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## Malaysia steel mills likely to remain competitive after electricity surcharge review, MISIF says

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KUALA LUMPUR (June 22): Malaysia steel mills are likely to remain competitive than their regional peers, even after the next electricity surcharge review by the end of this month, says Datuk Lim Hong Thy, president of the Malaysian Iron & Steel Industry Federation (MISIF).

“We don’t want to speculate; we have to see what the government is going to announce. But overall, among industry players, we have been talking about the need to push for our own efficiency, the electricity usage needs to be minimized,” he told reporters after launching Misif’s 14th report on the status and outlook of the Malaysian iron and steel industry on Wednesday (June 22).

Lim, who is also Ann Joo Resources Bhd’s managing director, said energy and raw material costs are two major components for upstream steel players’ cost structure; they collectively made up almost 90% of total costs.

“We saw coal prices soften as compared to, say, two-and-a-half months ago, so as long as the review is in line with the world trend, Malaysia steel mills are not worse off compared to our peers in the region. I believe most of us are competitive enough to be able to continue our production and exports,” he said.

Misif vice president Yeoh Choon Kwee, who is also Southern Steel Bhd’s managing director, also pointed out that Malaysian steel prices have been lagging behind as

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compared to international steel prices due to competition among industry players.

“Steel rebar was about RM3,400 per metric ton (MT) around April, but if we look across the causeway, I remember at the time in Singapore, it was about SG\$1,800 per MT. Of course, there are different conditions but generally, prices in Malaysia are lagging (sic) international prices,” he explained.

According to the Ministry of International Trade and Industry’s weekly bulletin dated June 21, steel rebar prices were trading between RM3,130-RM3,280 per MT for the week ended June 17 — largely unchanged from a year ago, although higher than RM3,000-RM3,150 per MT reported at end of last year.

The government is slated to undertake its bi-annual review of the electricity tariff surcharge for 2H2022 by end of June, on the back of rising coal and gas costs that has impacted the global electricity supply industry, including Malaysia.

For the February to June 2022 period, the government has imposed an electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) for non-domestic users, from a two sen rebate previously.

In 2018, Misif pointed out that a 1.2 sen increase in electricity tariff could raise the iron and steel industry’s costs by RM148 million, based on its annual electricity cost in that year.