

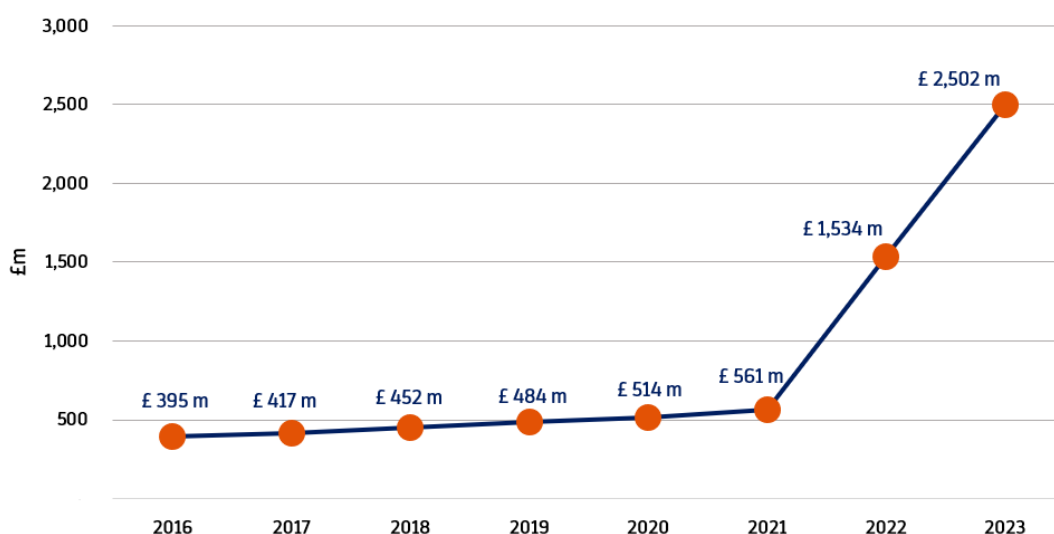
THE IMPACT OF HIGH ENERGY PRICES ON THE COLD CHAIN AND OUR CRISIS ACTION PLAN FOR THE NEW UK GOVERNMENT

The general impact of high energy prices on UK business is clear, however some sectors are more susceptible than others due to their high requirement for electricity. For businesses that undertake energy intensive cold storage, the extra cost of chilling or freezing warehouses containing food or pharmaceuticals is resulting in operations becoming unviable and adding to the rate of inflation for these products. This briefing explains energy use and cost in cold storage and how the industry should be supported by effective Government policy to minimise the threats facing businesses and consumers in the short and long term.

Overview:

- Cold stores are critical infrastructure for the UK’s temperature-controlled frozen and chilled supply chains for food, pharmaceuticals and other products.
- Cold stores are classed as an ‘energy intensive industry’ by BEIS for the purposes of the Climate Change Agreement scheme, but not for the purposes of other initiatives, such as the EII exemption scheme.
- There are over 460 cold stores in the UK, with a total volume of 40,860,853m³ – the equivalent volume of 35 Wembley Stadiums.
- Cold stores use 4.1TWh of electricity each year.
- Analysis shows that the cost of this energy will triple from around £0.5bn to £1.5bn in 2022 and increase five-fold to £2.5bn in 2023.
- For an industry already suffering from increased costs from labour, fuel and parts, these anticipated costs will either result in closures (reducing already constrained UK cold storage and reducing food security) or where costs can be pushed down the supply chain to consumers, contributing to the spiralling inflation rate for cold chain products, such as food which was already +12.7% year-on-year in July (ONS).

THE COST OF ELECTRICITY USED FOR COLD STORAGE 2016-2021 AND PREDICTIONS FOR 2022 & 2023:



Analysis was carried out using 2018 energy usage from 460 cold stores in the Climate Change Agreement for Cold Stores using business energy pricing information from BEIS. Forward look analysis for 2022 and 2023 was undertaken by Ameresco based on forward curve estimates (as of 31/08/2022).

COLD CHAIN ENERGY CRISIS ACTION PLAN

To avoid business closures, disruption to UK food and pharmaceutical supplies and to ease the impact of inflation on cold chain products, the Government must act now to support the industry. As well as immediate action to reduce the cost of energy, we are calling on the Government to overcome the barriers which are preventing businesses from protecting themselves through large efficiency and renewable energy projects.

IMMEDIATE

- Extend any price cap, freezes or other market intervention to all businesses in the food supply chain – paid for the consequent reduction in food price inflation and financial hardship to especially the poorest consumers.
- Ensure the food supply chain is a priority industry for supply in the event of hopefully unlikely shortages this winter.
- Expand the Energy Intensive Industries (EII) Exemption Scheme to include all types of cold storage.

MEDIUM TERM (1 - 5 years)

- Fast track applications for midscale renewable energy projects, especially wind, solar and biomass through effective planning system reform.
- Subsidise the connection costs to accelerate and reduce the cost of grid connections for renewable projects.
- Simplify and increase access to renewable energy generation and storage installation grants / loans as well as extending general investment incentives (like the super deduction on capital allowances).
- Extend energy efficiency incentives for energy intensive businesses (like cold storage, food manufacturing and agricultural processing) by offering a *tax rebate* on Climate Change Levy for business committed to energy efficiency improvements through the Climate Change Agreement scheme.

LONG TERM (1 - 10 years)

- Reform the energy market to change the monopoly position of Distribution Network Operators, accelerate the decentralisation of energy grid to ensure cold chain gets maximum benefit.
- Create more effective and easier to access mechanisms for demand response and incentives for intensive industries that can play a role in grid balancing (i.e. cold stores and electrified transport depots).
- Regulate the Power Purchase Agreements market to reduce the profiteering and incentivise investment by industrial users in large scale renewable energy generation.