Energy Prices: Impact on Energy Intensive Industry

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Who we are

EIUG
Energy Intensive Users' Group

Energy and Trade intensive foundation Industries

- Steel
- Chemicals
- Paper
- Glass
- Cement and lime
- Ceramics
- Industrial gases

Essential

Inputs to the supply chain:
- Energy
- Transport
- Construction
- Agriculture
- Household

Economy

- Contribute £29 bn to UK GVA annually
- 210,000 jobs directly
- 800,000 jobs indirectly

EII's – an important consumer group

GVA = 29 billion

Electricity consumption = 22.4 TWh
12% of non domestic consumption,
8% of total consumption

Direct employees > 210,000

Gas consumption = 1.5 billion therms (154 PJ)
8% of non domestic demand, 5% of total demand

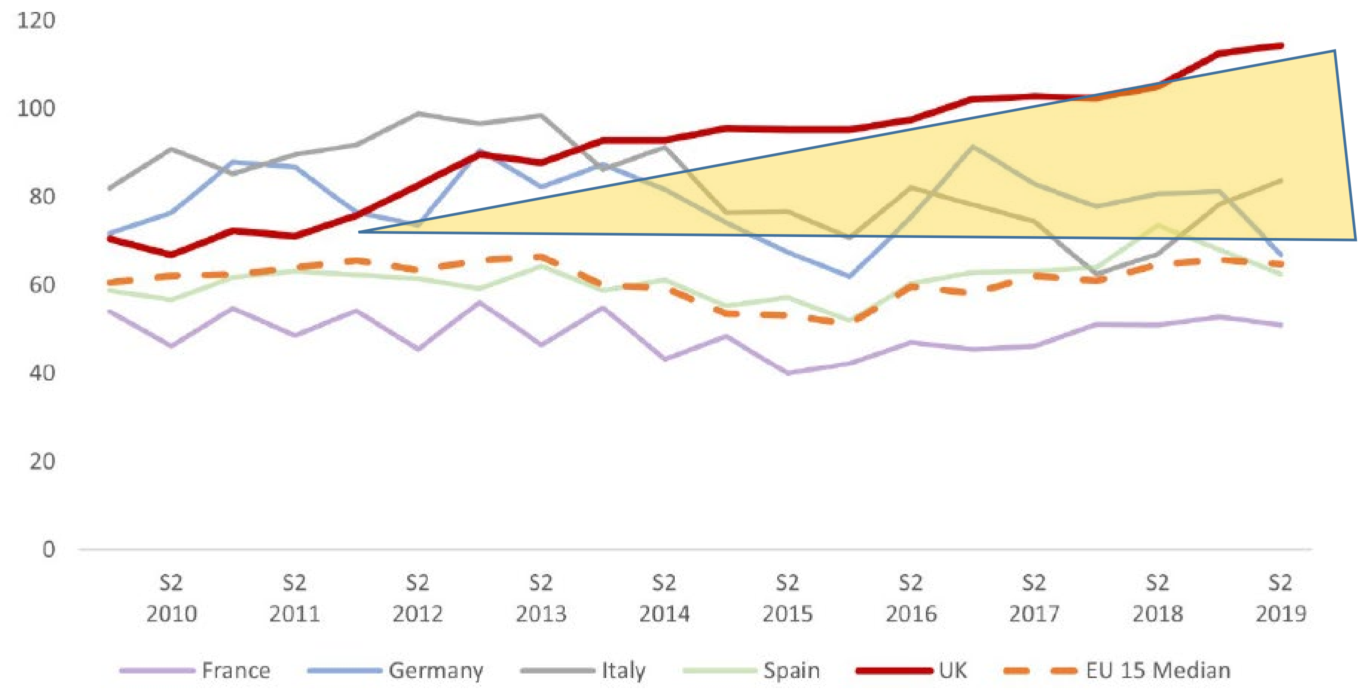
No. of sites > 240

CO_2 emissions = 34 MtCO2
9.7% of total UK emissions

*Note: data excludes industrial gases

Energy prices, what's the problem?

Figure A: Trends in electricity prices for extra-large industrial consumers in selected EU countries (£/MWh)



The gap is widening between the UK and our major competitors…… even before the price crisis

Source: BEIS Publication: QEP Electricity Prices for Industrial Customers (including environmental taxes and levies, excluding VAT), June 2020

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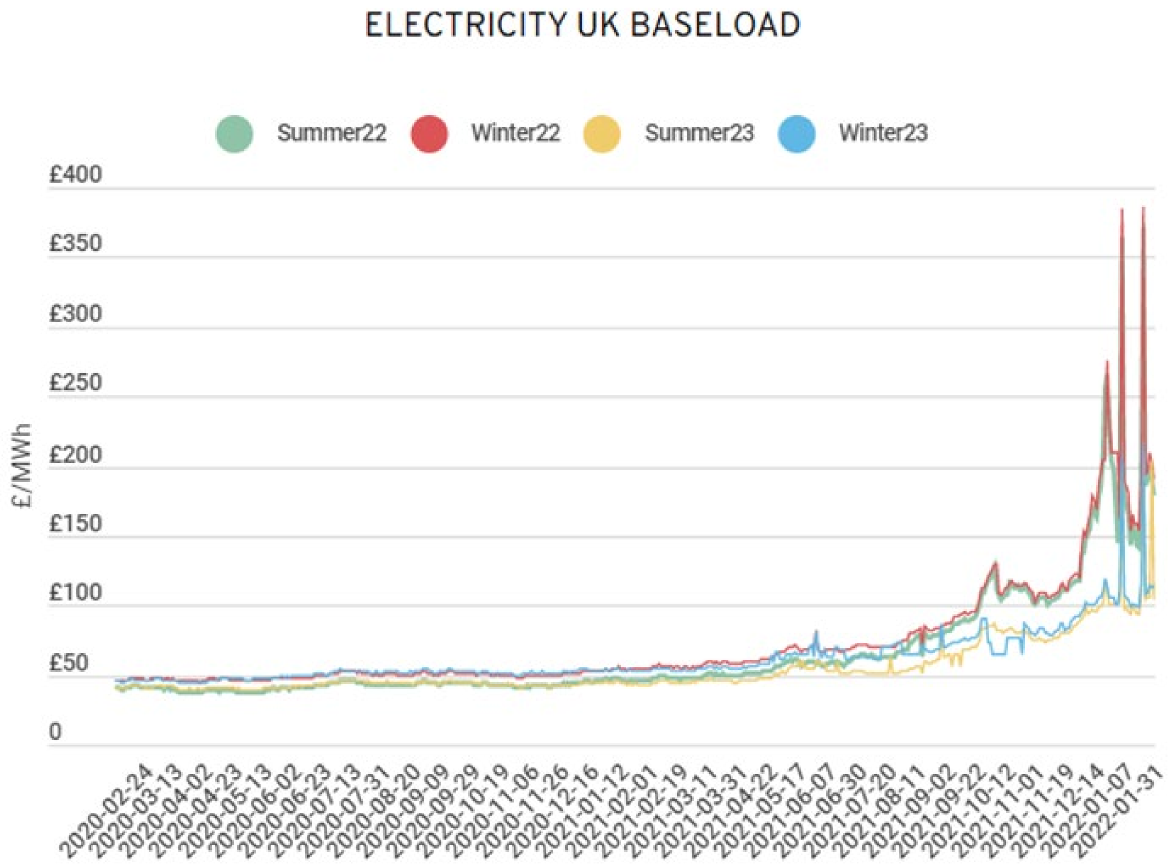
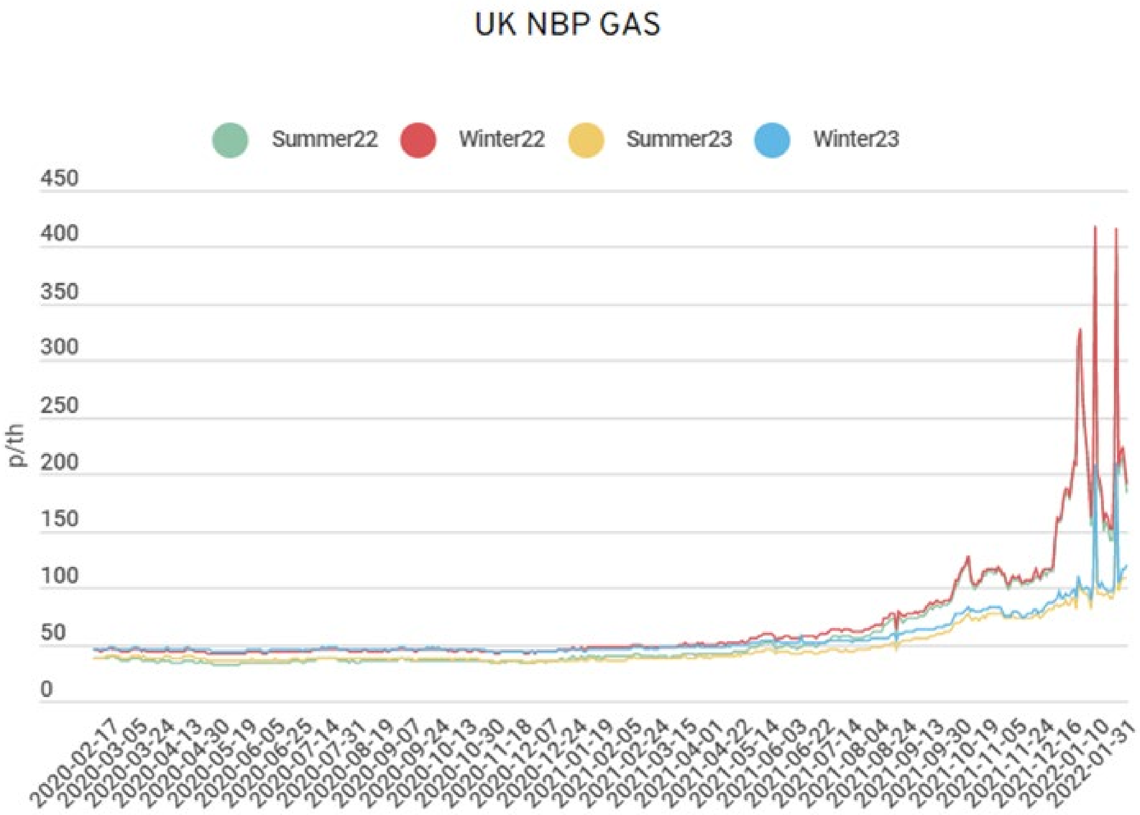
The forward look isn't good





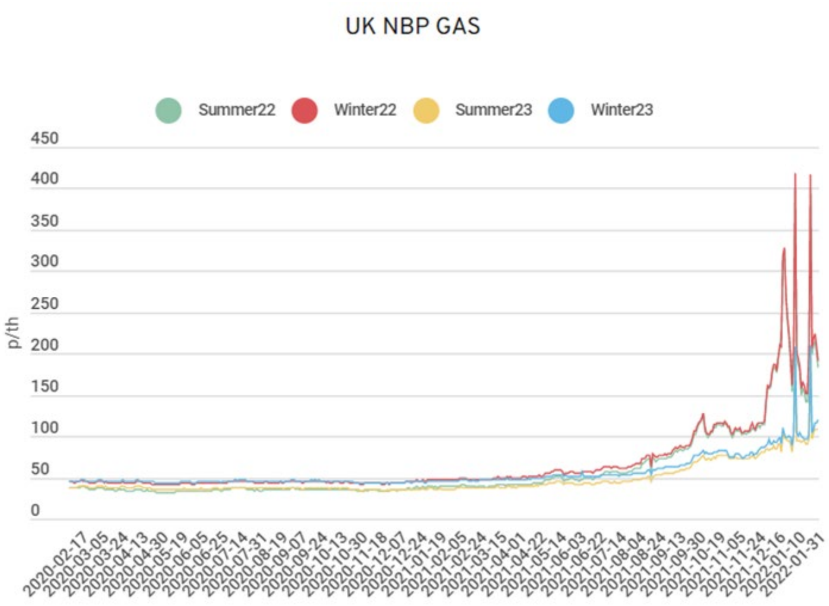
Ofgem also recognise there is a problem

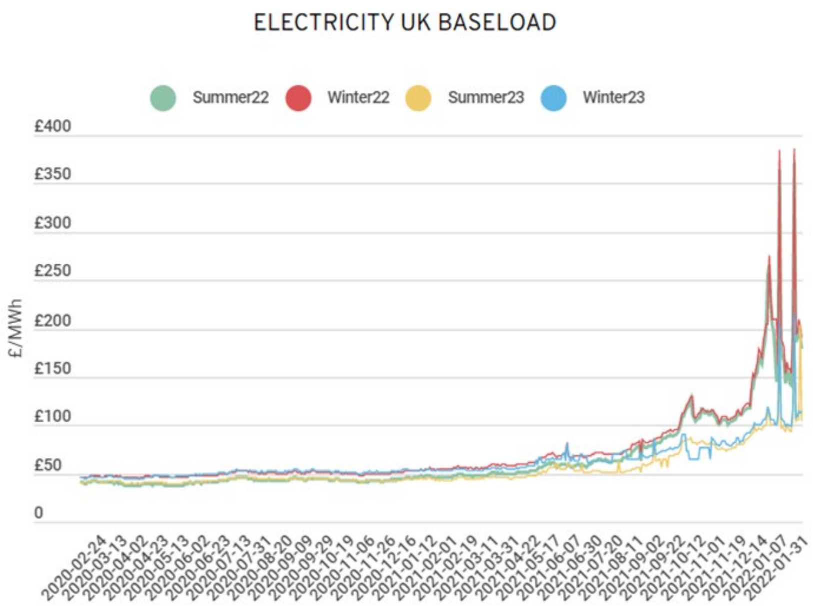
- *"EIIs in GB appear to face high electricity prices on average in comparison to many European countries".*
- *"Although the difference between GB wholesale electricity price and that of other European countries varies over time, GB wholesale prices have tended to be higher".*
- *"GB policy costs appear higher than the countries we draw detailed comparisons with (France, Germany and the Netherlands)".*
- *"GB network costs appear higher mainly because the comparator countries offer discounts on network costs for EIIs… This allows eligible EIIs to lower their network costs by up to 90% in some cases".*

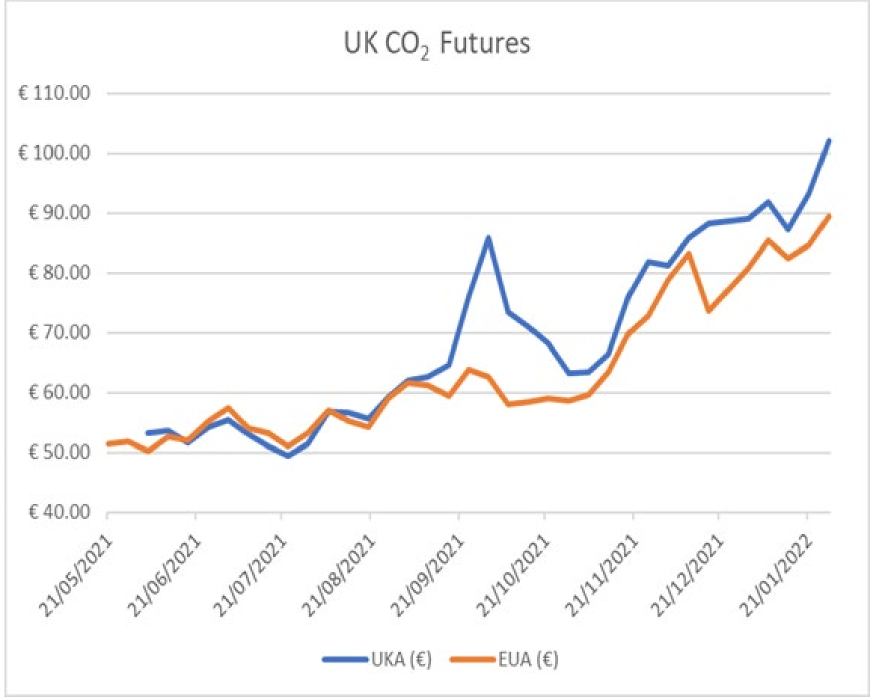
Source: Ofgem 2021. Research into GB Electricity Prices for Energy Intensive Industries

It’s not just energy…

High Gas Cost + High Electricity Cost + High CO_2 Cost = **Unprecedented cumulative Impact**







Why do we need action?

Decarbonisation

- The energy demand of some decarbonisation techniques is high
- Decarbonisation requires significant investment
- Investment costs in the network and its balancing are high

Competitiveness

- Need to avoid carbon leakage and offshoring production
- As the UK moves early on NZ transition, the cost comes early
- The gap is widening between the UK and others