

UK STEEL – SUBMISSION TO THE CONSULTATION ON CHANGES TO INFLATION INDEXATION IN THE FEED IN TARIFFS / RENEWABLES OBLIGATION SCHEMES

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To: RO@energysecurity.gov.uk

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.

Submission to the consultation on changes to inflation indexation in the Feed in Tariffs / Renewables Obligation schemes

1. Do you agree that CPI is a fairer and more accurate measure of inflation for adjusting the FiT tariffs than RPI? If not, why not?

UK Steel agrees that the Consumer Prices Index (CPI) is a fairer and more accurate measure of inflation for adjusting the Feed-in Tariff (FiT) and Renewable Obligations schemes than the Retail Prices Index (RPI).

As outlined in the consultation document, the RPI has long been recognised by the Office for National Statistics and the UK Statistics Authority as a flawed measure of inflation that systematically overstates price growth. Continuing to use it risks overcompensating existing generators and unnecessarily increasing the overall cost of the FiT and RO schemes. These costs are ultimately borne by electricity consumers, including the UK steel industry, through higher policy charges.

Switching to CPI would bring the FiT and RO schemes into line with the UK government's preferred, internationally recognised inflation measure and ensure consistency with other key support mechanisms, such as Contracts for Difference and the Capacity Market. CPI more accurately reflects general price movements in the economy and excludes housing-related costs that are not relevant to renewable electricity generation.

Importantly, this change would also help reduce levy-funded costs within electricity bills, supporting government and industrial objectives to improve energy affordability and competitiveness for energy-intensive industries. Lowering electricity prices remains critical to enabling UK steel producers to invest in decarbonisation and compete internationally.

UK Steel therefore supports the proposal to move to CPI indexation at the earliest opportunity.

2. Of the two options, which do you think is the best alternative to the current methodology, and why? Option 2.

While UK Steel agrees that CPI is the fairer and more accurate inflation measure, Option 2 provides a more balanced and measured pathway for implementing the change. It would address the historic overcompensation resulting from RPI's overstatement of inflation, while ensuring a smoother transition that minimises potential disruption or uncertainty for existing FiT participants.

A temporary freeze and gradual realignment would also deliver greater long-term savings for consumers and businesses, providing sustained downward pressure on policy costs over the next decade. This would directly contribute to lowering electricity prices—an essential objective for energy-intensive industries such as steel, where international competitiveness and decarbonisation investment depend on affordable power.

Option 2 strikes the right balance between fairness for generators and cost control for consumers. It would deliver a more equitable correction of past over-indexation while supporting the government's broader industrial and energy affordability objectives.

3. Do you have any comments on the likely impacts of the proposed change for generators, consumers or investors?

UK Steel considers that changing the FiT and RO indexation from RPI to CPI will have modest impacts on generators but deliver meaningful and lasting benefits for domestic consumers, businesses, and industry.

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Generators will continue to receive stable and predictable revenues that protect against inflation. The proposed change does not undermine investment certainty, as it maintains the principle of inflation-linked support. Instead, the Government will use a more accurate and widely recognised measure. Option 2's gradual realignment would further ease the transition, avoiding any sudden adjustments while fairly addressing historic over-indexation.

For consumers and businesses, the change would help reduce levy-funded costs that are passed through to electricity bills. This will support the electrification of industry, businesses, home heating, and transportation. Lowering these embedded policy costs supports both short-term competitiveness and long-term decarbonisation investment in UK manufacturing.

Overall, the shift to CPI indexation under Option 2 would create a fairer balance between maintaining investor confidence and ensuring affordability for households and industry alike, in line with the government's broader objectives to reduce energy costs and strengthen industrial competitiveness.

4. Do you think there are alternative approaches that should be considered, and if so, what are these and why?

No, UK Steel does not believe there are strong alternatives to adopting CPI indexation.

For further information, contact:

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