

Scotland faces “industrial energy crisis” as firms’ power bills soar

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Paul Sheerin is chief executive of industry body Scottish Engineering.

By Victoria Masterson

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SOARING energy bills are a “potentially existential threat” to Scotland’s engineering and manufacturing firms, with some already facing insolvency, a national trade body is warning.

In a scathing attack on the UK government and its “lack of direction,” industry association Scottish Engineering said a “full-blown industrial energy crisis” had already arrived, with some **companies** facing nine-fold increases in their energy costs.

Companies on the one hand were “sitting on full order books,” yet at the same time taking advice on voluntary liquidation, the organisation said.

More than 70% of firms who have received increased energy quotes are worried about their ability to sustain their **business**, Scottish Engineering chief executive Paul Sheerin said.

“I am afraid I struggle to see a worse scenario than the timing of the absence of leadership we are experiencing right now,” Mr Sheerin said of the UK government. The “lack of direction” from Westminster could not possibly have happened at a worse time, he said.

Mr Sheerin gives the example of one engineering firm with fewer than 50 employees which has been told their energy bill will rise from £15,000 to £80,000 a month.

“Their workshop remains flat out, with a full order book until the middle of 2023, manufacturing export orders for critical connectors for Ukrainian tanks resisting the Russian invasion, plus parts for oil, gas and renewable energy **markets**,” Mr Sheerin explained.

But the impact of such a big cost rise is “unsustainable,” so the company’s directors have asked their accountant to explain the process of a potential voluntary liquidation.

“The size and scale of these cost impacts is difficult to grasp,” Mr Sheerin added.

He said companies that don’t survive will “instantly remove well paid employment from society,” and those that do survive will need to cut costs, including staff.

Around 150,000 people are employed in engineering and manufacturing businesses in **Scotland**.

Mr Sheerin is calling for the incoming Prime Minister and their new cabinet to “urgently extend” the energy crisis discussion to include industrial energy costs.

“Until now the public discussion has understandably centred on the impact on consumers, justifiably concerned with the societal impact that an amplified fuel poverty scenario would have,” he said.

Scottish Engineering said survey responses for the third quarter of 2022 showed 62% of members expect to only partially recover rising fuel costs through price increases, while almost a quarter – 23% – say they won’t be able to recover any costs at all.

Despite this, Scotland’s engineering and manufacturing sector was experiencing a “remarkable” record of six consecutive quarters of positive orders, output and exports, Scottish Engineering said.

Optimism, though, has “fallen flat” for the first time in 18 months as businesses contemplate the impact of industrial energy pricing.

Mr Sheerin said the UK already had the second highest average industrial energy prices, including taxes, of the 14 countries that were members of the European Union before 2004. These countries include France, Germany, Italy, the Netherlands and the Republic of Ireland.

Average industrial energy prices in the UK are 48% higher than the average across these 14 countries.

“That’s a picture that unfortunately will only have deteriorated given the UK’s higher than average dependence on gas, whose price predominantly sets our overall energy pricing,” Mr Sheerin added.

He noted that more than 40% of gas consumed in the UK comes from UK territorial waters and that UK power plants generate “the vast bulk” of the power we consume.

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