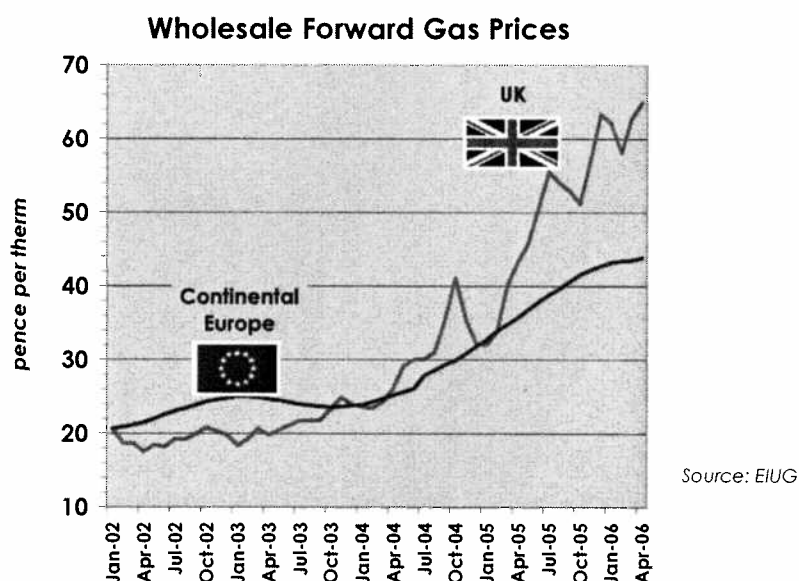


Soaring energy prices cripple energy intensive manufacturing

UK Industry suffers through uncompetitive energy prices:

- UK manufacturers have become increasingly uncompetitive because of rising energy prices over the last two years
- Forward wholesale prices, which also set industrial supply contracts, are 50% above those of our European competitors:



- Consequently, Energy Intensive Users have had to buy gas on the risky day-ahead market to avoid these uncompetitive forward prices as far as possible – unlike their continental competitors, they have no certainty about costs
- Wholesale gas prices last winter were the highest in the world – manufacturers shifted production outside the UK and closed sites – some permanently. Prices for next winter are set to be higher still.
- Electricity prices have followed suit, tripling in the last 3 years – our wholesale electricity prices are now the *highest in Europe*.

Severe impacts on manufacturing industry:

- Uncompetitive energy prices are causing plant closures and dramatic reductions in investment in intensive industries. The DTI's own consultants estimate that the cost could be more than £8 billion and that up to 1.4 million jobs, directly and indirectly, could be at risk.

Security of energy supplies increasingly under threat:

- Gas supplies are no longer secure – the UK came within 24 hours of a gas emergency last winter – had this been triggered, supplies would have been cut off to industry *without compensation*.
- Energy Intensive Users reduced gas use significantly last winter, helping to balance the market – yet this is only achieved by reducing capacity, and hence GDP – which is an unsustainable strategy.

“EIUG members are reporting job losses and reductions in investment – we are witnessing an accelerated decline of UK manufacturing. We have been warning of this for over two years now”

KEY POINT BRIEFING

- EIUG and others have pressed the issue with Government for two years, warning action must be taken to ensure a level playing field for UK industry. Without this, we will see production scaled down, key sections of industry closed, and a further loss of highly skilled jobs.
- In January, the Government's own advisers confirmed the scale of the problem – we are already starting to witness the impact of insecure supplies and uncompetitive prices on UK manufacturing.
- The situation is set to get worse as the UK becomes more reliant on imported gas – within a few years, 70% of our gas will be imported.

EIUG is calling for market reforms to ensure:

- Maximum use is made of our existing import infrastructure
- Suppliers have to offer common contractual terms to *all* customers within the European market
- Increased storage facilities are built, priced at cost reflective levels

EIUG supports the government's Energy Review – we believe this should include reviewing the combined impact of the Climate Change Levy and increasingly costly renewables subsidies on energy intensive users – and should ensure the UK retains coal and nuclear power over the long term.

The Energy Intensive Users Group represents manufacturing sectors that depend on secure, internationally competitive energy supplies to stay in business such as steel, chemicals, paper, glass, cement, ceramics, aluminium and industrial gas producers. For further information, please contact EIUG via www.eiug.org.uk, or tel. 020 7654 1536.