxes and levies and is in no way in a fiscal union with Guernsey. Sark has no political representation in the States of Deliberation.

- A1.5 However, while there may be no formal constitutional responsibility for Guernsey to provide support to Sark in respect of the supply of electricity or on fiscal matters, it may be considered that there is a moral argument for the States of Guernsey to assist due to the closeness of the islands and Guernsey's position as the 'senior' island of the Bailiwick. The international reputations of Guernsey and Sark are integrally linked and so if there was a systemic failure in Sark it would likely reflect badly on Guernsey.
- A1.6 In addition, if the situation with Sark's electricity supply were to become an emergency (as outlined in paragraph 3.5 in the Policy Letter), Guernsey's government would be obliged to intervene under the Civil Contingencies (Bailiwick of Guernsey) Law, 2012. The Law applies Bailiwick-wide and contains special provisions for emergencies in Sark and Alderney, including the right for those jurisdictions to nominate a temporary member of the Authority, who for the period of their membership has the same rights and responsibilities in relation to the Authority as permanent members. It is recommended that it would be better for Guernsey's government to offer a loan now, to enable the situation to become more stable, rather than simply to wait to intervene when (and if) the situation reaches emergency status.
- A1.7 It has also become clear from the UK's Ministry of Justice that it is expected that Guernsey, as the 'senior' island within the Bailiwick, would make efforts to support the smaller islands through this kind of difficulty. This would be a first line of defence in ensuring the good government of Sark and the provision of modern public services throughout the Bailiwick. The Ministry of Justice has also given initial indications that only after those attempts were made would contemplation be given to direct assistance to Sark from the UK Government on behalf of the Crown. There might be a negative reputational effect for Guernsey if it became necessary for the UK Government to intervene. Guernsey has an interest in protecting its own relationships with the Ministry of Justice and the Crown, as well as its intra-Bailiwick relationships.

²² Currently, there are 38 Guernsey Deputies and 2 Alderney Representatives with voting rights in the States of Deliberation.