

UK STEEL

COMPETITIVE ELECTRICITY PRICES: A PREREQUISITE FOR REINDUSTRIALISATION

A comparison of industrial electricity
prices for the steel industry



OCTOBER 2026





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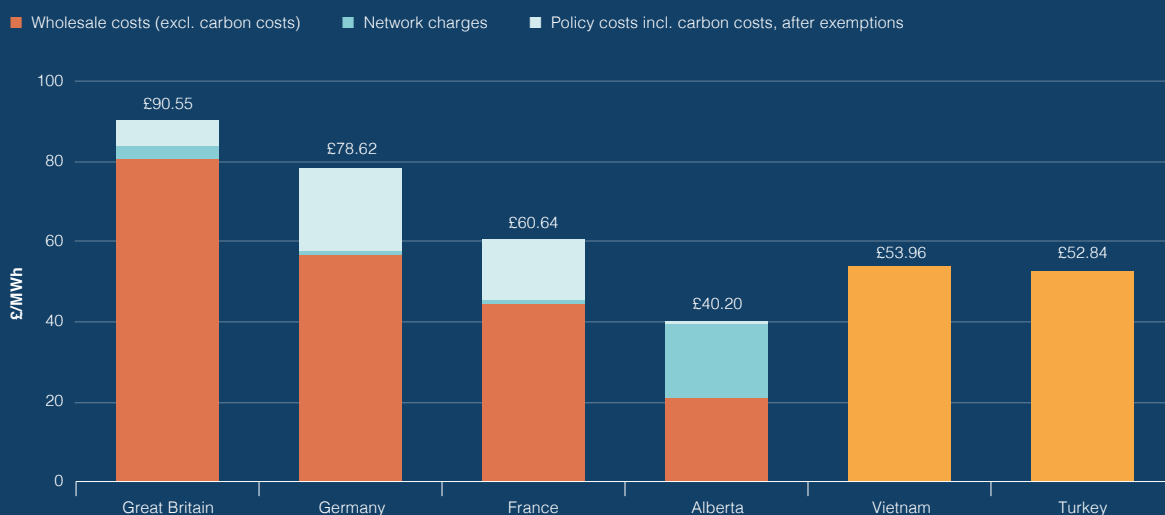
1. EXECUTIVE SUMMARY

The Government's Steel Strategy aims to increase domestic production to meet 50% of UK steel demand, while the Prime Minister has made reindustrialisation a national priority. Neither ambition can be achieved without internationally competitive industrial electricity prices.

UK steel producers continue to face higher industrial electricity prices than competitors in France, Germany, and wider global markets. The gap has widened further following the US-Israel-Iran conflict. In 2026/27, electricity prices for British steel producers are estimated at £91/MWh after all available exemptions and compensation. This is £12/MWh higher than Germany and £30/MWh higher than France (i.e. 15%-49% higher). The difference is greater against the selected non-European markets: GB prices are a staggeringly 125% higher than Alberta, 68% higher than Vietnam and 71% higher than Turkey.

In 2026/27 alone, the analysis shows that the price disparity adds £66 million to UK producers' electricity bills compared to those in France. Since 2017/18, UK steelmakers have paid £917 million more for electricity than French competitors and £752 million more than their German counterparts since 2016/17. If UK steel producers had Albertan electricity prices, they would have paid £110m less in 2026/27 alone.

Figure 1: Electricity prices for steel producers in Great Britain, France, Germany, Alberta (Canada), Vietnam, and Turkey (2026/27): Wholesale prices now explain most of the remaining disparity



Source: UK Steel. See Methodology section for data confidence levels.

RECOMMENDATIONS

To close the gap and deliver competitive electricity prices, UK Steel recommends the Government swiftly:

1. Implement a wholesale price rebalancing mechanism to align GB prices with European competitors
2. Reform the Network Charging Compensation Scheme by either replacing it with a direct exemption or significantly shortening the current 13-month reconciliation period, reducing the cashflow burden on energy-intensive industries (EIIs)
3. Increase accessibility to the British Industry Supercharger and British Industrial Competitiveness Scheme for the remaining parts of the steel industry supply chains

Eliminating the electricity price disparity for steel could be funded from the Government's £2.5 billion commitment to the sector. While UK Steel does not advocate increasing household bills, even if the cost were redistributed to consumers, it would add just 42p per year to the average household electricity bill, a marginal amount compared with the £276 increase in typical household energy bills forecast from January 2027.

Without further decisive action, high electricity prices will continue to undermine the sector's competitiveness, weaken investment cases, and jeopardise the UK's ability to retain a sustainable, low-carbon steel industry. Crucially, the Government may fail to achieve its targets in the Steel Strategy and the Prime Minister's reindustrialisation ambitions.

What has changed and what this means for Government

- The British Industry Supercharger and the Government's recent improvement of it have reduced policy and network cost disparities, but existing support does not yet deliver price parity with key competitors
- For energy-intensive industries, the price gap is now predominantly driven by wholesale electricity prices, and France remains the key low-cost European comparator
- Electric Arc Furnace-based decarbonisation will increase electricity cost exposure
- The UK is not just competing against France and Germany, but against global markets with structurally lower electricity costs or regulated industrial tariffs, as shown in this report's non-European benchmark
- A wholesale price rebalancing mechanism is needed to deliver the Government's reindustrialisation ambitions.

2. INTRODUCTION

It is widely accepted that industrial electricity prices in Great Britain (GB) are higher than in competing EU countries and other major steel-producing economies, as the Government recognised in its election manifesto and recent consultations¹. UK steel producers consistently cite high electricity prices as a major threat to competitiveness, investment and decarbonisation.

This is particularly important for the steel industry because:

- Steel production is highly energy intensive. Electricity prices are a fundamental and unavoidable input cost for steelmakers, alongside raw materials like steel scrap, iron ore, and coke. WorldSteel estimates that energy accounts for 20-40% of steel production costs globally². For electric arc furnace (EAF) production, which recycles steel scrap, electricity is by far the most important energy source, accounting for around half of total energy input. Blast furnace production, which converts iron ore into steel, requires substantial quantities of coal and some electricity and natural gas. Significant amounts of energy are also consumed in downstream processes such as rolling, coating, plating and drawing, many of which take place at separate processing facilities.
- For some UK steel producers, electricity costs can be up to 180% of gross value added (GVA)³, meaning energy costs can be greater than labour costs and are often one of the largest drivers of competitiveness. When assessing companies' energy intensity for exemption schemes, the Government requires electricity costs to represent at least 20% of GVA, which the steel industry easily exceeds.
- Steel is heavily exposed to international competition. Around 24.7% of the 1.85 billion tonnes of steel produced globally in 2025 was traded across international borders. Excluding China, this rises to 36%⁴. The UK imports around 68% of its steel requirements and exports 37% of domestic production, meaning UK producers must compete directly with overseas manufacturers facing different cost structures.
- The EU remains the UK's most important steel trading partner. In 2025, 57% of UK steel imports originated from the EU, while 71% of UK exports were sold into EU markets. Electricity price differences between the UK and European competitors therefore remain highly important to the competitiveness of UK steel producers. However, trade barriers are increasingly being applied to steel worldwide, while Chinese overcapacity continues to overflow into other markets. The UK's access to the European steel market has been dramatically reduced, and it faces increased competition from non-EU competitors, despite recent trade measures. As such, power price disparities between GB and other markets become increasingly important.
- Steelmaking is a low-margin industry. While specialised and high-value steels are produced, market requirements and economies of scale mean that most steel, even in developed economies, is commoditised and available from a broad range of sources. Competitive market conditions, further intensified by global overcapacity, put constant pressure on margins, so even small differences in electricity costs can significantly affect profitability and investment decisions.
- Uncompetitive electricity prices are the primary problem. Coal prices are set on the global market and are broadly similar worldwide (except where some producers benefit from state-subsidised supply). Natural gas prices vary more significantly by region, with lower prices in the US and higher ones in Japan. However, gas represents a smaller share of steel production's energy input, so electricity is by far the most significant determinant of the UK industry's overall cost competitiveness.

- Electricity prices are increasingly important to decarbonisation. The UK steel sector is transitioning towards more electric arc furnace production, as Tata Steel UK is replacing its previous blast furnaces with a new EAF at Port Talbot and several other existing producers are investing in further electrification. British Steel is also considering EAF as part of its future. As a result, electricity prices will play an even greater role in determining the competitiveness, profitability and long-term viability of UK steelmaking.

Against this backdrop, UK Steel undertakes an annual assessment of the electricity prices faced by steel producers in Great Britain, comparable facilities in France and Germany, and, for the first time, three additional non-EU jurisdictions. Where appropriate, the analysis is supplemented by other international benchmarks where published data is available. This report represents the eleventh annual examination of the electricity price disparity facing the UK steel industry.



3.

THE UK STEEL INDUSTRY

THE UK STEEL INDUSTRY IN NUMBERS

34,000

PEOPLE DIRECTLY
EMPLOYED BY
THE UK STEEL
INDUSTRY

£1.7BN

DIRECT CONTRIBUTION
TO THE UK ECONOMY
AND AN ADDED £2.3BN
IN SUPPLY CHAINS

£2.9BN

DIRECT CONTRIBUTION
TO THE UK'S
BALANCE OF TRADE

42,000

FURTHER JOBS
SUPPORTED IN
SUPPLY CHAINS

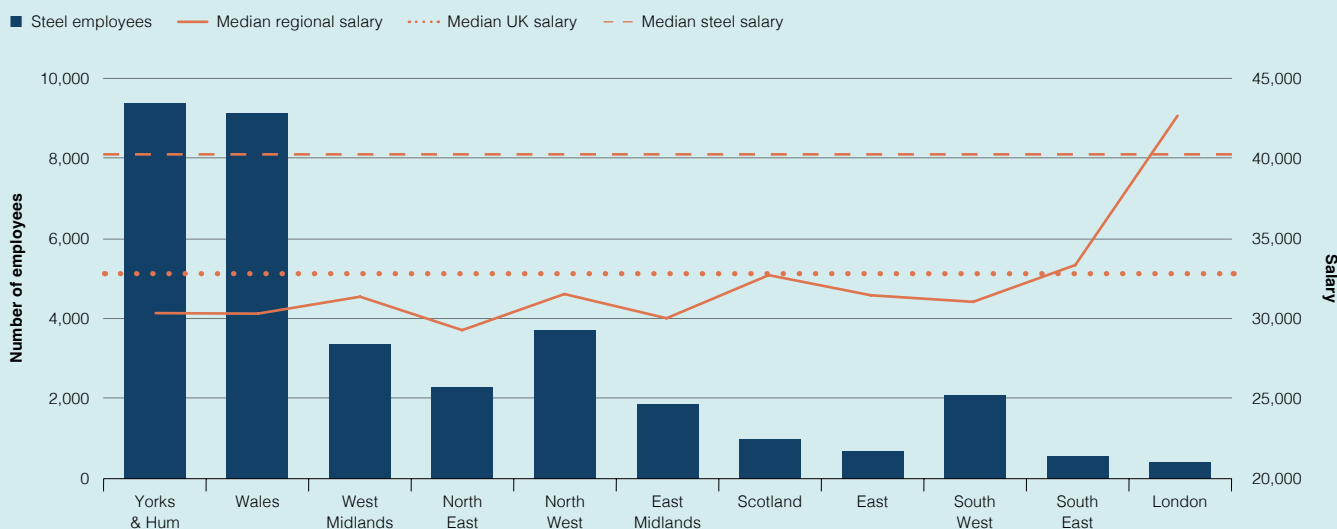
THE MEDIAN STEEL
SECTOR SALARY IS £40,278

22% HIGHER

THAN THE NATIONAL MEDIAN

AND
34% HIGHER
THAN THE WALES, AND
THE YORKSHIRE &
HUMBERSIDE REGIONS

Figure 2: Steel employees across UK regions and sector salaries



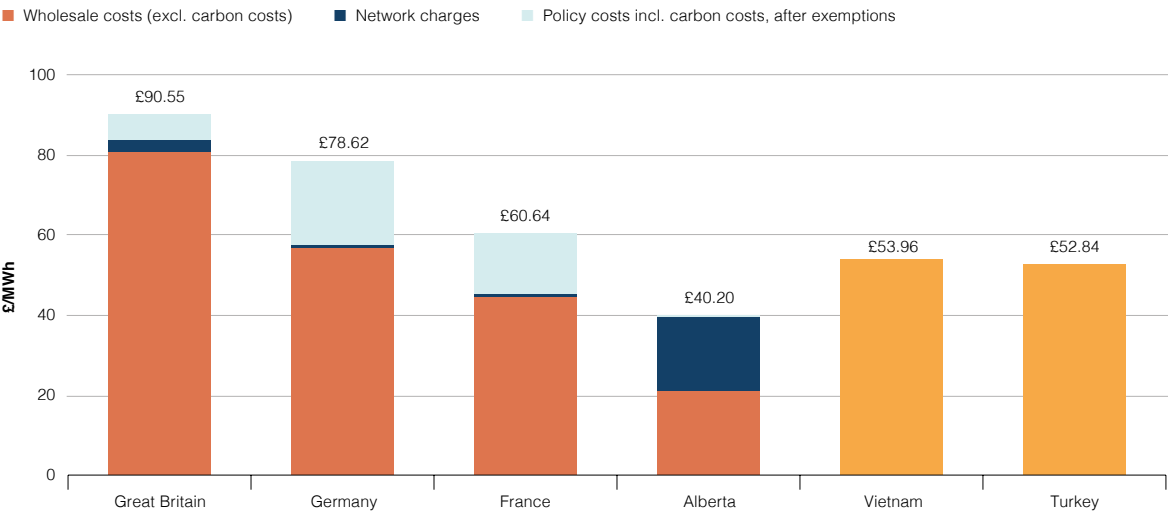
Source: UK Steel

4.

PRICE DISPARITY

When fully considering all existing government interventions for energy-intensive industry, the average price faced by British steelmakers for 2026/27 is £91/MWh, compared to the estimated German price of £79/MWh, the French price of £61/MWh, the Albertan price of £40/MWh, the Vietnamese price of £54/MWh, and the Turkish price of £53/MWh. This indicates a price disparity of 49% with France and 125% with Alberta (Canada), for example, or a GB surcharge of £30/MWh and £50/MWh, respectively.

Figure 3: Electricity prices for steel producers in France, Germany, Great Britain, Alberta (Canada), Vietnam, and Turkey (2026/27)

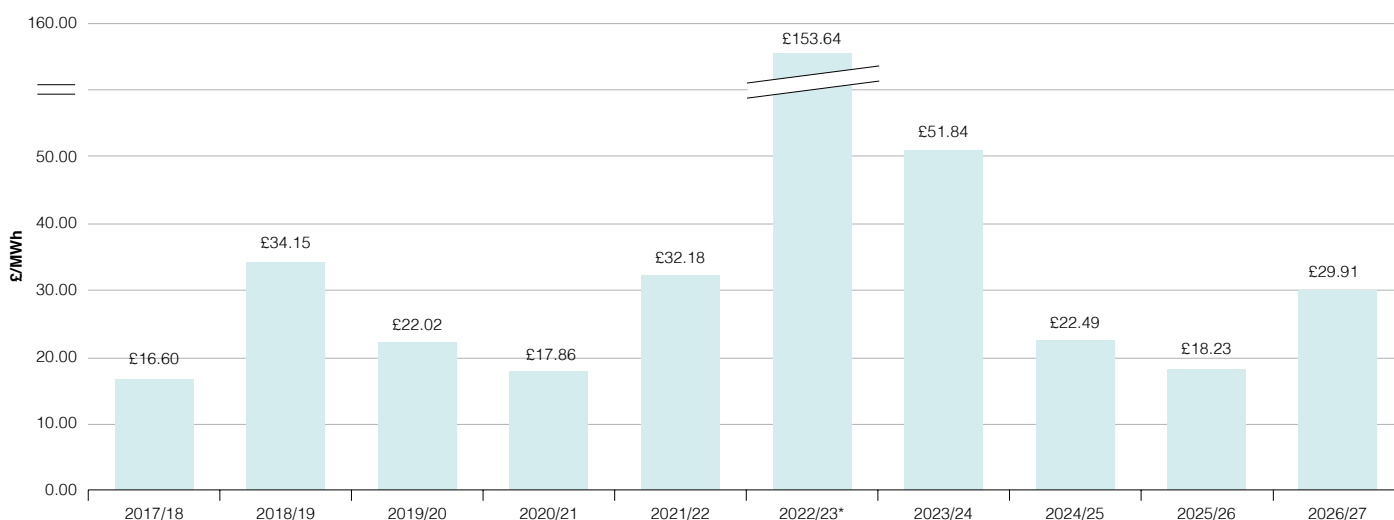


Source: UK Steel. See Methodology section for data confidence levels.

The disparity with France has grown compared to previous years, despite the Government increasing network compensation in 2026, while the disparity with Germany

has fallen only slightly. As explored below, this is due to the GB energy market's dependence on natural gas and the US-Israel-Iran conflict.

Figure 4: Electricity price disparity between France & GB, £/MWh, 2016-2026



Source: UK Steel

Figure 5: Electricity price disparity between Germany & GB, £/MWh, 2017-2026



Source: UK Steel

5.

CAUSES OF DISPARITY BETWEEN GB AND EUROPEAN COMPETITORS

Electricity prices can be broken down into three categories:

Wholesale prices, network charges, and policy costs.

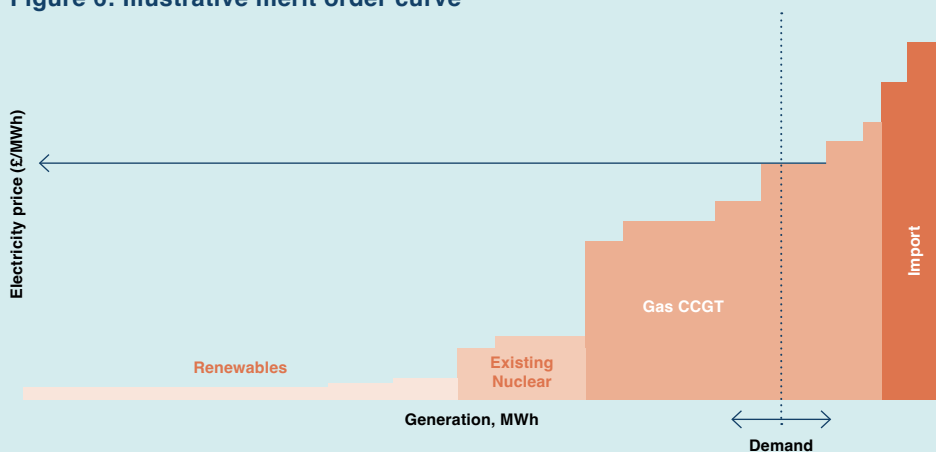
5.1. WHOLESALE ELECTRICITY PRICES ARE NOW THE MAIN DRIVER OF THE GAP

Wholesale electricity costs are now the principal driver of the electricity price disparity between GB and its European competitors. The wholesale price is the price at which electricity is traded between generators and suppliers and is ultimately reflected in the prices consumers pay.

Electricity markets across Europe generally operate using marginal pricing, as illustrated in Figure 6. Generators submit bids based on their production costs, and demand is met by progressively accepting the lowest-cost generation

first. The market price is then set by the most expensive generator needed to meet demand, known as the marginal plant. All generators whose bids are accepted receive that same market price. As a result, power prices are heavily influenced by whichever fuel most frequently sets the market price. In GB, this is typically natural gas. Although gas accounts for only part of total electricity generation, it sets the wholesale power price most of the time. Consequently, changes in gas prices disproportionately affect GB electricity prices.

Figure 6: Illustrative merit order curve



Source: UK Steel

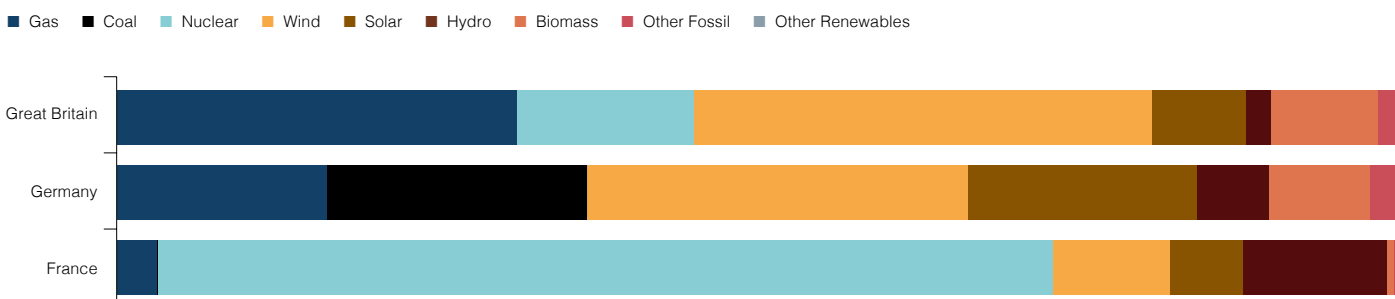
Analysis found that despite generating only around 40% of GB electricity in 2021, gas-fired power stations set the wholesale electricity price 98% of the time⁵. By comparison, gas set the electricity price only 3% of the time in France and 92% of the time in Germany in 2021. More recent research by the Energy & Climate Intelligence Unit⁶ and UK Energy Research Centre (UKERC)⁷ suggests that natural gas set the electricity wholesale price 85%-90% of the time in 2024, despite providing only a quarter of power generation. This difference helps explain why elevated gas prices continue to have a greater impact on GB wholesale electricity prices than elsewhere.

UKERC expects this relationship to weaken as “contracted

wind plants come onto the system under CfDs”, fixing prices and beginning to decouple generator revenues from gas prices. Their analysis predicts that “*gas-driven market prices will drive revenues for around 60% of plant on the system*” by 2028.

The difference in generation mix is therefore critical. As shown in Figure 7, GB remains significantly more dependent on gas-fired generation than France, where nuclear power dominates the system, or Germany, where coal generation is more widespread. Because natural gas prices remain substantially above pre-pandemic levels due to the US-Israel-Iran conflict, GB wholesale electricity prices continue to exceed those in France and Germany.

Figure 7: 2025 Electricity generation mix

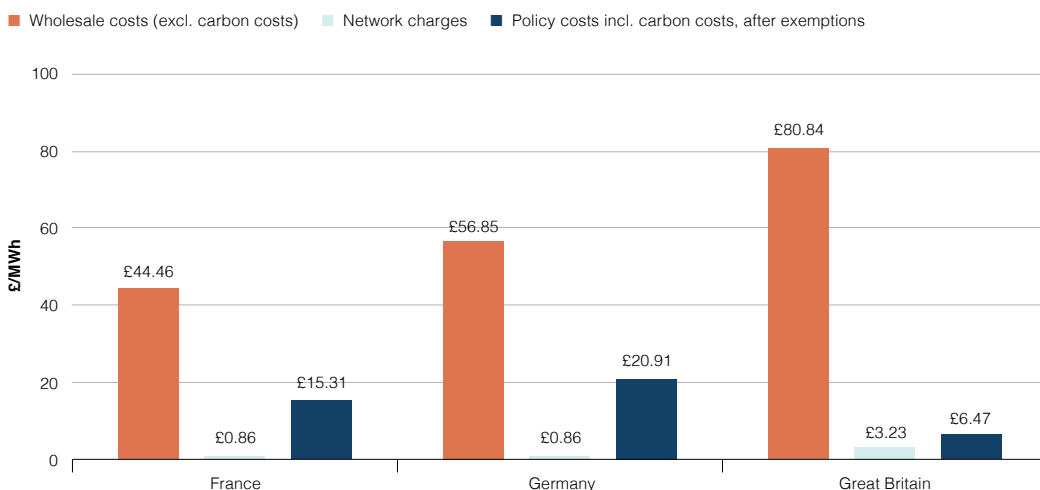


Source: Greengrid Compass

This is reflected in current wholesale electricity costs after removing carbon costs. In 2025, average wholesale prices in France, Germany and GB stood at £44/MWh, £57/MWh, and £81/MWh respectively. The resulting wholesale cost disparity is now approximately £36/MWh versus France and £24/MWh versus Germany. As Figure 8 shows, network and

policy costs are now broadly comparable to those faced by steel producers in France and Germany, largely because of the British Industry Supercharger and subsequent Government interventions. Wholesale electricity prices therefore represent the largest remaining source of industrial electricity price disparity.

Figure 8: Electricity prices for steel producers in France, Germany, and GB (2026/27)



Source: UK Steel

GB has historically had a lower level of interconnection with neighbouring electricity systems than many European countries, reducing its ability to import lower-cost electricity when available. However, this has increased significantly from 4GW in 2012 to 10.3GW in 2025, with plans for an additional 10.1GW by 2032⁸. In comparison, France reached 20.6GW in exports and 18.7GW in imports in 2023⁹. In 2021, Germany had approximately 28.4GW of interconnection capacity¹⁰.

The independent energy consultancy, Baringa, estimated in a report for UK Steel that “while GB wholesale prices are projected to fall in the long term as renewable generation scales up in line with global and European trends, significant reductions are only expected from 2030 onwards and wholesale energy prices remain highly uncertain”¹¹. As such, to eliminate the difference in industrial electricity prices between GB, France, and Germany and deliver competitive electricity prices, the Government must introduce a short- to medium-term policy to reduce wholesale prices for industry.

5.1.1. US-Israel-Iran conflict

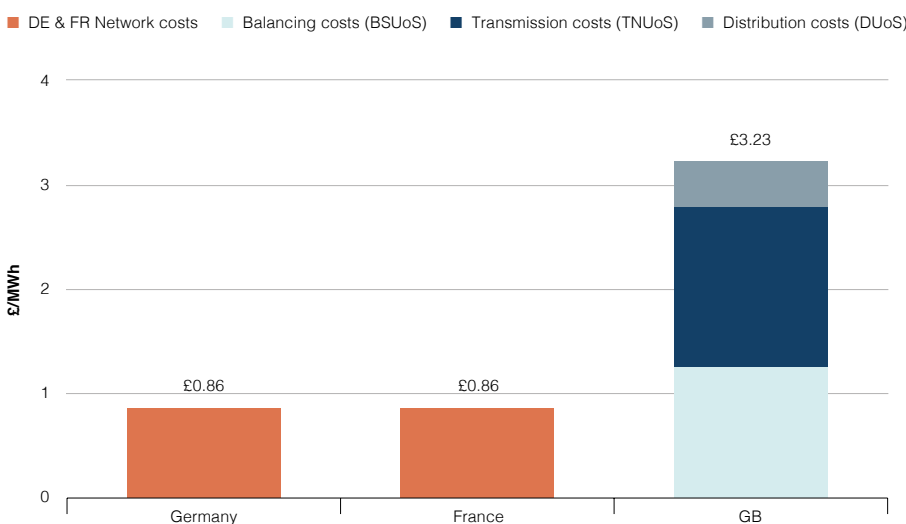
The US-Israel-Iran conflict has driven up natural gas prices substantially and, in turn, wholesale electricity prices. Pre-pandemic average day-ahead natural gas prices were around £0.50/therm (£0.67/therm adjusted for inflation), with prices settling at around £0.80/therm in early 2026. However, since the US-Israel-Iran conflict started, prices have risen to around £1.40/therm¹². This substantial increase has also pushed up forward electricity prices. For example, the forward price for electricity delivered in January 2027 has risen from c.£80/MWh to £120/MWh¹³. Consequently, while GB is not heavily reliant on direct LNG imports from the Middle East, any disruption to global LNG supply increases competition for available gas and pushes up international gas prices. As GB remains closely integrated with European and global gas markets, these higher gas prices feed through into domestic gas and electricity prices, particularly given the continuing role of gas-fired generation in setting wholesale power prices.

5.2. NETWORK COSTS HAVE IMPROVED BUT REMAIN A CASHFLOW ISSUE

The French, German, and UK governments all provide 80-90% exemption/compensation for network connection charges to their energy-intensive industries¹⁴, recognising the importance of network charges to international competitiveness. However, while Germany and France

exempt their industries from network charges, the UK compensates them, meaning steelmakers wait 13 months to be reimbursed for network costs, affecting their cashflows.

Figure 9: Network charges faced by steel producers, 2026/27

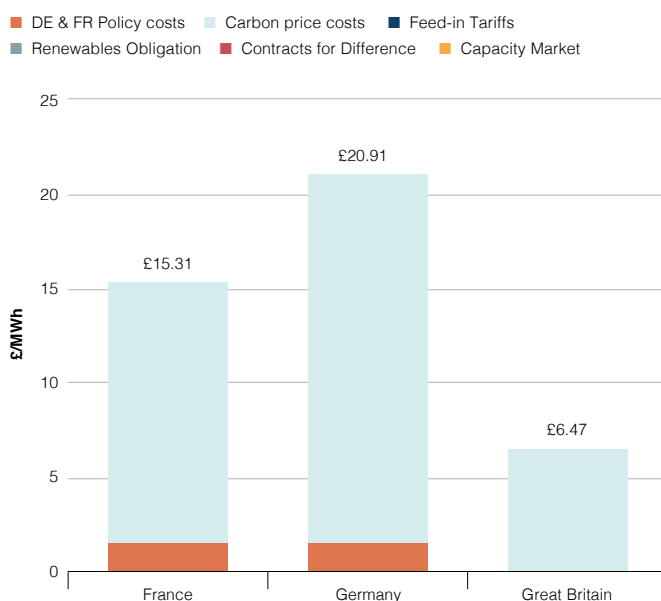


Source: UK Steel

5.3. POLICY COSTS HAVE LARGELY BEEN ADDRESSED FOR ELIGIBLE STEEL PRODUCERS

The British Industry Supercharger provides a 100% exemption for Contracts for Difference, Renewable Obligations, Feed-in Tariffs, and Capacity Market levies, significantly reducing policy costs on electricity bills. Separately, the new Regulated Asset Base levy to fund the deployment of nuclear power generation also includes an exemption provision for EIs. British policy costs are now lower than French and German costs, primarily because UK carbon prices are lower than EU carbon prices. Once the UK ETS and EU ETS are linked and carbon prices again converge, British policy levies will be similar to those in Germany or France. Overall, this is a significant improvement compared to previous years, and the UK Government's efforts to reduce policy costs should be commended and applauded.

Figure 10: Policy levies faced by French, German, and UK steelmakers, 2026/27



Source: UK Steel



5.4. FUTURE RISKS COULD EXTEND THE GAP

While the British Industry Supercharger has reduced the disparity in non-wholesale costs, several factors may increase the electricity price gap between GB and its European competitors in the future, as detailed below.

5.4.1. Transmission costs

Because of the substantial buildout of the transmission network, such as substations and pylons, the National Energy System Operator (NESO) expects transmission charges to rise to over £11m per site annually in 2028/29 for representative transmission-connected sites, pre-compensation¹⁵. This compares to their forecast three years ago of just £4 million per site¹⁶. Such substantial increases may even require further increases in the Network Charges Compensation scheme to keep pace with European competitors.

5.4.2. Carbon pricing

The UK Government is expected to agree to link the UK Emissions Trading Scheme (ETS) with the EU ETS this year. In effect, this will create a single carbon price across both systems¹⁷, enabling more efficient trading and potentially avoiding large price spikes from 2028 onwards, as auctionable allowances will be substantially reduced. However, the ETS linkage will also increase carbon prices. Before the agreement to negotiate linkage was announced, UK ETS prices fluctuated between £35-40/UKA, but since the announcement, they have reached £60/UKA. Higher carbon prices will not only directly increase carbon costs for steelmakers, but also raise electricity prices, as fossil fuel-based power generation becomes more expensive due to the higher costs associated with its carbon emissions. Compensation for the indirect cost of carbon will largely, but not fully, mitigate the impact. Maintaining this relief will therefore be essential to protect the UK steel industry's international competitiveness as carbon prices rise.

5.4.3. New government programmes

A persistent risk for industrial electricity consumers is the continued use of electricity bills to fund wider government policy objectives. Over several decades, successive governments have added costs to electricity bills to support energy and climate programmes that might otherwise have been funded through general taxation. While these charges may not be classified as taxes in the conventional sense, their economic effect is similar: they raise revenue from consumers to fund government policy, but through a particularly narrow tax base.

This has contributed to the substantial disparity between the cost of electricity and gas in the UK, creating unintended consequences, weakening the economic case for technologies such as heat pumps, and disproportionately burdening lower-income households, for whom energy costs represent a greater share of household expenditure. It also places a disproportionate burden on energy-intensive industries, where high electricity consumption can reflect the fundamental characteristics of an industrial process rather than inefficiency.

The Government should therefore avoid funding future programmes, such as CCUS and hydrogen deployment, through levies on energy bills, and instead consider other avenues that raise the necessary revenue with the least adverse economic and distributional consequences. For energy-intensive industries, electricity bills are a particularly penalising vehicle for raising additional revenue, as further levies would compound the existing electricity cost disadvantage and undermine the competitiveness and decarbonisation of the very industries that Government policy seeks to support.

5.4.4. New European support schemes

Other European governments are continuing to take action to shield energy-intensive industries from high electricity prices. In April 2026, the European Commission approved temporary electricity price relief schemes for Germany, Bulgaria, and Slovenia under the Clean Industrial Deal State Aid Framework. The German scheme, for example, provides support from 2026 to 2028, with a €3.8 billion budget, and compensates part of eligible electricity costs through a 50% reduction of the yearly average wholesale market price, applied to 50% of eligible consumption and subject to a €50/MWh price floor. The Commission decision states that the measure is intended to preserve the competitiveness of energy-intensive users and avoid relocation outside the EU.

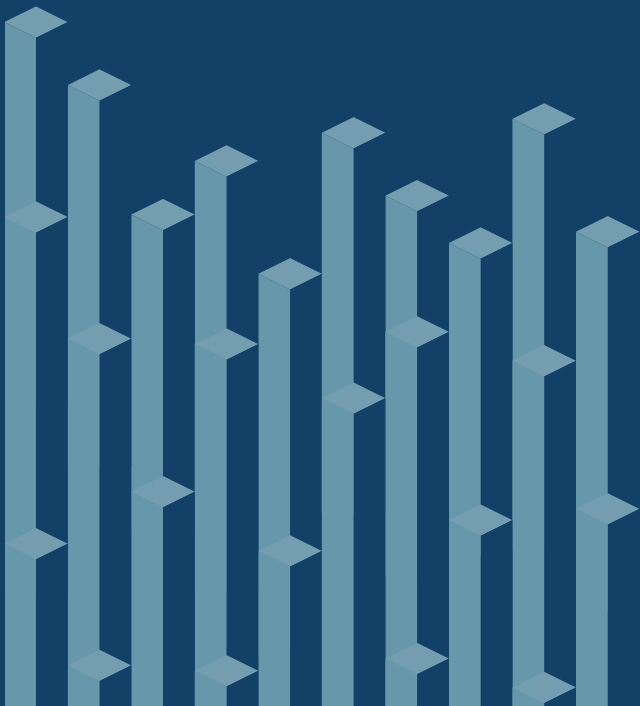
These measures illustrate that competitor governments are not standing still. Even if GB has narrowed network and policy cost disparities through the British Industry Supercharger, further interventions by European competitors could move the goalposts again. This matters especially given that broader international benchmarks show materially lower electricity prices in several non-European steel-producing markets.

6.

CAUSES OF DISPARITY BETWEEN GB AND NON-EUROPEAN COMPETITORS

The three additional rest-of-world markets included in this report, Alberta (Canada), Vietnam, and Turkey, each enjoy lower industrial electricity prices, although for different reasons. Alberta's power generation is dominated by natural gas generation, supplying 77% of electricity generation¹⁸, but crucially faces substantially lower gas prices around C\$1.50-2.50/GJ¹⁹ (£0.08-0.14/therm) compared to UK gas prices of £1.40/therm – a price difference of over 10 times. Renewable generation supplies the remaining power. Vietnam's price advantage can be better explained by the

state's role: Vietnam Electricity (EVN) is state-owned and the largest buyer of electricity, while holding a monopoly on transmission and distribution²⁰. As such, the state sets the industrial electricity tariffs, with industrial prices being lower than regional averages and domestic prices higher²¹. Turkey's indicative benchmark is lower than the GB estimate, but the available evidence is insufficient to determine how much of the difference reflects its generation mix, bilateral contract prices, or other market arrangements.



7.

EFFECT OF PRICE DISPARITY ON THE UK INDUSTRY

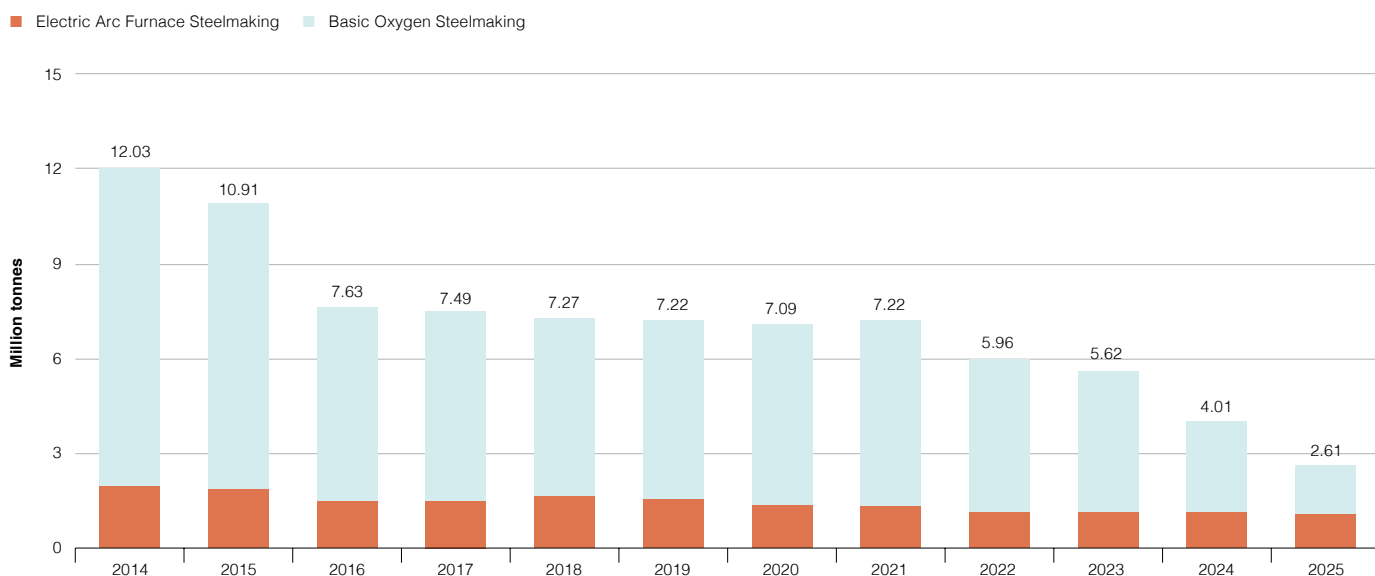
7.1. INTERNATIONAL COMPETITIVENESS

The most significant consequence of higher electricity prices is their impact on the international competitiveness of UK steel producers. Steel is a globally traded product, and many steel grades are effectively commodities, competing in highly competitive markets with relatively low profit margins. Raw material costs such as steel scrap, iron ore, and coke are largely set by global markets, making electricity prices one of the most important sources of cost differentiation between countries. Electricity costs can represent up to 180% of a UK steel producer's Gross Value Added (GVA) and more than 20% of conversion costs²². Because steel producers compete internationally, they generally cannot pass higher electricity costs on to customers unless competitors face similar increases. Higher electricity prices therefore translate directly into lower profitability, reduced competitiveness and weaker investment incentives. The direct impact on competitiveness will make it harder to meet the Government's Steel Strategy target to meet 50% of domestic steel demand through domestic production and the Prime Minister's reindustrialisation ambitions.

This challenge is likely to become even more acute as the sector further transitions towards electric arc furnace (EAF) production. Baringa estimates that a future wholesale electricity price differential of £20-30/MWh could reduce the annual revenue of a representative EAF steel plant by 2-3%, based on 500,000 tonnes of annual production²³. In a sector characterised by intense international competition and relatively low margins, such impacts can materially influence profitability, investment decisions and future production locations.

The electricity price disparities identified in this report equate to an additional cost of approximately £66 million for UK steel producers in 2026/27 compared with their French competitors²⁴ and even greater with non-European steelmakers. These additional costs are significant in an industry with thin margins and high capital requirements. For example, European steel EBIT profit margins fell from 9% in 2018 to 5.4% in 2024²⁵, while UK steel producers recorded EBITDA margins ranging from -22.8% to just 2.1%. In comparison, the wider UK manufacturing sector achieved a net rate of return of 11.7% in 2024²⁶. Such weak margins leave little capacity to finance investment, particularly in a capital-intensive industry undergoing decarbonisation. For electric arc furnace steel producers, removing the electricity price gap with France could materially improve EBITDA margins, in some cases by an amount comparable to their existing margin, significantly strengthening their ability to invest, compete, and decarbonise. Of course, achieving French power price levels would leave UK prices higher than in Alberta, Vietnam, and Turkey, but would still drastically improve the GB competitive position.

The consequences extend beyond individual company balance sheets. UK crude steel production has more than halved over the last decade, as illustrated below. While electricity prices are not the sole factor, steel producers have repeatedly identified persistently higher electricity costs as one of the most significant barriers to maintaining and expanding production in Great Britain.

Figure 11: UK annual crude steel production, 2014-25

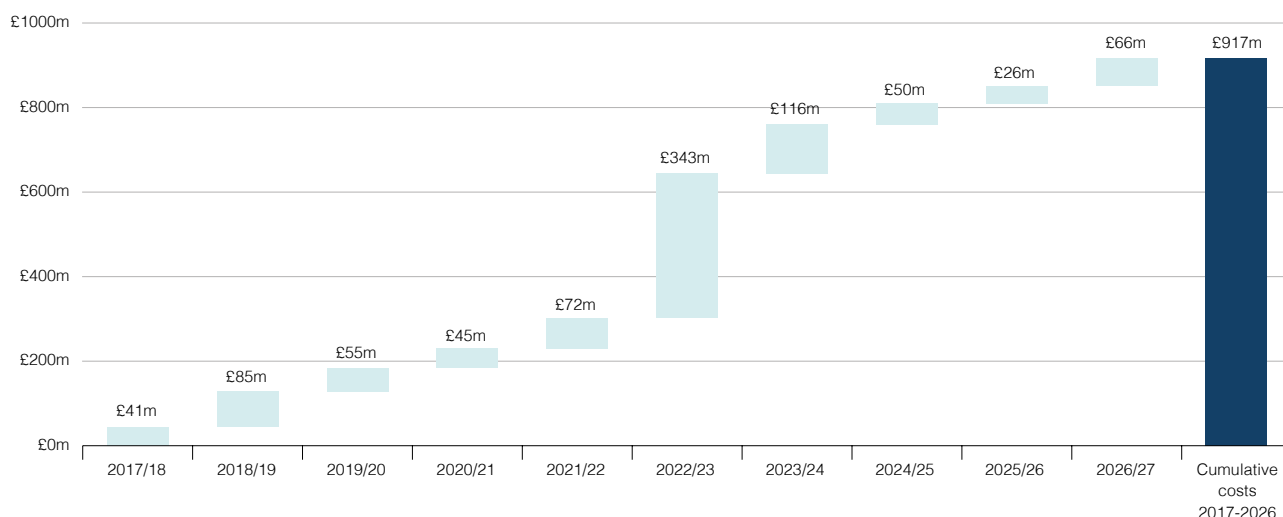
Source: International Steel Statistics Bureau

7.2. INVESTMENT

Most major UK steel producers are part of multinational groups that allocate investment across sites in different countries. As a result, the UK must compete within internal corporate structures for funding for productivity improvements, energy efficiency projects, and the development of new products and capabilities. While recent investments supported by government co-financing are welcome, persistently higher industrial electricity prices continue to weaken the UK's attractiveness for investment. Faced with higher operating costs, companies are more likely to invest in locations with lower energy costs, reducing

investment in UK steelmaking and further eroding competitiveness over time.

Since 2017/18, UK steelmakers have paid an estimated £917 million more for electricity than competitors in France, and since 2016/17, £752 million more than those in Germany. These additional costs are equivalent to several years of typical capital investment in the UK steel sector (averaging around £200m annually), showing how higher electricity prices constrain investment and weaken international competitiveness.

Figure 12: Additional costs to the UK steel sector due to electricity price disparity compared to France

Source: UK Steel

7.3. PROFITABILITY OF NET ZERO STEEL PRODUCTION

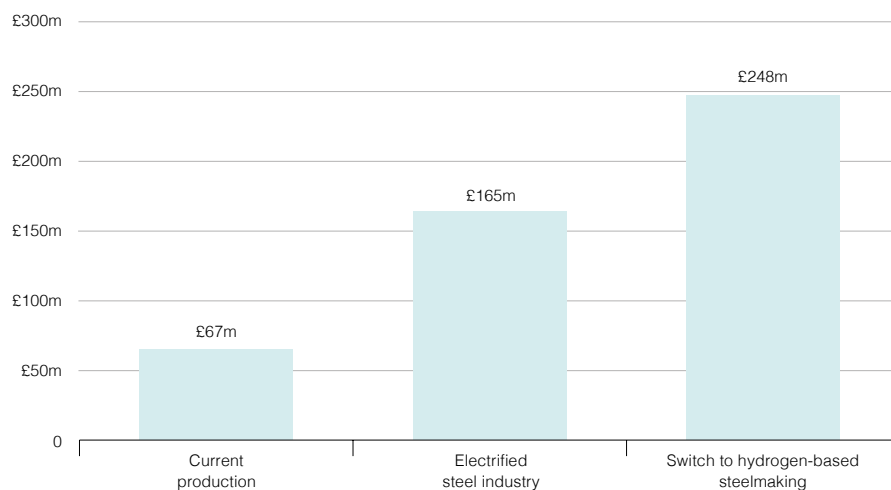
The UK steel industry's decarbonisation pathway is increasingly electrified. Four Electric Arc Furnaces (EAFs) already operate in the UK, and Tata Steel UK's transition away from blast furnace production will add a fifth.

However, electrification will more than double the steel sector's electricity consumption, while individual sites switching from blast furnace production could increase their electricity use fivefold²⁷. Competitive industrial electricity prices are therefore essential to the success of UK steel decarbonisation. At the current electricity price differential

with France of around £30/MWh, an electrified UK steel sector would face annual electricity costs around £165 million higher than an equivalent operation in France. For hydrogen-based production, the additional annual cost would rise to around £248 million.

Without internationally competitive electricity prices, the UK risks undermining the commercial viability of low-carbon steel production, weakening investment incentives and losing much of the economic value that steel decarbonisation could otherwise deliver.

Figure 13: Electricity price disparity: Additional cost to run Net Zero steel sector in Great Britain vs France



Source: UK Steel



8.

RECOMMENDATIONS FOR DELIVERING COMPETITIVE ELECTRICITY PRICES

In his speech at the People's History Museum in Manchester, the Prime Minister set out his clear ambition to reindustrialise the UK, noting *“Ours will be a 10-year mission to raise living standards across the land. To do this, No 10 North will support the regions on three clear tasks: Reform of essential utilities; Reindustrialisation; and the regeneration of places. [...] We need to safeguard sovereign manufacturing and production capability across the country in critical sectors like steel, defence, energy, food and farming”*.

The Steel Strategy similarly set out a clear ambition to drastically improve the business environment for the industry. This is a unique opportunity to revitalise the industry and set it on a successful trajectory by addressing the structural issues that have been long weighing on it. By acting on the recommendations below, Government can deliver on these targets and create the best possible business environment for the UK steel industry.



8.1. INTRODUCE A WHOLESALE PRICE REBALANCING MECHANISM FOR ELECTRO-INTENSIVE INDUSTRIES

Closing the industrial electricity price gap with European and international competitors will require both long-term reform and immediate action. Expanding renewable and nuclear capacity can reduce reliance on natural gas and deliver lower, more stable electricity prices, but these changes will take years to materialise. Until then, UK steelmakers will remain exposed to higher electricity costs than their competitors. Interim measures are therefore essential to protect competitiveness, support investment, and enable the transition to low-carbon steelmaking.

UK Steel commissioned Baringa to assess how other steel-producing countries protect energy-intensive industries from high and volatile wholesale electricity prices. The analysis found that the UK stands apart from many international competitors in lacking equivalent mechanisms. Table 1 summarises the options Baringa identified.

Table 1: Wholesale price rebalancing mechanisms in comparable steel-producing countries

	France		Italy		Spain	UAE
Wholesale price support mechanism	ARENH	ARENH replacement	Virtual Interconnectors	Energy Release 2.0	Electro-intensive Statute	National Strategy for Industry and Advanced Technology
Description	Up to the end of 2025, EIs can buy a share of nuclear production at 42 €/MWh (EDF must sell c.100 TWh per year at this price).	From 2026, a new windfall tax on EDF's excess generation profits will fund consumer rebates.	Italian energy companies can source power priced in neighbouring markets without using an interconnector, giving EIs access to lower costs.	Italian Government to underwrite a Contract for Difference for EIs with >1GWh demand at a fixed price of EUR 65/MWh (roughly 50% of current wholesale prices) for 36 months.	The Spanish Government covers credit risk associated with PPAs to support long-term PPAs and reduce costs.	Lower tariffs (with discounts of 10-26%) are offered to EIs with a monthly consumption above 10 GWh.
Applicability to the GB energy market	With no state-owned power generation, the UK Government cannot require generators to sell power at discounted rates.	With no state-owned power generation, this would amount to a permanent windfall tax on private companies in the UK.	Transitional scheme while new physical interconnection capacity is being built.	This is highly applicable to the GB market.	Potentially applicable in GB, but longer lead times and lower price flexibility make corporate PPAs unattractive to the steel sector.	This is a top-line price subsidy, rather than a direct reduction in wholesale prices.

Source: UK Steel and Baringa (2025), *Achieving Wholesale Energy Price Parity for UK Steel*, March 2025

Baringa assessed four solutions for addressing uncompetitive wholesale prices for the steel industry: A wholesale price rebalancing mechanism, Corporate Power Purchase

Agreements (CPPAs), onsite or private-wire renewables and storage, and an EII-specific demand-side response (DSR) scheme. Table 2 evaluates each against key success criteria.

Table 2: Comparison of mechanisms to align UK power prices with European competitors

	Wholesale price rebalancing mechanism	Private Sector Corporate PPA	Onsite renewables and storage	EII-specific DSR scheme
Description	Insulates the sector from wholesale price volatility via a financial contract with the Government for a wholesale electricity price fixed to that of the European steel competitors.	A contract for fixed-price wholesale power between an EII body and private wholesale power generators. The fixed price would limit wholesale price volatility but would be set by the market.	Capital investment in onsite renewable and/or storage assets at steel production plant. Self-generation would reduce exposure to wholesale prices.	A flexibility market would remunerate the EII sector for not consuming electricity during high-demand or high-price periods. This would provide additional revenue.
Would it achieve the objective of ensuring wholesale price parity with European steel producers?	Yes – a government body could set the price at regular intervals to achieve this objective.	No – private companies would set the price, without the flexibility to adjust it. Steel producers' credit positions have also put upward pressure on CPPA price offers.	No – could reduce wholesale price exposure and may lead to savings; the economics of these projects are weaker given the lower retail electricity price faced by EIs versus other sectors.	No – the value of this revenue stream is unlikely to be at the level required to offset higher GB wholesale prices. It is also unlikely to benefit the whole sector.
Capital requirement	None – financial contract for fixed power price	None – financial contract for fixed power price	Yes – significant amounts of capital required for infrastructure investment	Maybe – some additional controls may be required to enable flexibility.
Time to implement	Short – could be implemented within the existing regulatory framework	Long – extensive and expensive procurement process required	Long – time required to develop and construct physical assets	Mid – a few years for existing EAF, fully applicable once new EAFs are operational
Technical and operational feasibility	Highly feasible – no technical requirements	Highly feasible – no technical requirements	Highly constrained – coupling renewables with EAFs is challenging	More investigation required – to assess feasibility at what price point
Overall assessment	This is assessed as the optimal solution because it can be implemented quickly within the current LCCC framework and would be highly flexible.	Corporate PPAs are not believed to be a good option for the steel industry, mainly because of lower flexibility, longer time to market, and credit requirements.	The business case is unlikely to be attractive, would require significant capital investment, and would have a longer time to market.	Would only be feasible at certain sites and would not meet the requirement to protect the whole sector (should be considered in addition to CfD).

Source: UK Steel and Baringa (2025), *Achieving Wholesale Energy Price Parity for UK Steel*, March 2025

Following Baringa's assessment of international approaches, the most effective solution would be a wholesale price rebalancing mechanism that aligns GB industrial electricity prices with those faced by steel producers in key competitor countries such as France and Germany, but not in non-European countries.

The objective is not to subsidise electricity consumption, but to eliminate a structural competitive disadvantage created by higher wholesale electricity prices. Under such a mechanism, UK steel producers would pay a wholesale electricity price benchmarked against leading European competitors. Where GB wholesale prices exceed this benchmark, a settlement payment would bridge the difference. Where GB prices are lower, funds would be returned. This would ensure UK steel producers face electricity prices broadly comparable to their nearest competitors over time.

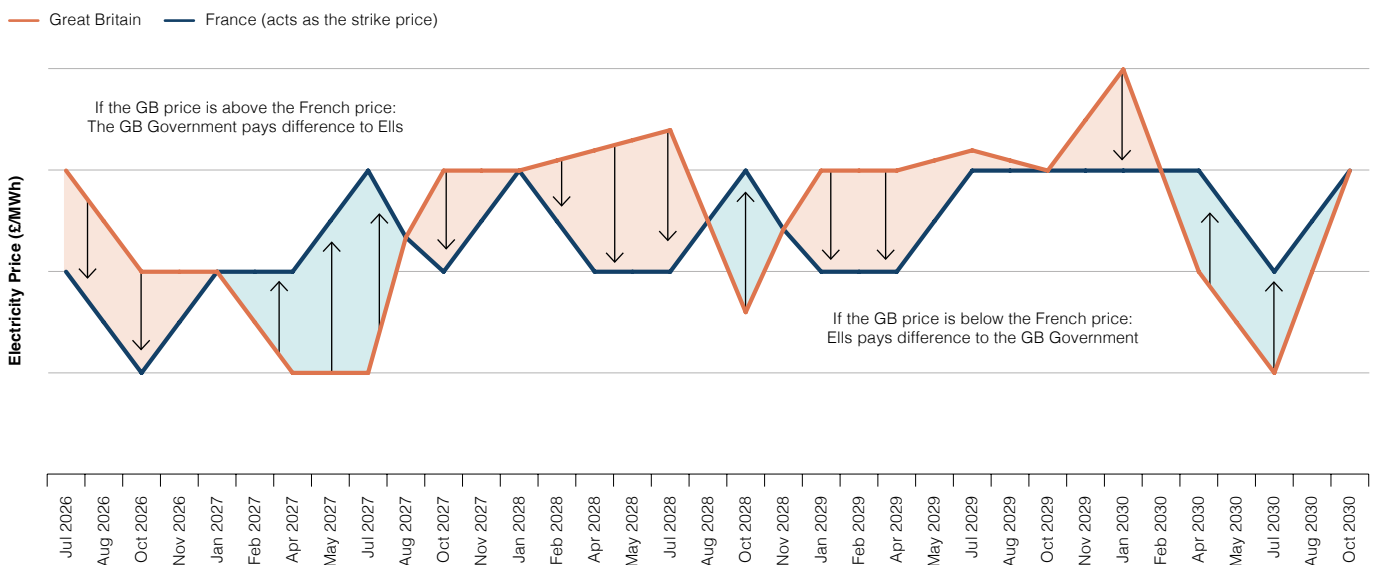
This approach offers three key benefits. First, it restores competitiveness by eliminating a major cost disadvantage relative to European steel producers. Second, it provides predictable electricity costs that support investment in

decarbonisation, productivity and new product capabilities. Third, it shares risks and benefits between the Government and industry, ensuring support is targeted only where a genuine price differential exists.

Baringa's modelling suggests that GB wholesale electricity prices will remain higher than those in France between 2026 and 2031, before falling below prices in both France and Germany in later years. A rebalancing mechanism would therefore provide support when British prices are higher, while returning value when British prices become lower, ensuring long-term price parity rather than one-way support.

The funding mechanism remains a matter for Government and could be met through general taxation, existing steel sector funding, or other arrangements. Based on projected electricity demand from energy-intensive industries, Baringa estimates that the mechanism would have a net cost of approximately £51 million per year between 2026 and 2030. Between 2031 and 2035, the mechanism is projected to generate an average annual net *gain* of £13 million as GB wholesale prices become more competitive.

Figure 14: The wholesale price rebalancing mechanism

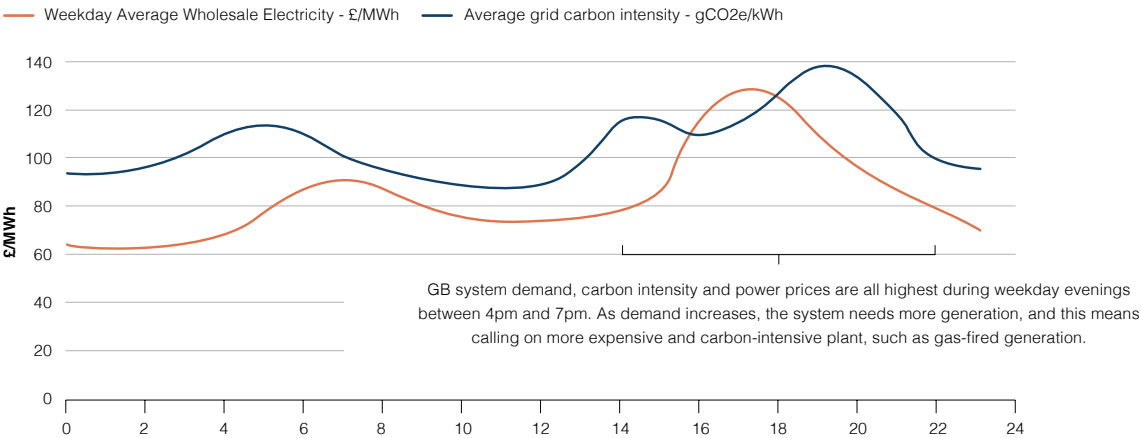


Source: UK Steel

The mechanism could also be designed to incentivise flexibility and demand management. For example, support could be limited during peak periods to encourage steelmakers to reduce consumption when electricity prices and grid carbon intensity are highest. Baringa's modelling

found that flexible operation of Electric Arc Furnaces could reduce wholesale electricity costs by £20-30 million annually by 2030 while supporting grid stability, renewable integration, and lower carbon emissions, thereby halving the scheme's cost.

Figure 15: Hourly average wholesale price and grid carbon intensity



Source: UK Steel and Baringa (2025), Achieving Wholesale Energy Price Parity for UK Steel, March 2025

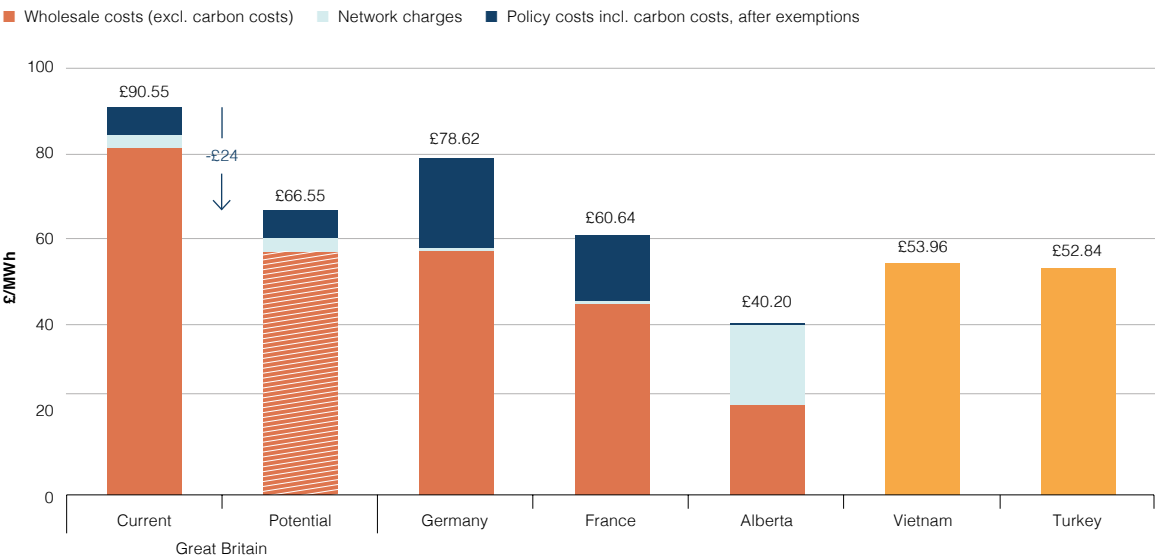
At its core, the wholesale price rebalancing mechanism is a risk-sharing policy, not a subsidy. If implemented today, it could reduce electricity prices for UK steelmakers by around £24/MWh and bring them closer to those in France and Germany, as shown in Figure 16.

This would still leave UK steelmakers facing higher electricity prices than Alberta, Vietnam, and Turkey. However, achieving parity with European competitors would remove one of the most significant competitive

disadvantages facing UK steel producers in their most important export market.

It is therefore recommended that the Government establish a wholesale price rebalancing mechanism for energy-intensive industries, with detailed design undertaken in consultation with industry. Early implementation would provide investors with confidence that the UK's steel decarbonisation programme will not be undermined by persistently higher electricity prices than those faced by European competitors.

Figure 16: Potential electricity prices for UK steel producers following wholesale price rebalancing mechanism



Source: UK Steel

8.2. SWITCH TO EXEMPTION FOR NETWORK CHARGES TO ADDRESS CASHFLOW ISSUE

France and Germany provide relief from network charges primarily through exemption mechanisms, meaning that eligible industrial consumers do not incur the full charge in the first place. The UK, by contrast, operates a compensation mechanism, the Network Charges Compensation (NCC) scheme. Under the NCC scheme, steelmakers must initially pay the full cost of eligible network charges and then wait about 13 months to receive compensation. This imposes a significant cashflow burden on businesses that already face high electricity costs and operate in highly competitive international markets. In effect, companies must finance a substantial portion of the support mechanism themselves before receiving reimbursement.

The rationale for such a lengthy delay is increasingly difficult to justify. The UK electricity market already operates several support schemes that rely on shorter settlement, forecasting, and reconciliation processes. For example, the Contracts for Difference (CfD) regime administered by the Low Carbon Contracts Company (LCCC) uses frequent settlement and reconciliation arrangements to manage payments between generators

and suppliers. CfD payments are based on metered electricity output and market reference prices, with invoices, payments and reconciliations taking place on a much shorter timescale than the NCC scheme, around 28 days. The wider electricity market similarly relies on monthly, daily and even half-hourly settlement processes.

The existence of much shorter settlement and reconciliation cycles elsewhere in the electricity market suggests that a 13-month period should not be necessary. While some verification and audit procedures are necessary, these could be managed through more frequent settlement arrangements, as is already common elsewhere in the electricity market.

The Government should therefore either replace the compensation model with a direct exemption mechanism, bringing Great Britain into line with France and Germany, or significantly shorten the current reconciliation period to either monthly, or at the very least, quarterly. This would reduce the working capital burden on energy-intensive industries and ensure that support is delivered when costs are incurred, rather than more than a year later.



8.3. INCREASE ACCESSIBILITY TO THE BRITISH INDUSTRY SUPERCHARGER AND BRITISH INDUSTRIAL COMPETITIVENESS SCHEME

The Government should use its planned review of the British Industry Supercharger to broaden eligibility for industrial electricity cost relief to cover the full steelmaking value chain. This should include activities such as scrap handling and steel coating, which are currently excluded despite being integral to steel production.

The Government should also revisit the eligibility criteria for the British Industrial Competitiveness Scheme, which currently covers a relatively narrow range of

product codes and reaches only around 10,000 of the UK's approximately 100,000 manufacturing businesses. A broader approach would ensure that electricity-intensive manufacturers are not arbitrarily disadvantaged by the boundaries of individual schemes. Ultimately, however, the Government should consider whether policy costs should continue to be levied through electricity bills at all. Removing these costs from electricity prices and funding them through general taxation would provide a more transparent and economically efficient approach, while avoiding the disproportionate burden currently placed on industry.

8.4 THE COST OF COMPETITIVE ELECTRICITY PRICES

The cost of addressing the wholesale electricity price disparity facing the steel industry would be modest. The Government has already committed £2.5 billion to support the steel industry, meaning the cost of a wholesale price rebalancing mechanism could be met within its existing commitment to the sector rather than through higher household electricity bills.

Redistributing the cost to other electricity consumers is not UK Steel's preferred approach. However, even if the Government chose to recover the entire cost through

electricity bills, UK Steel estimates that it would add just £0.42 per year to the average household bill. This illustrates the relatively small scale of the intervention. For comparison, Cornwall Insight forecasts that the typical household energy bill will increase by £276 from January 2027, largely reflecting movements in wholesale energy markets.

Against changes of this magnitude, 42 pence is effectively a rounding error. The Government therefore has the opportunity to remove a major barrier to steel investment, competitiveness, and decarbonisation at a very modest cost.







TECHNICAL ANNEXES

10.

WIDER INTERNATIONAL CONTEXT

This year's report includes three additional markets, Alberta (Canada), Vietnam, and Turkey. These markets were chosen because of their higher export levels to the UK and/or price data availability, and they illustrate the wider competitive pressures the UK steel industry faces.

However, the price data from these markets vary in confidence, with high confidence in the Albertan price data, which the Alberta Energy System Operator (AESO) has reviewed, medium confidence in the Vietnamese data, and lower confidence in the Turkish price data. As a result, they differ in comparability with price data from GB, France, and Germany.

Table 3: Evidence confidence

Market	Evidence confidence	Treatment in report
GB	High	Built from market data, price data from UK steel companies, and public market/policy assumptions
France	High	Built from market data and CREG/PwC non-wholesale benchmark
Germany	High	Built from market data and CREG/PwC non-wholesale benchmark
Alberta, Canada	High	Modelled EAF case using AESO tariff data and reviewed by AESO
Vietnam	Medium	Published state-regulated industrial tariff
Turkey	Low	Indicative published benchmark only, not a bottom-up tariff model, based on Last Resort Supply Tariff, even though industrial consumers usually obtain bilateral contracts with licensed suppliers.

11. METHODOLOGY

11.1. OVERALL APPROACH

The UK Steel research is based primarily on the electricity prices faced by typical UK steel producers located in Great Britain and their sister facilities in Germany and France. Where necessary, this has been supplemented by data from international price comparison studies such as the PwC/CREG report referred to above²⁸. The intention is to provide a sector-specific view with input from steel companies operating in those countries examined. Importantly, this analysis also considers all exemptions and compensations available to those companies, providing the most accurate and up-to-date picture possible. It therefore applies only to the most electro-intensive manufacturers, who are eligible for both the *British Industry Supercharger* and *Compensation for the indirect costs of the UK ETS and the CPS mechanism*. Other EIs may only qualify for one or the other, and this report's benchmarks cannot be applied to them.

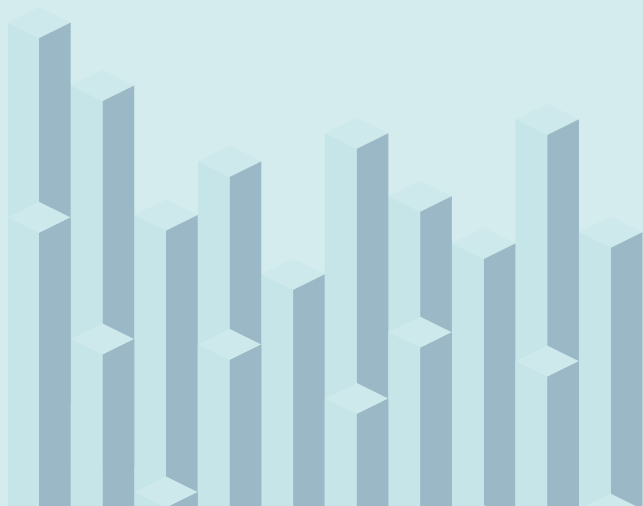
The benchmark is designed to compare representative electricity cost structures across countries. It does not represent any individual company's bill and should not be interpreted as a site-specific quotation. Actual costs will vary by location, connection type, load profile, contractual arrangements, hedging agreements, risk profiles, eligibility for exemptions, and timing of compensation payments.

References are made to the electricity market and prices in Great Britain, rather than the UK, as Northern Ireland is not part of the GB electricity market. As such, all references to British or GB electricity prices are to be understood as prices within the electricity market in Great Britain.

11.2. WHOLESALE PRICES

Wholesale costs for 2026/27 for Great Britain, Germany, and France were constructed using 4 months of spot prices from April to July 2026 and 8 months of forward prices from August 2026 to March 2027. The sources are Nordpool Group for day-ahead prices and ICE for forward prices. The French wholesale prices were previously calculated as a mix of the ARENH tariff and wholesale market prices, as the

ARENH tariff was oversubscribed. However, the ARENH tariff ended on 1st January 2026, so prices are now based entirely on wholesale prices. Forward prices are market snapshots and will change over time. The 2026/27 wholesale benchmark reflects price data available at the time of data collection and should be treated as a point-in-time estimate.



11.3. CARBON COSTS

Carbon costs (Carbon Price Support and UK/EU Emissions Trading Schemes) have been subtracted from the wholesale costs and added to the policy costs category, as they are policy-driven costs. Carbon costs are estimated using the UK Government's 2026 carbon intensity figure and the EU Commission's assumptions for German and French carbon intensity. This reflects the compensation each Government is implementing, and the carbon factors it uses. Compensation for the indirect cost of carbon has been applied, so the residual carbon cost is the cost per MWh of carbon to steel consumers after compensation.

In Germany/France, we assume compensation provides 60% relief, based on plants operating at 80% of the electricity consumption efficiency benchmark and 75% compensation. In Great Britain, we assume compensation provides 80% relief, based on plants operating at 80% of the electricity consumption efficiency benchmark and 100% compensation. This aligns with the rules for the 'Compensation for the indirect costs of the UK ETS and the CPS mechanism' scheme, as set out by the UK Government.

11.4. POLICY COSTS

The GB policy costs are the most up-to-date estimates for 2026/27, applying a 100% exemption, as per the 'British Industry Supercharger' scheme. This includes the Renewable Obligations, Feed-In Tariffs, Contracts for Difference, Capacity Market levy, and Nuclear RAB levies, as reported by UK Steel members. As such, the GB policy costs are 100% residual carbon costs. The German and French policy costs include several levies and are based

on CREG report figures for the most energy-intensive electricity users, such as CPSE, Contribution tarifaire d'acheminement (CTA), CHP, StromNEV, Offshore, EEG-Umlage, Stromsteuer, and Konzessionsabgabe / Concession Fee.

This analysis excludes any demand-side response income or revenue from embedded benefits in all countries.

11.5. NETWORK COSTS

The GB network charges include distribution costs based on average DUoS, TNUoS, and BSUoS charges as reported by UK Steel members. A 90% compensation has been applied.

The French and German price data come from the CREG report, which the Belgian energy regulator publishes annually.

11.6. CURRENCY AND ETS

The exchange rate represents the average of April to July 2026 actual exchange rates (€1:£0.8633), and the UK/EU

ETS prices represent the average of Apr to Jul forward prices for Dec 2026 (EU ETS €77.15; UK ETS £53.89).

11.7. NON-EUROPEAN STEEL MARKETS

The three non-EU steel markets have been chosen based on data availability and transparency. Turkey was included because of its relevance to the UK steel market, despite lower data confidence.

11.7.1. Alberta, Canada

The Alberta benchmark is based on a representative electric arc furnace with a 100 MW transmission connection and annual electricity consumption of 500,000 MWh. Alberta operates an energy-only wholesale electricity market; therefore, electricity costs comprise both wholesale power costs and transmission system charges.

Wholesale electricity costs are based on the average Alberta pool price over the previous 12 months and do not include forward prices, unlike the methodology for Great Britain, Germany, and France, due to a lack of data.

Rider F (Balancing Pool Consumer Allocation Rider) is treated as a policy-related market adjustment cost. The benchmark excludes Rider C adjustments and assumes eligibility for the Primary Service Credit, as recommended by AESO.

Network and system costs are calculated using AESO's Rate DTS tariff and include Bulk System Charges, Regional System Charges, Point of Delivery Charges, Operating Reserve Charges, Voltage Control Charges, Other System Support Services Charges and an allowance for Transmission Constraint Rebalancing Charges. It assumes an 80 MW coincident metered demand for a 100 MW connection; a provisional CAD 0.131/MWh for Transmission Constraint Rebalancing (as per feedback from AESO); and the Operating Reserve Charge uses the AESO estimation method of pool price multiplied by 8.13%, which is supported by Rate DTS where the actual charge cannot be determined for a settlement period. AESO has kindly reviewed the assumptions and confirmed they broadly align with their own assessments.

The exchange rate represents the average of April to July 2026 actual exchange rates (CAD\$1:£0.5361).

11.7.2. Vietnam

The Vietnam benchmark is based on the published retail electricity tariff for manufacturing industries connected at 110 kV and above. The Ministry of Industry and Trade determines electricity prices, and Vietnam Electricity (EVN) publishes them. The benchmark therefore uses the regulated industrial tariff as a delivered electricity price rather than separately modelling wholesale, network and policy costs. A weighted-average tariff was calculated using the published normal, peak, and off-peak tariffs. While most EAFs would likely avoid peak hours, it is assumed they operate equally across all hours to align the value with the methodologies applied to the other benchmarks. The exchange rate represents the average of April to July 2026 actual exchange rates (VND1:£0.0000283316).

11.7.3. Turkey

Because public information on actual electricity costs for large industrial consumers is limited, the Turkey benchmark is based on a published indicative electricity price for transmission-connected industrial consumers on a Last Resort Supply Tariff, assuming industrial consumption exceeds 15,000 kWh. Large industrial consumers can generally procure electricity through bilateral contracts with licensed suppliers; where no bilateral agreement exists, electricity is supplied under the Last Resort Supply Tariff. Invest in Türkiye publishes industrial electricity prices by connection type and states that the transmission-line price is USD 85/MWh, including applicable taxes. To align with the other methodologies, the 20% VAT has been removed. The published figure should therefore be treated as an indicative industrial benchmark, not a fully transparent site-specific tariff calculation. The exchange rate represents the average of April to July 2026 actual exchange rates (USD\$1:£0.7459).

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UK STEEL

UK Steel is the trade association for the UK steel industry and champions the country's steel manufacturers.

We represent the sector's interests to government and promote our innovative, vibrant and dynamic industry to the public.

Together, we build the future of the UK steel industry.

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