
Manufacturers & Energy

27th November – Energy Capital
West Midlands

eef

The
manufacturers'
organisation

Overview of presentation

- About EEF
- Energy prices and impact on competitiveness
- Industrial Strategy
- Regional approach
- Fragmentation of energy policy

About EEF

EEF, the manufacturers' organisation, is the representative voice of UK manufacturing, with offices in London, Brussels, every English region and Wales.

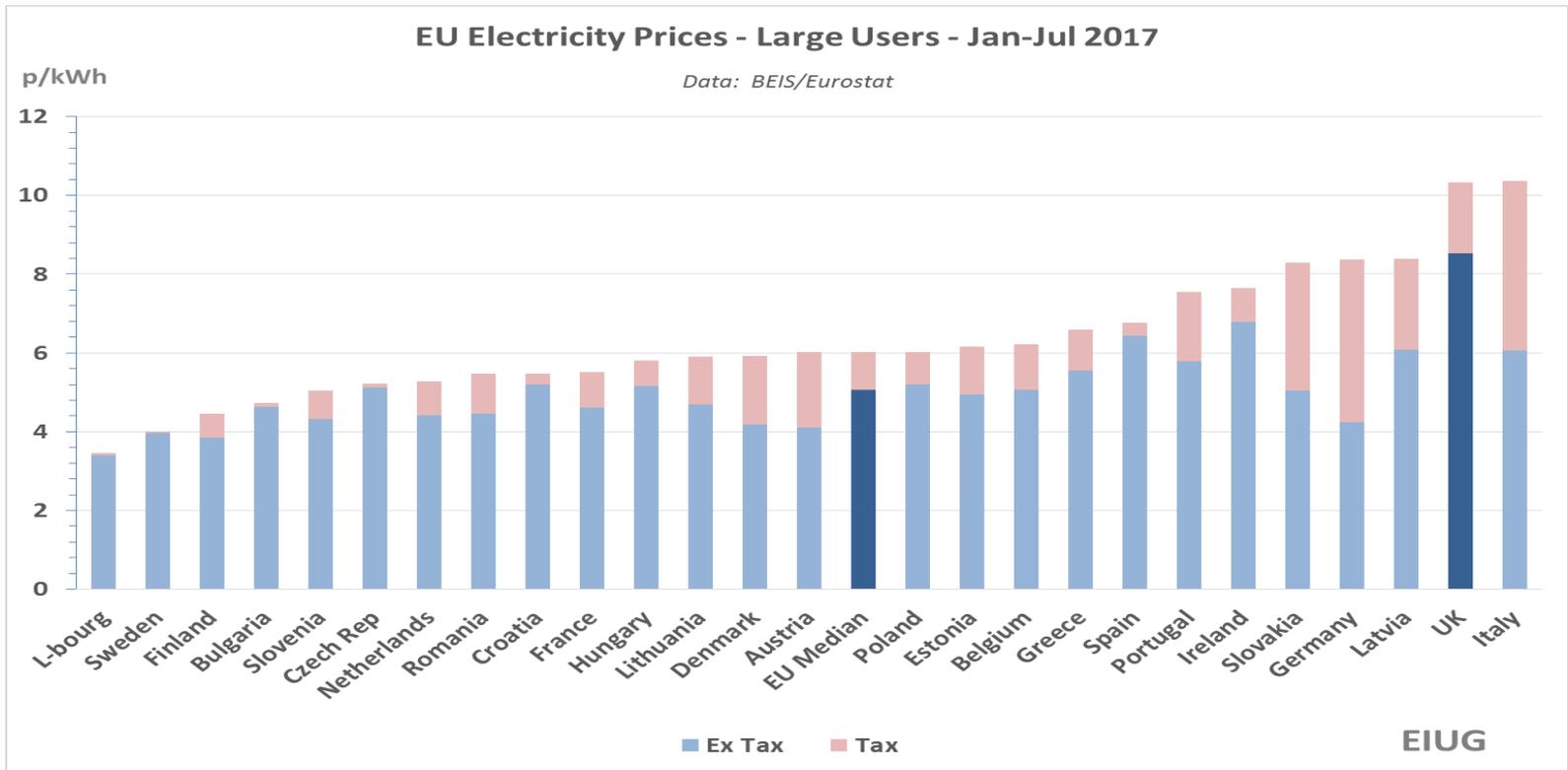
Collectively we represent 20,000 companies of all sizes [5,000 directly], from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector.

Everything we do is designed to help British manufacturers compete, innovate and grow through:

- **Policy & Representation** - working with government & other agencies to influence policy and reduce the legislative burden, creating the right environment for manufacturers to thrive
- **Business Services** - adding real value and helping businesses become more efficient
- **Industry insight** - generating intelligence from member networks, survey & research in support of policy
- **Networking** - creating a powerful interactive business network
- **Commercial advantages** - a range of business benefits

Competitive cost base & attracting investment: energy

- UK industrial energy costs are rising as a result of increases in international gas prices, EU carbon prices and growing Capacity Market costs.
- Some members are facing increases of c 40%
- This is also adding to existing disparity between UK and Western European countries. UK Steel estimates suggest UK firms are paying £17/MWh more than comparable plants in France and £22/MWh more than in Germany – a +50% premium for operating in the UK.
- Action needs to be taken to ensure the UK remains competitive in this context, both in direct terms and in attracting investment in a potentially challenging post-Brexit environment.
- Additional costs must be avoided, e.g. via EU ETS and TCR.



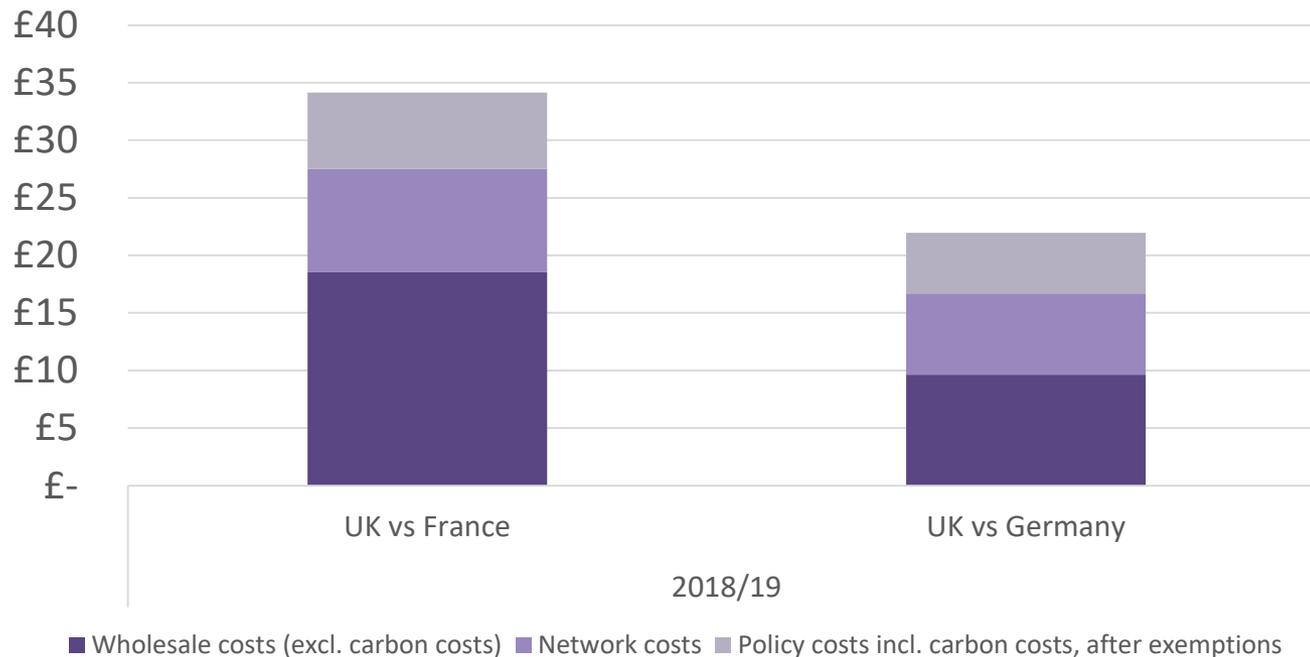
The Industrial Strategy Green Paper and subsequently the Conservative manifesto promised to address the cost of electricity, the latter promising to try and deliver the lowest energy costs in Europe.

Steel sector: electricity price disparity accounting for compensation & exemption

Electricity Prices of Steel Producers in UK, France and Germany 2018/19



Breakdown of the electricity price disparity between UK/France and UK/Germany 2018/19



- Energy Efficiency Scheme → Industrial Energy Transformation Fund
- Commitment to minimising energy costs for businesses
- Widening eligibility for EII Compensation/Exemption package (waiting for Government response to consultation)
- EEF highlighted:
 - Opportunity for demand side response
 - Annual Energy Statements
 - Continue Industrial Decarbonisation and Energy Efficiency Roadmaps to 2050

Sector Deal: commitments and asks

Commitments:

- Increase investment from £200m to £300m, £1.5bn over five years
- Increase 'online' production capacity from 10 Mt to over 14 Mt
- Increase employment by 2,300 to 33,700
- Providing £30 million/year of new matched R&D funding via a new "Future Steel Challenge Fund"
- 200 apprentices a year
- Commit to the industry actions established in the "2050 Low Carbon Roadmap" actions plan

Asks:

- Eliminate the £50m/year electricity price disparity
- Establish a "Future Steel Challenge Fund" with match-funding of £30 million/year
- Facilitate new investment through access to capital, grants and innovative tax credits
- Strengthen the steel procurement guidelines and their reporting mechanisms
- Ensure the delivery of a robust Trade Remedies regime that meets the needs of the steel sector
- Remove new plant and machinery from the calculation of business rates in order to encourage inward investment in the steel sector

- Welcome focus on cost reductions for industrial sector
- Especially prudent considering high concentration of manufacturers
- Identifies predicament of regulating energy investments nationally, while energy projects locally
- Energy Innovation Zones are an exciting idea, but concern over regional regulatory body, Energy Capital:
 - Fragmentation of energy policy
 - Difficult to see how a WM Energy Capital would replace:
 - Ofgem (RHI, utility regulation, consumer protection, Capacity Market),
 - National Grid (Black Start, Demand Side Response, DNO regulation),
 - Low Carbon Contracts Company (CfDs),
 - BEIS (Exemptions for EIs approved by BEIS as State Aid approval is needed)

Potential regional role:

- Specialist resource to help secure long-term funding
- Facilitate local planning approval etc.
- Target support: Information sharing, spreading knowledge to industry and local business of energy opportunities. Helping domestic consumers take part in energy market
- Creating regional Energy Innovation Zones where new technology can be tested with industry and domestic consumers, e.g. new smart meter technology

Frank Aaskov

Senior Energy & Environment Policy Advisor

0207 654 1506

faaskov@eef.org.uk

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