# Energy UK submission to the BEIS Select Committee Inquiry Call for Evidence: The Semiconductor Industry in the UK

14th June 2022

**About Energy UK**
Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership. We represent the diverse nature of the UK's energy industry with our members delivering over 80% of the UK's power generation and over 95% of the energy supply for the 28 million UK homes as well as many businesses. The energy industry invests £13bn annually, delivers nearly £30bn in gross value added on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

**The use of semiconductor materials in the UK energy industry is wide-spread and far-reaching**

1. Energy UK welcomes and supports the work of the Committee's Inquiry during an unprecedented shortage of, and disruption to the supply of semiconductor materials globally. The UK energy industry relies heavily on access to semiconductor materials for various applications, such as infrastructure components supporting critical industry systems, devices to support the rollout of smart meters and other Low Carbon-related technologies, as well as for vehicles as the sector seeks to reduce its Carbon footprint across all means of transportation.

**The current global shortage of semiconductor materials is having a material impact on the energy industry**

2. As an industry, we are already experiencing the effects of the global shortage across some major infrastructure upgrade programmes, including the rollout of smart meters. Many energy suppliers have suffered shortfalls in the deliveries of Smart Metering Equipment (compared to volumes of equipment ordered) as a result of Smart Metering device manufacturers being unable to secure sufficient volumes of semiconductor materials to meet demand. The medium-term outlook for an improvement in the availability of semiconductor materials is highly uncertain, which could (if the current situation continues) result in some energy suppliers having to reduce the number of smart meter installations available to consumers as early as Quarter 4 2022/Quarter 1 2023.

3. The access to a reliable and secure supply-chain for semiconductor materials is significantly impacted when all parties across the energy industry are competing for the same, limited supply during this current global shortage, and the impacts are more significant when competing against much larger global players, who have far-greater influence and buying power in comparison.

4. The current volatility of the supply-chain for semiconductor materials, and its impact on key programmes being progressed by the energy industry could result (if the current situation continues, or at worst, deteriorates) in market participants being unable to meet current milestones and targets, and ultimately impacting the industry's transition to a Zero-Carbon future.

**Government must do all it can to support the UK economy and UK energy industry**

5. Energy UK and its members believe it is critical that Government considers ways on how it can support and help improve the current situation for the UK economy as a whole, and in particular, understands and does it all it can to help mitigate the risks for the UK energy industry given its critical role in managing energy supply resilience, and its key role in both the medium term transition to a Zero-Carbon future and the short term in providing customers with visibility and control over their energy usage in the middle of a cost of living crisis.

6. We would urge the Committee to work with the key energy industry Trade Associations, and with key personnel in BEIS across the relevant energy-focused Directorates to ensure the full impact on the UK energy industry is considered.