

FAQs & responses to media comments on Proposed Energy Loan

Q: What do the Law Officers think about what's in the policy letter about the loan being debated at the States of Deliberation?

A: The Law Officers say “everything still has to be agreed by both jurisdictions – there is nothing in my view improper in putting together a policy letter for debate upon which both jurisdictions then make an informed decision.”

That means whatever is offered by the States of Deliberation, along with any conditions, has to be taken to Chief Pleas for debate and decision. Nothing is decided as yet.

Q: What is being debated at the States of Guernsey?

A: The item on the States' Billet is from their Policy & Resources Committee to a) Proposition 1 authorise them to work with Chief Pleas on the terms of reference and constitution of a commission and b) Proposition 2 ask the States to authorise a loan facility of up to £1.5 million and the conditions on which it is offered and give P&R authority to negotiate terms. You can see the Propositions and Policy Letter here <https://www.gov.gg/CHttpHandler.ashx?id=187918&p=0>

It was on the Billet for the States starting 9 April but, due to time, has been deferred to be an early item at the States starting 29 April.

If approved by the States of Guernsey, the Loan and commission must be brought to Chief Pleas for debate and decision before it can be accepted.

Q: Did P&F go and negotiate a loan without telling anyone?

A: No. The idea of a loan from Guernsey for electricity was first taken to Chief Pleas 15 April 2015. At Chief Pleas 11 Jan 2019, P&F was instructed to “investigate the financing of any possible purchase” (of SEL). A possible loan was also contained in the Report with Propositions for 21 June 2021 Chief Pleas which authorised P&F to negotiate purchase of SEL assets and have the Compulsory Purchase legislation prepared. The concept of a loan from Guernsey was also discussed at Chief Pleas 17 Jan 2024 when the design work expenditure was approved.

The Recent Timeline in the Electricity Update covers discussions on a loan in P&F, PDG and Future Energy with many other bodies as stated.

Q: Were responsible Committees and Conseillers kept in the dark?

A: No. P&F and predecessor Committees mandated in this area by Chief Pleas have been involved from the beginning of this saga as detailed in the Background Information document from 2016 and the Proposed Energy Loan background & timeline just released (18 April 2025). In this, Conseillers attending Committees and other bodies are given.

Q: Can P&F commit Sark to a loan with conditions?

A: No. Any loan offered by Guernsey plus any conditions will be taken to Chief Pleas for debate and decision.

Q: Why have we gone for a loan from Guernsey: is it because we failed to secure commercial funding?

A: No. After informal discussions with potential sources such as UK and Guernsey governments, and the Crown, advice was sought from John Ravenscroft and Guernsey Finance amongst others. It was clear that a government loan was the best option at this stage. The loan facility that has been requested is a government-to-government loan. Should it be offered, Sark can start negotiations knowing there's finance in place.

Q: What contacts have there been between Conseillers and Deputies on the proposed loan?

A: Formal contacts up to 1st April 2025 are covered in the Proposed Energy Loan background & timeline. Since then, some members of P&F and Future Energy have been in contact with some Deputies to indicate their support as per Chief Pleas Propositions and Committee meetings. This will continue including sharing this information pack with them.

Others have taken an opposing view and communicated this to Deputies, requesting that the Proposition is withdrawn before it has even been democratically debated in the States or in Chief Pleas. This is as individual Conseillers not as representatives of Chief Pleas or the responsible Committees.

Any Sark resident is at liberty to express their opinion to Deputies. And, of course, to Conseillers directly or at the forthcoming meetings.

Q: Will Sark owe Guernsey £1.5 million from day one?

A: No. It's a loan "facility" which means Sark can just access (or "draw-down") funds as and when required. Firstly, to fund the asset purchase and then over time to carry out the safety and remedial work necessary. So we only borrow what's needed and when it's needed.

This arrangement also means local investors can, should they wish, get involved in investing in the project. This happens in other similar projects both reducing reliance on government or commercial sources and allowing individuals to earn a return from community projects with an affordable small investment.

Q: What about grants from charities, philanthropic sources, perhaps even the Crown?

A: Once ownership of the assets is resolved, there'll be a stable base to make formal applications to these sources. Initial approaches have been made to the Crown and UK government but it has become clear that it's almost impossible to get a loan to upgrade a network you don't own. So first, we need to own it and then these sources can be approached formally for future support.

Q: Why are CfR (Community for Renewables) involved and what are they getting out of this?

A: CfR are a Community Interest Company in the UK with a successful track record in enabling local energy projects for communities, public sector bodies and not-for-profit organisations. Following a Report with Propositions to Chief Pleas 21 September 2022 (carried over to the Michaelmas Chief Pleas 5 Oct 22), P&F were instructed to appoint CfR as a consultant on a fixed fee basis to develop options for a new electricity network and infrastructure for Sark.

CfR's fee and scope of work were part of that Report. It included running a robust and open public procurement process to attract suitable competitive bids.

Q: What were the results of the competitive tender process?

A: As reported to Chief Pleas 17 January 2024, requests for expressions of interest in the tender were sent to over 50 design-and-build contractors from a database of companies in this area, both national and international, including those having previously shown an interest in Sark. The project was also listed, with the support of the States of Guernsey procurement team, on the public procurement portal for Guernsey. 7 companies replied with responses to the tender. After review, 3 of these were short-listed. They visited Sark and were asked to provide more detailed initial proposals.

These were evaluated independently by Energypeople and Guernsey Electricity throughout the bid process.

The preferred bidder, Infinite Renewables plus Sancus, and their fixed design costs were approved at Chief Pleas 17 January 2024. These had also been covered in the Public Meeting at the Island Hall in the previous week, 10 January 2024.

Q: Why is this process any better than the other ideas and proposals Sark's had over the years?

A: Many ideas have been looked at over the years. Some have been from companies who wanted to sell Sark "their" solution, some have involved advice from local bodies such as Guernsey Green Energy, Guernsey Electricity and others.

This time around, Sark employed independent consultants experienced in the field to help us evaluate what's really needed and is fit-for-Sark. That formed the basis for the independent and robust public tender process to select the preferred bidder. There's then been a further round of design work based on the situation on the ground to refine the solution.

This design work has been technically appraised by Team Stokes Ltd who designed Alderney Electricity's new station and network automation infrastructure. The appraisal was reviewed by the MD of Alderney Electricity.

This time around, Sark can be confident the solution is designed for us to suit our circumstances and community.

Q: Why have renewables been shelved?

A: They haven't. The first step is to take the generation and distribution assets into community ownership. Then the safety and remedial work can be planned and carried out. Once there's a stable and safe network, then upgrade plans can be evaluated properly which may include renewables if affordable and economically viable.

The future of the network and how the electricity will be generated will be for Chief Pleas and the Sark community to decide – and that's for the first time in Sark's history.

Q: Won't all this investment push electricity prices sky high?

A: No. Prices will still be governed by Sark's Electricity Price Control Commissioner as now. That means consumers can only be charged a fair and reasonable price.

It's worth pointing out that Alderney Electricity managed to upgrade their network within the normal cost-per-unit charge. That's the sort of thing that can be done with a good plan and community ownership meaning profits are retained and re-invested.

Q: Why can't P&F and SEL just sit down and work all this out?

A: Discussions on fair & reasonable pricing, electricity regulation and purchase of assets and/or company have been going on since 2012. Sark has received much advice with the involvement of Guernsey Office of Utility Regulation (predecessor of GCRA), technical advisors, Law Officers and many more.

Mediation was attempted in 2014 and then, with a different mediator and committee in 2021/2022.

Legislation has been introduced on Price Control and Compulsory Purchase. Legislation was drafted on Regulation and Licencing. Strenuous efforts have been made over the years to arrive at a mutually acceptable solution without invoking Compulsory Purchase or the Civil Contingencies (Bailiwick of Guernsey) Law, 2012.

None of these have given Sark a safe and reliable electricity system with infrastructure fit for the future. Sark needs to take this into its own hands for the sake of the island and our future.

Negotiation will be tried once more to arrive at an acceptable price for the assets, given the information disclosed over the years to the office of the EPCC as part of the Price Control process.

Q: Has SEL been prevented from investing in the necessary safety and remedial work?

A: No. This could have been done at any time under previous and current ownership. Alderney Electricity were able to do it over time within a reasonable cost-per-unit. Sark's Price Control legislation only came in 2016. This mechanism allows for investment to be made with a reasonable return within a reasonable cost-per-unit. The EIS Grid Condition and Safety report from 2012, the Energypeople report on upgrading or replacing from 2022 and the Guernsey Electricity report on the 2023 Harbour Incident all showed the need for urgent action. However, no plans for investment in safety and remedial work acceptable to the EPCC have been received.

Such investment could have been approved to suit the timescale of any potential sale.

Q: What happens if SEL won't sell?

A: Hopefully, a fresh set of negotiations, backed by the existence of the loan facility and via independent negotiators / mediators will arrive at an acceptable price. SEL had previously disclosed the purchase price of the company to the EPCC. The current RAV (Regulated Asset Value) used by the EPCC has taken this into consideration as published in public consultations and Price Control Orders. This would seem to be a good base for a negotiation and orderly sale without undue delay.

However, should the negotiations not be successful, The Compulsory Purchase (Electricity) (Sark) Law 2021 was approved by Chief Pleas 17 November 2021 and registered on 21 February 2022.

Q: If negotiations have been going on for so long, why hasn't Sark used Compulsory Purchase before?

A: Sark has always preferred to go the route of negotiations to arrive at an acceptable solution without having to go to court. However, it has become clear that Sark has to act to secure its energy future and if that means resorting to the existing Law, it will, subject to public and Chief Pleas approval.

Comments on recent media questions & coverage

Q: Why does the loan come with three conditions?

A: Any loan comes with conditions whether it's an overdraft, mortgage or business loan.

Q: Are the conditions “unreasonable”?

A: No.

Q: Do the excise duties (impôt) service the loan?

A: No. The loan will be serviced by Sark Community Power making payments, funded by the regulated unit price, over the agreed period of 20 years. Guernsey has requested to use the impôt to cover any default in those payments. This won't happen. Why would Sark default on a payment which would reduce its income by the same amount? Use of the impôt as a backstop gives the States of Guernsey comfort that defaults won't happen.

Q: Why would Guernsey like to change Sark's constitution or tax system?

A: It doesn't.

Q: In that case, what's the Bailiwick Commission for?

A: Commissions are held periodically to look at ways the jurisdictions in the Bailiwick can work together to do things better. The last one was led by Lord Wolfson in 2022/2023.

A Bailiwick Commission has been proposed to look at the relationship of Guernsey and Alderney as announced in discussions over Alderney infrastructure – their runway. Since Sark has been in discussions with Guernsey for some years over its infrastructure – in our case, electricity - it's scarcely surprising that a Bailiwick Commission has been suggested between Sark and Guernsey.

There have been some good ideas brought up before in areas such as Medical and Education. It would be good to see how Sark and Guernsey might work together to our benefit in future.

There is a public meeting planned on the proposals for a Bailiwick Commission on Thursday 24 April 2025 in the Island Hall.

Q: Will the Bailiwick Commission seek to change Sark's Constitution?

A: No. The terms of reference are yet to be discussed and decided in Chief Pleas, but the starting point is to look at "future arrangements for the constitutional and working relationships between Sark and Guernsey". Discussing future arrangements for constitutional relationships between two independent governments is not the same as changing Sark's Constitution.

Exactly what is discussed will be decided by Chief Pleas as will whether or not to accept any findings when presented by end 2026. All Sark has to agree is to participate in a Commission - not agree with it, or do anything with any findings in a future report.

Our constitution is via the direct relationship between the Crown, the Seigneur and Chief Pleas - not via another jurisdiction in the same Bailiwick.

Q: Are there any "potential consequences" for Sark's autonomy?

A: No.

Q: Will Sark become a "vassal state" like Alderney?

A: Alderney is not a "vassal state". That's an inaccurate characterisation of the 1948 Agreement between the States of Alderney and the States of Guernsey. There are three equal, independent jurisdictions in the Bailiwick: Sark, Alderney and Guernsey. Alderney has not lost its self-governing status. It could even repeal the 1948 Agreement.

Sark's self-governing status is not in question and given our direct constitutional link to and relationship with the Crown, never will be.

Q: Does Guernsey want to change Sark's tax system?

A: No. And it has no power to do so. The two jurisdictions are fiscally and politically independent. They do not share tax systems or expenditure. Sark's tax system is entirely a matter for Chief Pleas alone.

Q: Why is Guernsey interested in Sark's tax system?

A: Sark is already carrying out a Taxation review. You may recall last year's consultation questionnaire from the Taxation Review Committee. Guernsey has asked that this be shared with them when completed. At that stage, it would have been through public consultation and laid before Chief Pleas so could be shared with Guernsey as a public document.

It is in Sark's best interests that this review ensures we can build sufficient reserves to support essential capital investment requirements – whether they be for electricity or anything else.

Q: What has the International Monetary Fund got to do with this?

A: Nothing.

Q: Will the credit agreement be added to for this project? or other Sark expenditure?

A: No. The item on the Billet for the States of Guernsey specifies "up to £1.5 million". The loan facility is limited to that amount as a maximum.

Q: Could the loan facility (credit agreement) be added to for other Sark expenditure?

A: No. The item on the Billet specifies the use of the loan 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" so there is no flexibility to add other unspecified expenditure.

Q: Has a “lack of negotiation skills” got in the way of what’s good for Sark?

A: No. A number of experienced mediators and negotiators have been involved since 2014. Most recently, an experienced Guernsey-based mediator was jointly appointed by SEL and P&F in 2021. The mediator was a Member of the Chartered Institute of Arbitrators, a Registered Adjudicator with the Academy of Construction Adjudicators and a Practicing Mediator. “Lack of negotiation skills” does not appear to be a valid criticism.

During more than a year of mediation attempts, SEL (“the vendor”) advised that the draft sale and purchase agreement which it had provided, contained commercial terms that were not open to negotiation.

This was reported to Chief Pleas on 21 September 2022 at which P&F were instructed to decline to continue negotiations on this non-negotiable basis. P&F were also instructed that further negotiations should be considered if the vendor agreed that all commercial terms, including price, were open to negotiation.

That did not happen. Sark remains willing to negotiate.

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If you have further questions or would like any clarifications on any of these Q&As, please let us know. We’ll respond and answers will be included in a future release & added to the website. We’d also be pleased to see you and answer questions at a drop-in surgery from 9am to 11am, on Saturday 26 April in the Island Hall.

Best Regards,

John Guille & Mike Locke
john.guille@sarkgov.co.uk & mike.locke@sarkgov.co.uk