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Misif: Power tariff hike will add RM200m to annual costs

PETALING JAYA: The Malaysian Iron and Steel Industry Federation (Misif), which has described the recently announced electricity hike planned for next year “too drastic”, said the move will result in additional costs of RM200 million per year to the steel industry.

The average electricity tariff for industrial users are to go up by 16.85% next year.

However, Misif holds the view that the government’s removal of subsidies should be gradual and no more than 7% as per the last electricity tariff revision in 2011.

“The steel industry is an energy-intensive industry that consumes 800 kWh per metric tonne of electricity alone from steel making to rolling activities. The recent announcement would mean an average 6% increase in our production cost.

“The industry would have

difficulties in passing the full exorbitant increase in costs to end-users as the latter might opt to import to maintain their competitiveness,” Misif said in a statement yesterday.

The industry body said that the industry can ill-afford any increase in electricity tariff at this juncture as besides the adverse effect on its competitiveness, it would also derail all efforts in penetrating export markets that have been painstakingly built over the years.

“This would eventually result in a serious trade imbalance and deficit in US dollar account for the country.

“Rightfully, the government should conduct a comprehensive study on the impact to the industry and the nation’s economy as a whole before deciding on any increase of the electricity tariff and the findings made known to all

stakeholders,” it said.

“This would enable the increased costs to be gradually absorbed into the steel pricing, as steel is a vital component to several critical industries such as construction, oil and gas, electrical and electronic and automotive. Moreover, the industry needs a time frame of 12 months before the implementation of any increases,” Misif added.

It opined that in order to support the domestic steel industry as well as to minimise the overall impact on the increase to the production cost arising from the impending increase in electricity tariff, the government should not increase the electricity tariff for off-peak period.

This will also encourage consideration for higher usage of electricity during that off-peak period for cost effective purposes, said Misif.