

FROM CRISIS TO STABILITY: A FUTURE ENERGY SYSTEM FOR MANUFACTURERS

Report in brief

High electricity prices are the primary barrier holding back UK manufacturing investment, competitiveness and decarbonisation.

Published in partnership with Ecotricity, this report calls for urgent action to cut the cost of electricity now; while reforming the energy market and grid so manufacturers can invest, grow and switch to clean power with confidence.

Why it matters

- + Lower electricity prices would unlock clean tech investment and boost competitiveness.
- + Further fossil fuel price shocks risk hitting production, jobs and supply chains.
- + Manufacturers are already investing and want to decarbonise, but high electricity prices, policy costs, grid delays and gas-linked pricing are holding them back.

KEY FINDINGS:

90% OF MANUFACTURERS SAY ENERGY BILLS HAVE INCREASED SINCE 2022

13% SAY FURTHER PRICE RISES COULD BE TERMINAL FOR THEIR BUSINESS

AN £85BN/ YEAR ECONOMIC LOSS COULD RESULT FROM A 13% DECLINE IN MANUFACTURING ACTIVITY

70% HAVE PASSED HIGHER ENERGY COSTS ON TO CONSUMERS

74% SEE RENEWABLE-LED POWER AS THE ROUTE TO CHEAPER ENERGY

71% CONSIDER NET ZERO IMPORTANT TO THEIR BUSINESS OPERATIONS

87% WOULD INVEST MORE IN ELECTRIFICATION IF THE SPARK GAP WAS REDUCED

What is driving costs?

Gas still sets electricity prices too often: even as renewables grow, gas frequently remains the marginal price-setter. This keeps electricity tied to volatile fossil fuel markets and means manufacturers do not fully benefit from cheaper renewable generation.

Grid delays are blocking industrial electrification: slow connections, ageing infrastructure and constraint costs make it harder for manufacturers to access the clean power they need. Without faster, more reliable grid access, investment plans are delayed or scaled back.

Policy costs are loaded onto electricity bills: levies on power push up prices and widen the gap between gas and electricity. This weakens the business case for electrification and penalises firms trying to switch to cleaner processes.

Post-Brexit energy trading is adding inefficiency: weaker integration with European energy markets has increased trading costs and reduced the benefits of interconnection. That adds avoidable cost and reduces the UK's ability to smooth price spikes through cross-border power flows.

Manufacturers are already investing to decarbonise

Manufacturers are not waiting for change: they are already investing in efficiency, electrification, on-site renewables, battery storage and smarter energy management.

But high electricity prices, policy costs and grid barriers are limiting the pace and scale of that investment.

- ✓ **David Nieper:** cut factory carbon emissions by 44% since 2020.
- ✓ **Schneider Electric:** full electrification and on-site solar at its Scarborough plant.
- ✓ **Numatic:** £1.5m solar investment expected to save around £300,000 a year.

RECOMMENDATIONS

Immediate action:

- + Remove policy levies from electricity bills and fund them through general taxation for immediate price relief.
- + Reduce business rates to unlock greater investment in green technologies.
- + Create a successor to the Industrial Energy Transformation Fund to help industry electrify.

Long-term reform:

- + Break the link between gas and electricity prices
- + Restructure the grid process with greater focus on existing demand from end users.

The bottom line

Manufacturers are ready to invest, decarbonise and compete.

Cutting electricity prices and reforming the market would unlock lower operating costs, stronger competitiveness and the certainty businesses need to back clean industrial investment.

The opportunity is clear: make clean power cheaper, more secure and easier to access, and manufacturers will help drive growth while cutting emissions.

CHEAPER POWER. STRONGER INVESTMENT. A MODERN GRID.

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