



Malaysian Iron & Steel Industry Federation

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PRESS STATEMENT

MISIF Appeals to the Government to Review the Decision to Increase the ICPT Surcharge

The Minister of Natural Resources, Environment and Climate Change (NRECC) had on 16 December 2022 announced the Electricity Tariff Adjustment for Peninsular Malaysia for the period of 1 January to 30 June 2023.

The medium voltage and high voltage users will face a drastic increase in Imbalance Cost Past-Through (ICPT) surcharge from 3.7 sen/Kwh to 20 sen/Kwh. The net impact of this increase will be more than 40% for the industrial users over the next six months. The Malaysian Iron and Steel Industry Federation (MISIF) note with great concern on the sudden and perpetual increase in electricity tariff imposed to the Iron and Steel industry which is still in doldrums since the price collapse in April 2022. The steel industry is facing a sharp decline in demand both domestically and internationally.

In order to compete with imports and stay competitive in the international market, the Iron and Steel Industry is critically in need of a competitive energy cost. Depending on the steelmaking route, both steelmaking and rolling processes consume up to 650 kWh electricity to produce one tonne of steel product. This latest adjustment will translate to more than RM500 million per annum of additional electricity cost to the industry. MISIF estimates that the steel industry's annual electricity cost of RM1.0 billion in 2022 will be escalated to more than RM1.5 billion.

Besides the increase in electricity and natural gas, the steel industry is facing a few of other challenges like the surge in feed material prices i.e steel scrap, iron ore and coking coal, increase in minimum wages, logistics issues and shortage of labour. The iron and steel producers are striving to manage these challenges while containing their costs to enable them to compete with other regional producers. Therefore, government support and assistance are crucial in assisting the Iron and Steel industry to survive and remain competitive in the international market.

In order to avoid adding extra burden to the industry, which is already in a very precarious situation, and to avoid the industry having to pass on the high electricity cost down to the customers, resulting in high inflation, MISIF would like to appeal to the government to consider the following proposals:

- Maintain the current 3.7 sen ICPT surcharge for 3 months, from January-March 2023;
- Increase of 6.3 sen/kWh surcharge for 6 months, from April to September 2023;
- Increase 10 sen/kWh from October - December 2023;
- Temporary moratorium of 1.6% contribution to the Renewable Energy for the next 6 months for the categories of customers affected with the increase in surcharge.

MISIF hopes to have an engagement session with the Ministry of Natural Resources, Environment and Climate Change (NRECC) and relevant agencies to further discuss in detail the iron and steel industry's concerns in order to find an amicable solution to this critical issue.

Statement by:

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