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## **New report: High power prices threatening industrial competitiveness**

- A new report shows that UK steel producers now pay twice as much for electricity as their competitors in France and 50% more than in Germany
- Electricity costs for steel producers can already represent over 100% of a steel company's GVA each year, and costs are only increasing
- The price disparity between German and UK power prices faced by steelmakers has increased from £18/MWh in 2017/18 to £22/MWh in 2018/19; and between French and UK power prices from £17/MWh in 2017/18 to £34/MWh in 2018/19
- The difference between German and UK electricity prices is the equivalent of £55 million a year to the sector, growing to £85 million when compared with France.
- The UK's steel producers have this year made a firm commitment to reinvest any savings arising from Government action on the electricity price disparity back into UK operations
- Achieving price parity with German steel producers could therefore deliver an additional £55m/year investment in the sector, a massive 30% increase
- Consistently higher UK electricity prices deter international investment, ultimately endangering UK steel production and jobs

**05 December 2018:** A year on from the launch of the Government's Industrial Strategy and the Helm Review into the Cost of Energy, a new report published today by UK Steel shows UK steelmakers face electricity prices twice those of their direct competitors in France and 50% more than German steel producers. As the Government's own data shows, UK industrial electricity prices are the highest in the EU.

*The Energy Price Scandal: A Fair Power Deal for UK Steel* shows that in the UK, the average electricity price for steel producers this year is around £65 per megawatt hour (MWh), compared with Germany at £43/MWh and the French price of £31/MWh. With a steel site consuming in excess half a million MWh each year, this additional cost soon adds up.

This is the third year UK Steel has conducted this research and it is the third year in which the disparity between UK electricity prices and those in competing EU countries has increased. The disparity with German power prices will cost the sector £55 million this year; UK steel companies have committed to reinvest all of this back into production facilities should Government take action to level the playing field.

UK Steel Director General, Gareth Stace said:

*"This is the third year we have analysed the disparity between the electricity prices faced by UK steelmakers and those of their EU competitors, and the third year it has increased. Electricity is one of the biggest costs for the steel industry and it damages our competitiveness that we are consistently forced to pay significantly more. The gap continues to widen and our steel industry is losing out. This price disparity can now add up to £17 to the cost of producing a tonne of steel, this can be the difference between winning and losing a supply contract.*

*"It's been a year since the launch of the Industrial Strategy and the Helm Review into the Cost of Energy,*

*and we've made no progress, indeed we have gone backwards. The direct impact of higher electricity costs is being felt by the steel industry at a time of high market uncertainty with the UK leaving the EU and protectionist tariffs in place in the US. The price disparity continues to erode the industry's ability to attract international investment – investments will instead be made in markets with more favourable conditions, further damaging future UK competitiveness.*

*“The Government needs to step up now to tackle this critical issue, matching the confidence and support supplied to industry by governments elsewhere in the EU. Specifically, it must commit to eliminating the disparity over a given time period, track the price of energy for energy intensive users against their international competitors, and match the exemptions and compensations given to steelmakers in France and Germany. It is high time the Government ensured the future viability of the UK steel sector.”*

**ENDS**

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### **About UK Steel**

UK Steel, a division of EEF, is the trade association for the UK steel industry. It represents all the country's steelmakers and a large number of downstream steel processors. EEF, the manufacturers' organisation, is the representative voice of UK manufacturing, with offices in London, Brussels, every English region and Wales. This year we celebrate 120 years of backing Britain's makers.

### **Additional information:**

- The UK steel industry directly employs over 31,900 people and additionally supports an estimated 50,000 jobs in its supply chain and local communities.
- The average steel salary is 28% higher than the national average and 46% higher than the Welsh and Yorkshire & Humberside regions where most of our industry is based.
- The manufacture of UK steel products contributed £1.6 billion directly to the UK economy in 2017, with an additional £3.9 billion created in supply chains and local communities.