

25<sup>th</sup> October 2021

Secretary of State  
Department for Business, Energy and Industrial Strategy  
1 Victoria Street  
LONDON  
SW1H 0ET



Dear Secretary of State,

## **EFFECT OF ENERGY CRISIS ON THE COLD CHAIN AND ITS IMPACT ON SUPPLY CHAIN RESILIENCE**

Businesses involved in the storage of perishable products, such as food and pharmaceuticals have been at the forefront of the events of the last 18 months. From the impacts of the Covid-19 pandemic to post-Brexit trade changes and ongoing recruitment challenges across supply chains, the industry has risen to the challenge of safely storing our unpredictable food and pharmaceutical supply.

Whilst cold storage is crucial to our perishable supply chain and a key weapon in the fight against food waste, it is also a high energy using industry, with vast warehouses operating at temperatures as low as -25°C. The UK's approximately 500 cold stores use approximately 3.5 billion kWh of electricity making them extremely vulnerable to increased costs and a volatile, unpredictable energy market.

The current energy crisis has resulted in those businesses not on a long-term fixed deal, or whose deals are expiring to be subject to huge increases, in some cases 50-200%, in the cost of their electricity which risks adding millions of pounds in annual running costs to the largest cold stores. The impact of increasing energy costs risks further destabilising an already fragile food supply chain.

For many, these levels of cost increases risk putting profitable businesses into the red. The ability for a logistics business to pass on overhead costs depends on the arrangement they have with their customers. Where costs cannot be passed on, this threatens the existence of individual businesses and risks further reducing the capacity of a supply chain already struggling to meet the demand placed upon it.

Where increasing costs can be passed on to customers, when these are aggregated together with other cost rises across the supply chain (most notably in labour), it will lead to further inflation of food prices and other products for consumers.

We ask you to consider and respond to two requests:

- As you no doubt consider measures to protect British industry from the threat of continuing uncertainty in the energy market and long-term higher prices, we ask for confirmation that the requirements of cold storage operators are included in any policy proposals or support packages.
- In the event of an energy shortage in the UK, that cold storage is included as a priority due to its criticality in sustaining pharmaceutical and food supply chains.

During the Covid-19 pandemic, the Cold Chain Federation supported the Cabinet Office with information on the capacity of the UK's chilled and frozen storage, who were considering adding these facilities to the UK's critical infrastructure list.

We would like to continue to work collaboratively with the Government to support the understanding of the importance of the UK's cold chain and how factors such as energy prices can impact food and pharmaceutical supply chain resilience.

Yours sincerely



Shane Brennan  
Chief Executive  
Cold Chain Federation