

Survey on the impact of high energy prices on industrial investments and employment in Belgium

9 October 2023



Agenda



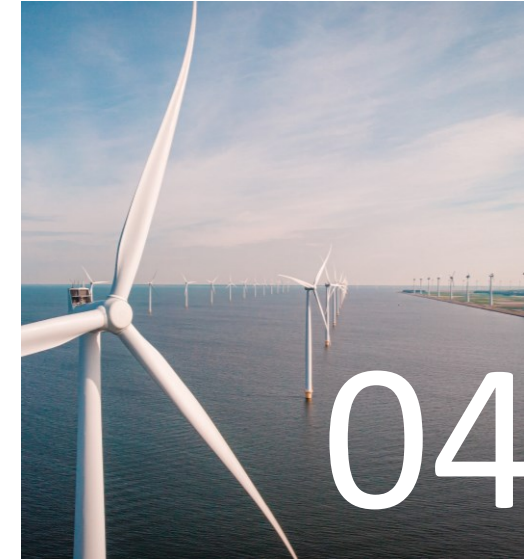
Context of the study



Our approach



Key messages



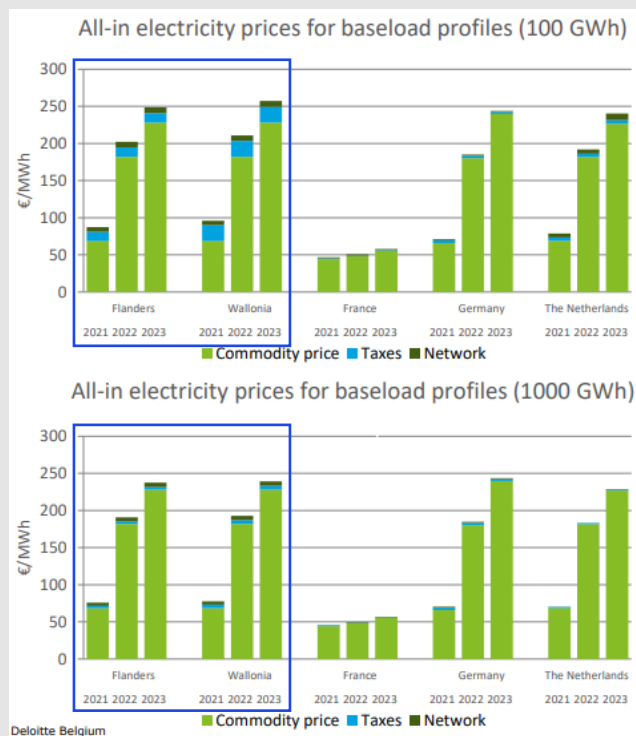
Conclusion

01

Context

The Belgian energy market and the link with investments

Based on the yearly energy price benchmark, commissioned by Febeliec, the all-in electricity price in Belgium is consistently higher than the electricity price in our neighbouring countries.



The VIVES/KULeuven study, dated March 2018 and also requested by Febeliec, empirically proved that there is a correlation between energy prices and investment/employment rates within the **manufacturing industry**.



(...) a price drop of 10% of the Belgian electricity price would lead within the manufacturing industry to an increase of 12,000 full-time jobs and an increase of €550 Million in yearly investment."



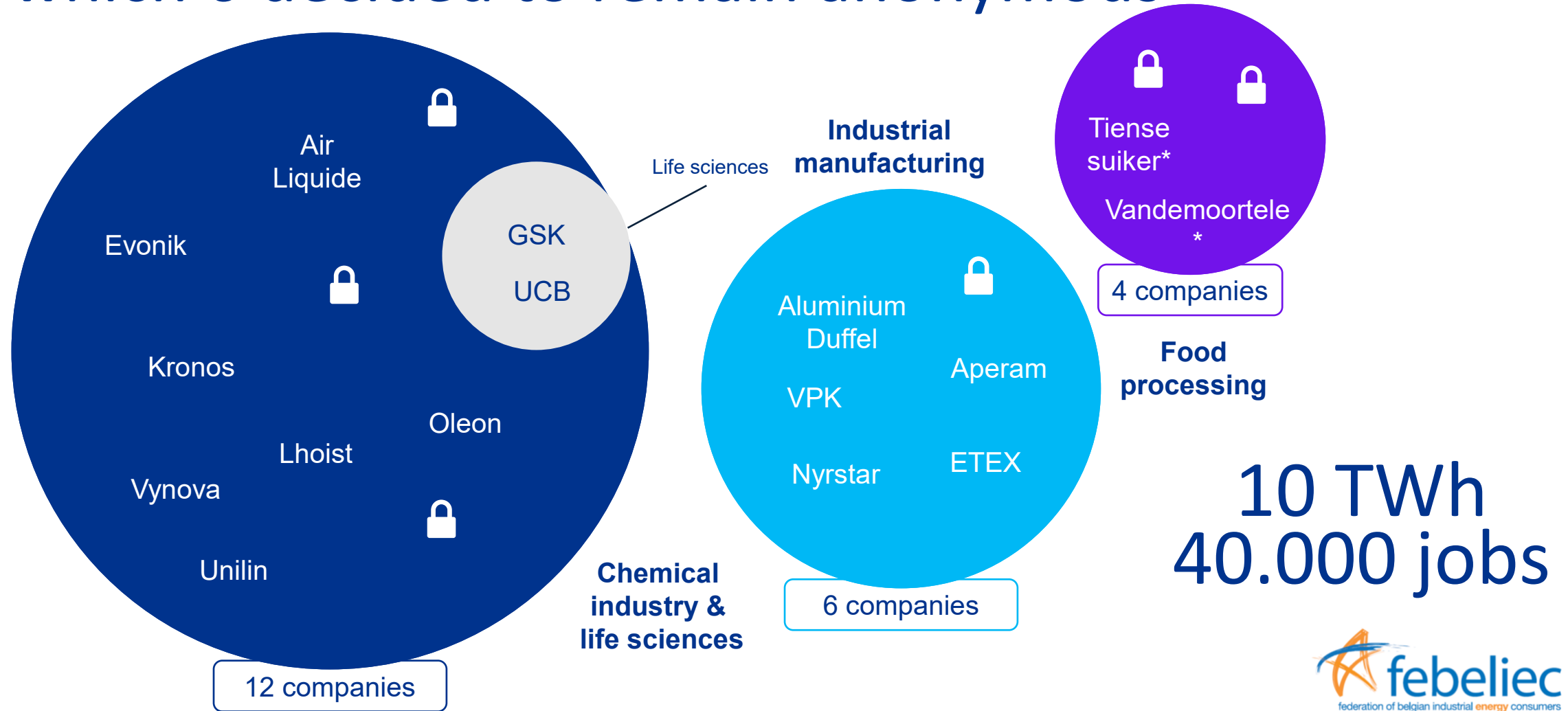
Febeliec wanted to test the conclusions on the ground by interviewing a representative group of energy-intensive companies, active in Belgium (including its own members). The scope covers both electricity, natural gas and other molecules.



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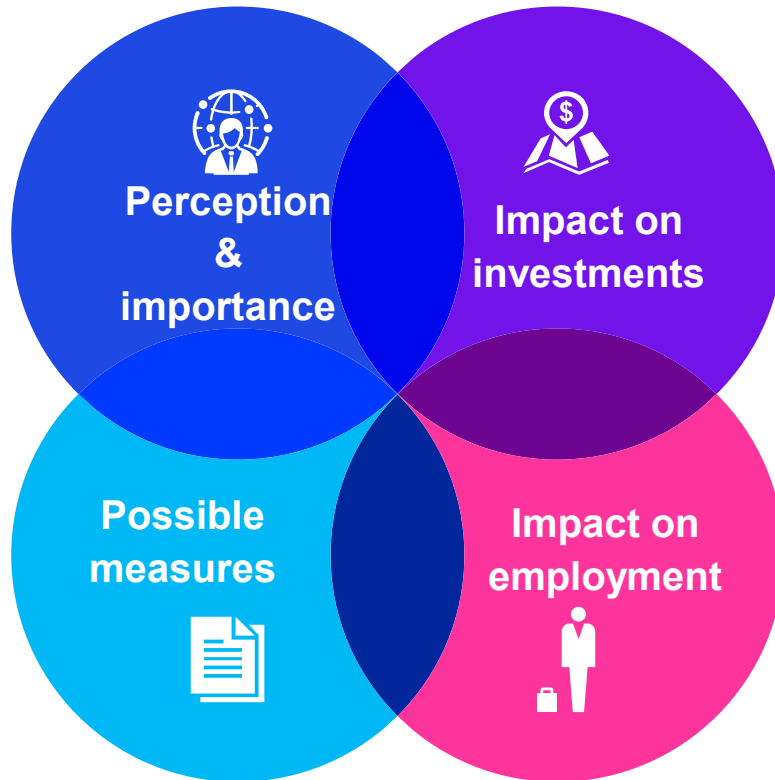
Our approach

22 large industrials were interviewed, out of which 6 decided to remain anonymous

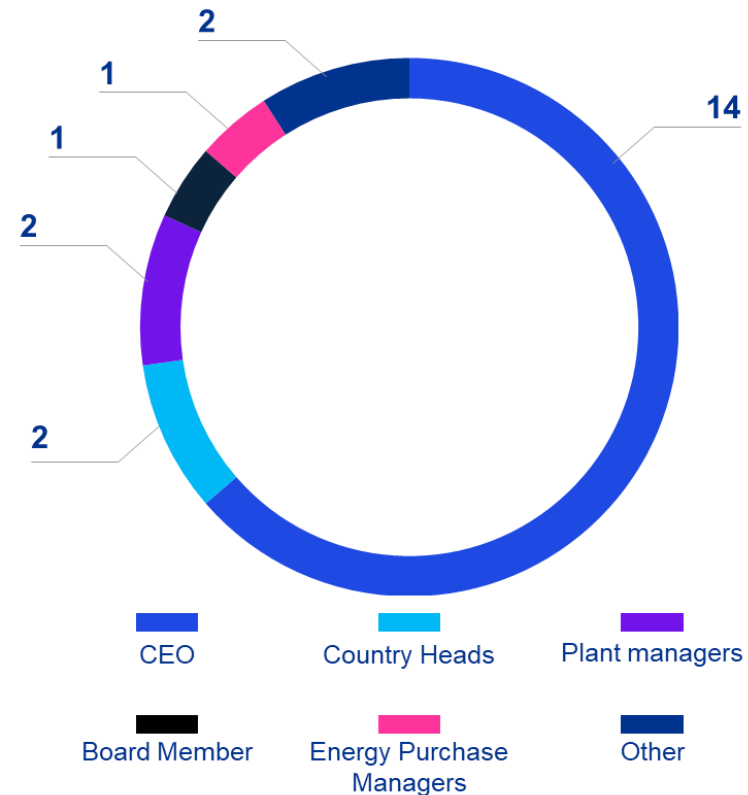


Interviews were held during the period June '23-September '23

Main topics covered



Persons interviewed

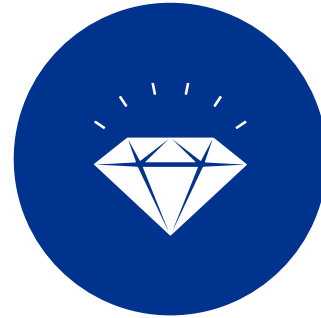


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Key messages

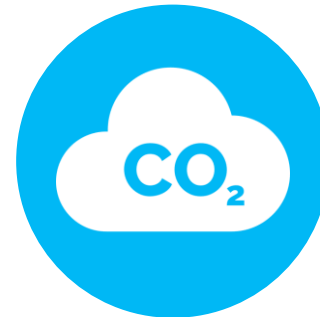
Key findings

Total electricity costs per MWh in Belgium considered
> neighbouring countries
> the rest of Europe
> the rest of the world



Security of electricity supply in Belgium is a major source of concern, in a context of significant demand growth

Crucial need for a clear, stable, coherent energy strategy in Belgium/Europe

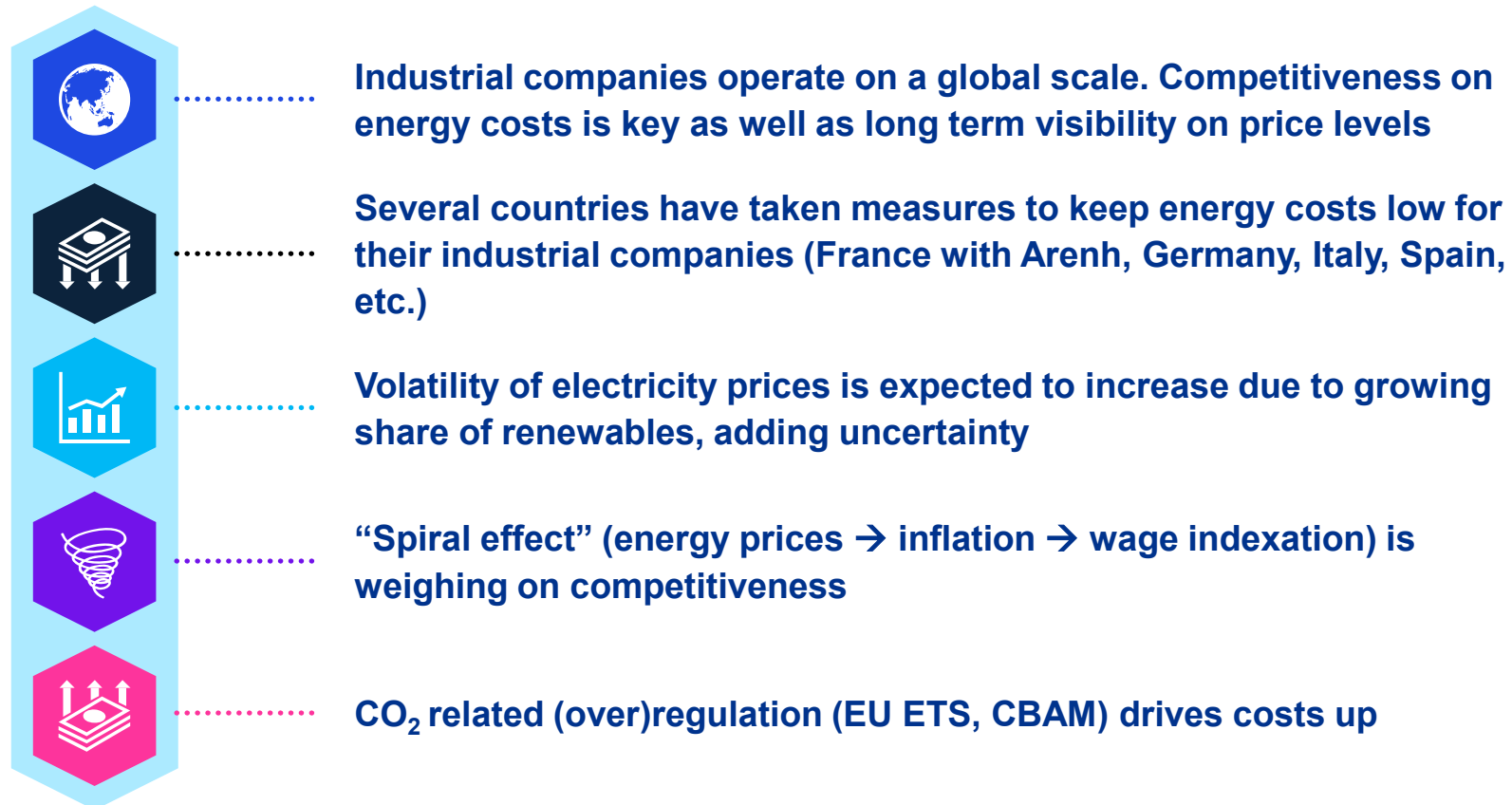


Decarbonisation of the industry will require substantial investments with limited financial return and job creation

Key findings



Total electricity costs per MWh are considered in Belgium > neighbouring countries > the rest of Europe > the rest of the world



Key findings



Security of electricity supply in Belgium is a major source of concern, in a context of significant demand growth



*The challenge concerning security of supply is well-known, but **we do not see solutions yet**. ... As a company, we need certainty of supply and stability of prices because we cannot invest 100 to 200 million euros on decarbonization projects without the required visibility on this matter”*

Anonymous



*There are several **concerns to operate in Belgium**. ... Can we be confident that there will be enough electricity available in the future?”*

Anonymous



*Intermittency of renewables is a major source of concern, as we need a **stable baseload profile** for our operations”*

Anonymous



Security of supply concerns relate both to production capacity as well as to the grid



Key findings



Crucial need for a clear, stable, coherent energy strategy in Belgium/Europe



*There has been **no clear energy strategy** for years, leading to a lot of **uncertainty**. Under these circumstances, companies **cannot easily make investment decisions**.”*

Anonymous



*Europe needs to adopt a **unified approach** to remain globally competitive and reduce its dependence on Asia. Within this European framework, **Belgium must carefully safeguard its position in the energy market and ensure its competitiveness ...**.”*

Anonymous

Key findings



Decarbonisation of the industry will require substantial investments with limited returns and job creation



*Many **environmental rules are stricter in Europe than elsewhere in the world. ... Europe must therefore understand that if the industry leaves Europe due to **unfair competition** with the rest of the world and uncertainties regarding the security of electricity supply, it will have only **negative consequences on a global scale for the environmental footprint.*****

Anonymous



*The investments we will have to do to achieve decarbonization objectives are substantial and yield **low returns**. Besides this, they will **not generate a lot of employment**”*

Anonymous

Consequences

All these elements weigh on investment decisions of industrials



Investment decisions are delayed, or other countries are favoured.



No significant investments in expanding production capacity mentioned, except for the life sciences sector



Investments mainly focused on license-to-operate investments, cost efficiencies & energy savings



Some sectors are heavily impacted by high energy prices and risk to run out of business → risk of a “domino effect”



Medium term impact on growth rate of the country & employment

Key requirements for the future

**Stable long
term energy
strategy**

**Clear path
towards
decarbonisa
tion**

**Measures to create equal
level playing field**

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Conclusions

Thanks!



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