

# European silicon output expected to shrink as electricity prices quadruple

Article

**The news:** Eurometaux, a European metals association, warned that rising electricity costs in the region for the next decade would affect attempts to recover from the chip crisis.

**Why it's worth watching:** A European power crisis, which has seen electricity prices quadruple, is already impeding production and shutting down facilities in silicon and metals industries across the EU, further complicating the region's efforts to be more competitive in silicon production, [per](#) The Register.

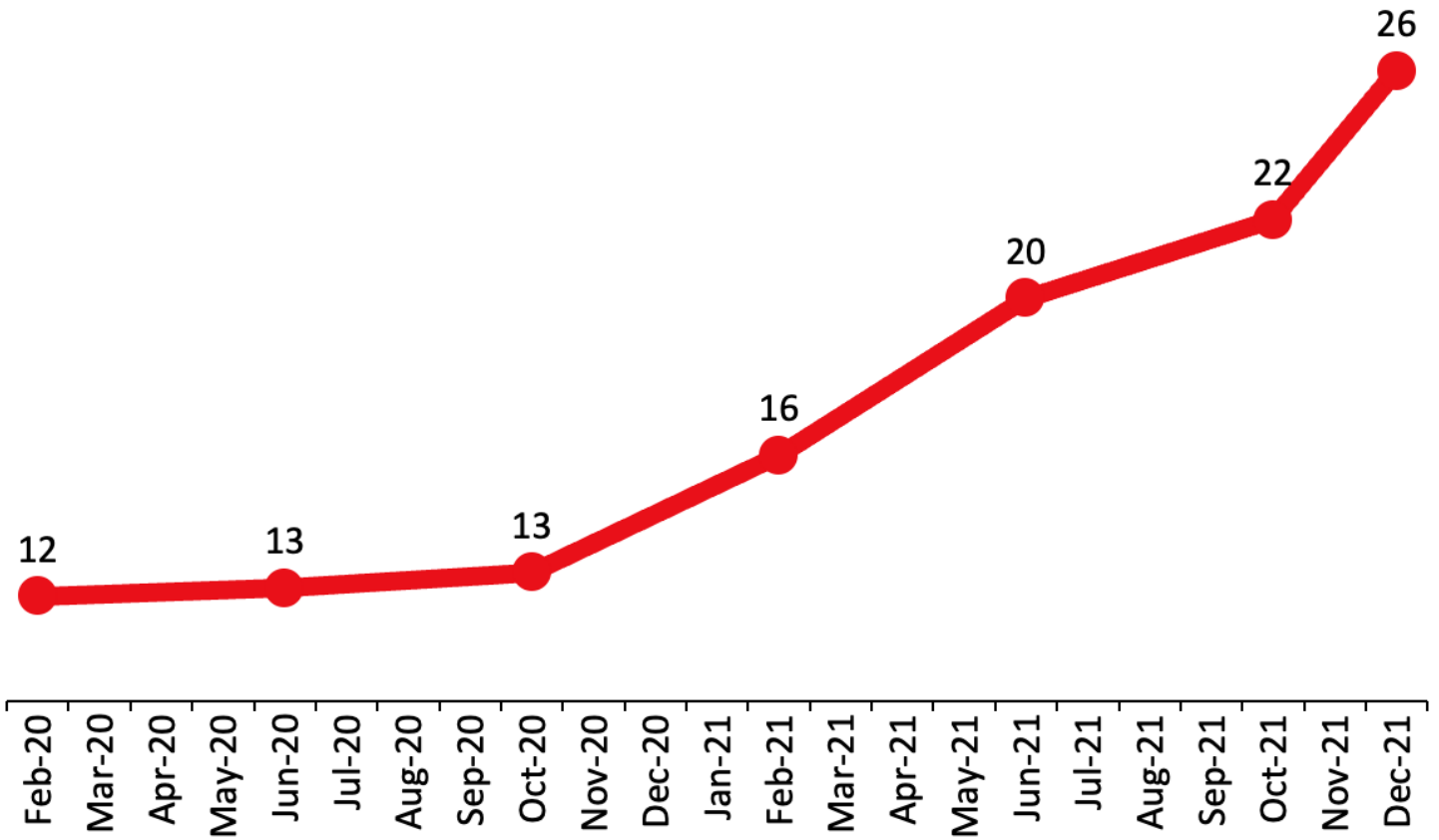
- "Over half of the EU's aluminium and zinc smelters are today operating at reduced capacity or have temporarily closed," Eurometaux said.
- Silicon provider **Elkem**, headquartered in Norway, stated that silicon prices in Europe reached [all-time highs](#) in October and November.
- Europe's ambitions to overcome the chip crisis, by **building new fabs and increasing output**, may not go as planned without some action by the authorities to prevent disruptive electricity price hikes.

**The bigger picture:** Europe is in a precarious position with operations in various smelters and factories that are critical to silicon production under threat. **The gap between ordering a chip and delivery is at an all-time high of 25.7 weeks**, per the Susquehanna Financial Group.

- [Escalating conflict](#) between **Ukraine** and **Russia** could affect the energy crisis. The **US**, Ukraine, and their allies are warning that Russia is poised to invade Ukraine.
- If Russia invades, some fear the Kremlin could use its dominant position as the leading energy supplier in the region as leverage over other countries.
- **Russia supplied 41% of the EU's natural gas imports** in last year's third quarter, according to [data](#) from the European Commission. And in October, it [reduced](#) natural gas deliveries to Europe.

**What's next?** EU countries need to find alternative sources of energy to supply their chip fabs or accelerate their adoption of green energy before going all-in on expanding silicon production to overcome the chip crisis.

# Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2022

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