

UK Steel Press Release:

Embargoed until 00:01 Tuesday, 8 October 2019

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New report: Persistently high electricity prices threaten steel sector's ability to compete with European competitors

- A new report shows that UK steel producers today pay 62% more for electricity than their competitors in Germany and 80% more than in France
- Despite wholesale prices dropping over the past year, there remains a persistent gap between UK industrial power prices and those elsewhere, with German and French steelmakers paying £19/MWh and £22/MWh less respectively than those in the UK
- The price gap between German and UK electricity prices places a £47 million a year additional cost on the UK sector, growing to £55 million when compared with France
- For some steel companies, electricity represents the largest cost after raw materials, above even labour
- Consistently higher UK electricity prices reduce available capital and deter inward investment, severely reducing the sector's ability to be competitive today and through to the long term. This ultimately erodes the sector's future in the UK
- Commitments made by steelmakers mean achieving price parity with German steel producers would deliver an additional £47m/year investment in the sector, a massive 24% increase
- As the UK leaves the European Union, the Government must create the best possible business environment for the steel sector to compete in a new trading environment. For steel companies, this means finally tackling the UK's high electricity prices.

8 October 2019: Over two years after the Conservative Party committed in its 2017 Manifesto to deliver the lowest energy costs in Europe, a new report published today by UK Steel shows UK steelmakers still face electricity prices 80% higher than those of their direct competitors in France and 61% higher than in Germany.

The Energy Price Gap: A New Power Deal for UK Steel shows that electricity prices paid by British steel producers today stand at £50 per megawatt-hour (MWh), compared to £31/MWh in Germany and just £28/MWh in France. Steel production is a highly energy intensive process with electricity costs representing up to 20% of the costs of converting the basic raw materials into steel. For some steelmakers, energy represents a bigger proportion of costs than labour.

This is the fourth year UK Steel has conducted this research and despite significant drops in the wholesale cost, the price difference still persists. The disparity with German power prices will cost the sector £47 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.

Gareth Stace, UK Steel Director General, said:

“Our new report plainly demonstrates that UK steelmakers face systemically and persistently higher electricity prices than our competitors. 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. This year, the disparity has cost the steel industry £47 million, at a time where the sector is already facing wider market uncertainties and trading difficulties.

“This is not the time to be cautious, but the time to be bold. The Government must act now to provide that level playing field the sector desperately needs. We have put forward nine clear-cut recommendations to close this price gap, which can easily be adopted by the Government to provide the British steel sector with the best possible foundation to thrive. To provide valuable jobs, where they are most needed, to boost the UK economy as we leave the EU and to ensure that we are the great trading nation that Government say we can be.

“Every proposal has been implemented by EU Governments, showing that they could easily be introduced here too. Governments elsewhere in Europe, recognise the critical importance of competitively priced energy for steel production and have acted decisively to deliver it. It is high time that the UK Government does the same.

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Notes:

About UK Steel: UK Steel is the trade association for the UK steel industry. It represents all the country’s steelmakers and a large number of downstream steel processors. <https://www.makeuk.org/uksteel>

The UK Steel Sector in Numbers:

- Produces 8 million tonnes of steel a year, around 70% of the UK’s annual requirement
- Employs 31,900 people directly in the UK and supports a further 52,300 in supplies chains and local communities
- The average steel sector salary is £36,000, 28% higher than the UK national average and 46% higher than the regional average in Wales, and Yorkshire & Humberside where its jobs are concentrated
- Makes a £1.6 billion direct contribution to UK GDP and supports a further £3.9 billion in supply chains and local communities
- Makes a £3.2 billion direct contribution to the UK’s balance of trade
- 96% of all steel used in the UK is recovered and recycled to be used again and again