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By Ilze Jozepa
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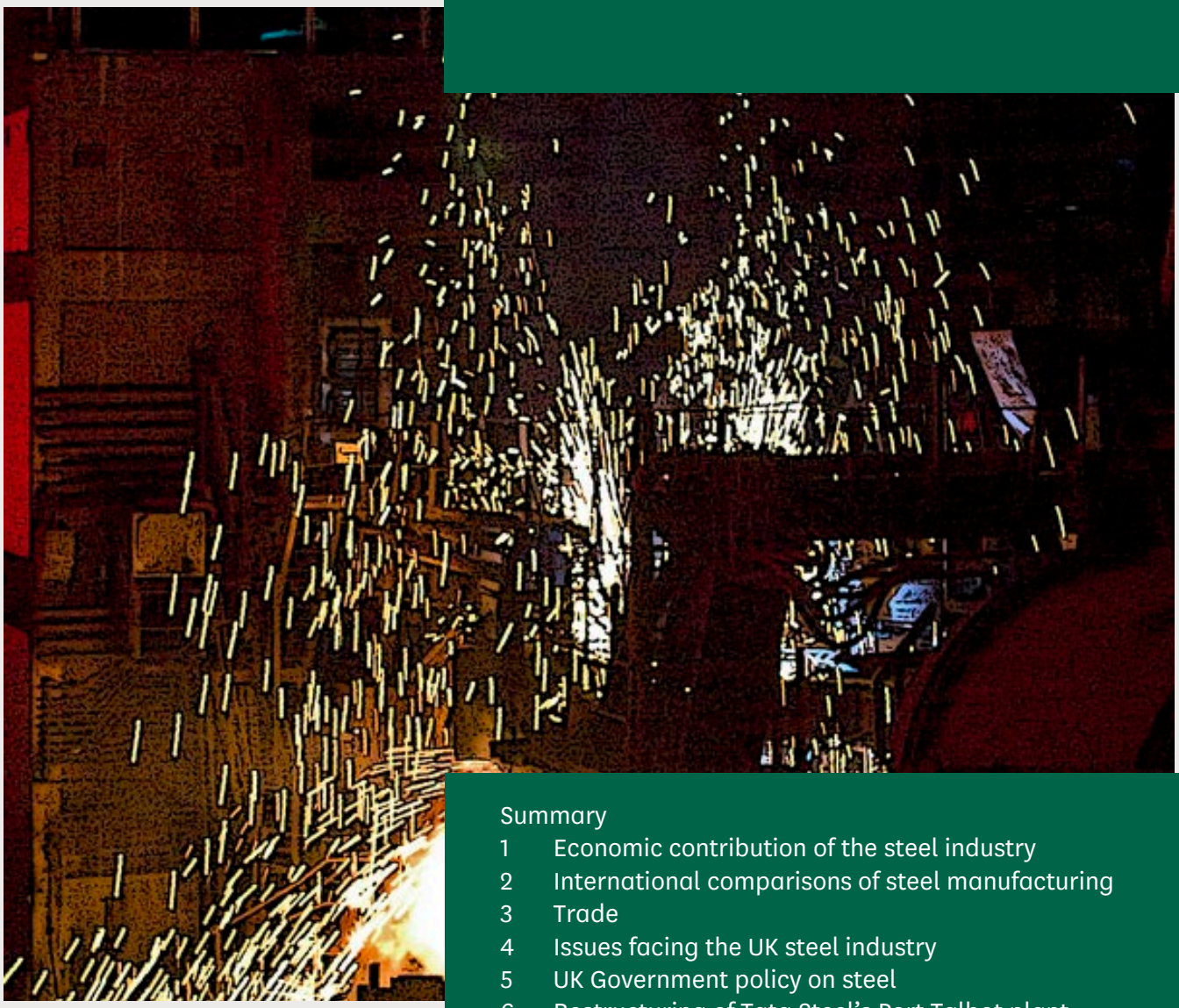
UK Steel Industry: Statistics and policy



Summary

Contents

Summary

A combination of fierce international competition, global steel supply exceeding demand, and high domestic costs has made many UK steel plants struggle to be competitive in a global market. Decarbonisation of steel manufacturing in the UK requires large investment. Restructuring of steel mills is putting pressure on jobs, while highlighting the need for government strategy and policy.

This briefing outlines the scale of the UK steel industry, issues facing the sector in recent years and government policy on the sector.

The industry in 2023

In 2023 the UK steel industry contributed £2.3 billion to the UK economy in terms of gross value added (GVA). This was equivalent to 0.1% of total UK economic output and 1.0% of manufacturing output.

There are 1,160 businesses in the UK steel industry, directly supporting 40,000 across the country, 0.1% of all jobs.

Considering the global output of crude steel in 2023, the UK produced 5.6 million tonnes, 0.3% of the world's total; China produced 1,019 million tonnes, 54% of global production. The EU produced 126 million tonnes of steel, 7% of the world total. Compared with the EU countries, the UK ranked the eighth largest steel producer, after Germany, Italy, Spain, France, Austria, Poland and Belgium.

Issues for the UK steel industry

Excess capacity in the global steel industry has created a glut of steel on the international market. This has pushed steel prices down, putting pressure on the UK steel industry, where overheads, especially electricity prices, are higher than in some other countries.

The sector consistently calls for more government action, especially regarding energy costs, public procurement and protecting the UK market from imports of steel produced to lower emission standards. The steel industry is also calling on the government to support its transition to lower carbon steelmaking, where the manufacturing process has lower environmental impact compared to the traditional processes.

Government policy on steel

The government announced on 11 September 2024 that it will introduce a new steel strategy in the spring of 2025. It aims "to ramp up investment, strengthen our supply chains and create more well-paid jobs in the places where they're most needed" but does not intend to "prioritise short-term subsidies over long-term jobs." A consultation on the strategy will run till 30 March 2025.

The government sees the steel industry's transition to low-carbon steelmaking as essential to reaching the UK's net zero goals. It has said it aims to support domestic steel manufacturing through public procurement and look at the high electricity prices in the UK.

The government will reserve £2.5 billion for steel, in addition to the £500 million for the transformation at Port Talbot agreed by the previous government. It has said that the funds will be available through the newly created National Wealth Fund (NWF), and other routes. The NWF will have at least £5.8 billion in investment for green steel, green hydrogen, carbon capture, and other projects, some of which will affect the steel industry.

The previous governments responded to the difficulties in the industry over the past nine years with several policy initiatives.

This included using public procurement policy to support the sector. For example, in 2017 the government introduced a Steel public procurement pipeline, which collates information on government infrastructure projects. This is intended to help steel manufacturers to plan for future demand.

Energy intensive industries such as steel have access to a compensation mechanism for indirect costs incurred (through higher electricity prices) from carbon reduction polices, such as the carbon price floor, the climate change levy, renewables obligation and feed-in-tariffs.

Following the UK's exit from the EU, the government implemented a trade remedies policy for steel aimed at protecting domestic manufacturers from a surge in imported steel.

Besides these initiatives, targeted funding has been available to support green technologies and net zero transition.

Decarbonisation of the steel industry

The steel industry is a significant contributor to greenhouse gas emissions. It is responsible for 13.4% of greenhouse gas emissions from manufacturing, and 2.2% of total UK greenhouse gas emissions. This is a high proportion given the industry's overall share in the economy. Decarbonisation of

steelmaking is an important part of reaching the government's target to achieve net-zero greenhouse gas emissions in the UK by 2050. Steel is also an important part of a low-carbon economy, necessary to make wind turbines, electric vehicles, energy-efficient products and infrastructure.

As part of the decarbonisation trajectory, Tata Steel is closing its blast furnace steelmaking in Port Talbot in South Wales to replace it with less carbon-intensive electric arc furnaces (EAF), which need fewer people to operate. Over 2,800 jobs are expected to go at Tata Steel locations across the UK over the coming three years, starting in 2024. Similarly, British Steel is planning to replace its blast furnaces in Scunthorpe by 2025 and replace them with a single EAF in Scunthorpe and one at Teesside, with consequences for jobs.

This has raised concerns about the future of the sector in the UK and the impact of transition to electric arc steelmaking on employment and local communities. There are also concerns about the potential loss of the UK's ability to produce primary steel (from iron ore as opposed to steel scrap), and sufficient access to steel scrap.

US tariffs on aluminium and steel

US President Trump announced a 25% tariff on US steel and aluminium imports starting from 12 March 2025. This repeals an exemption from a 25% tariff on steel and 10% tariff on aluminium imports to the US, which the UK Government reached with the Biden administration in 2022. UK Steel expects the tariff will affect UK exports to the US negatively.

The government has said it will seek to engage with the US counterparts "in a constructive and mature dialogue" to address the issue.

1 Economic contribution of the steel industry

The table below summarises the economic contribution of the steel industry in the UK in 2023.[1]

Manufacture of iron and steel in the UK, 2023

	Total	% of UK
Economic output	£2.3 billion	0.1%
Businesses	1,160	<0.1%
Employees (2022)	33,900	0.1%

Source: ONS, GDP output approach – low-level aggregates; Business Activity Size and Location: 2023; Business Register and Employment Survey: provisional results 2022 [via NOMIS database, 4 October 2024]; NISRA, Business Register and Employment Survey, Publication and Tables 2022

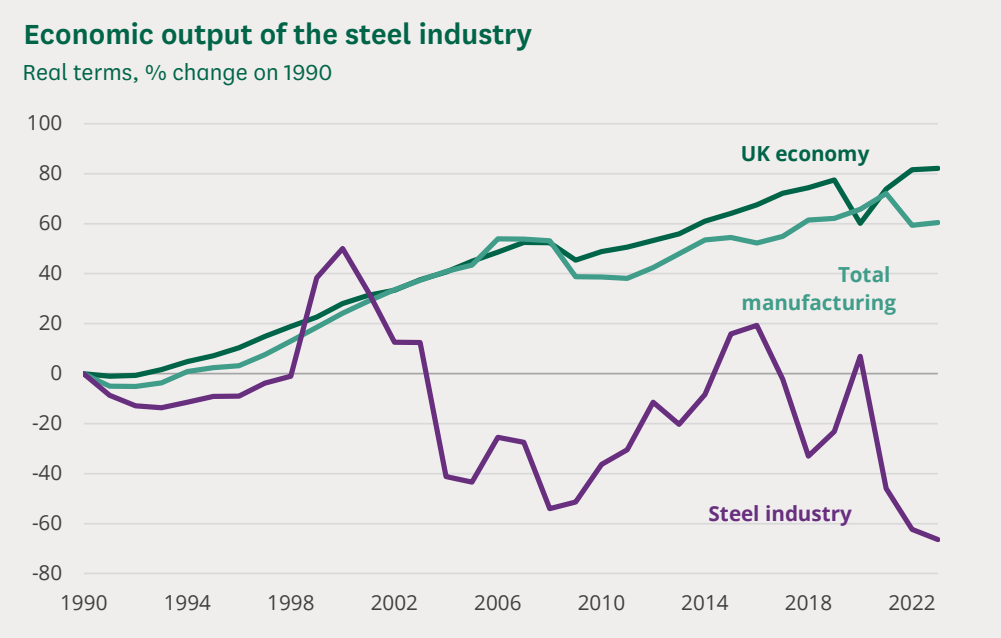
The steel industry in the UK is small compared to other manufacturing industries:

- The economic output of the sector totals £2.3 billion, 0.1% of the UK economy and 1.0% of manufacturing output.
- There are 1,160 business involved in the industry. These businesses support 33,900 jobs.

1.1 Economic output

The following chart shows how economic output from the steel industry has changed over the last 30 years.

[1] In this briefing, the steel industry is defined as the manufacture of basic iron and steel and of ferro-alloys, the manufacture of tubes, pipes, hollow profiles and related fittings, of steel and the manufacture of other products of first processing of steel. This corresponds to SIC codes 241, 242 and 243.



Source: ONS, GDP output approach – low-level aggregates series KL65, KL8V, KL8A, 30 September 2024

The economic output of the UK steel industry declined during 2017 and 2018, following the closure of several plants and cancellation of international orders in 2016. The steel industry's economic output declined by 18% in real terms in 2017 and 31% in 2018, the biggest annual percentage decline since 2004 (when it declined by 48%). The industry's economic output recovered in the following two years, growing by 15% in 2019 and by 39% in 2020.

Output fell again sharply by 49% in 2021, 30% in 2022, and 11% in 2023. This was due to a range of factors, including supply chain disruption caused by the Covid-19 pandemic, Russia's invasion in Ukraine, the subsequent energy crisis, record inflation, slump in demand for steel and historically high imports.

The decline of the steel industry over the past 30 years contrasts with the fortunes of the manufacturing sector as a whole, where output has increased.

The steel industry's importance to the whole economy has declined over this period, from 0.3% of total output in 1990 to the current total of less than 0.1%.

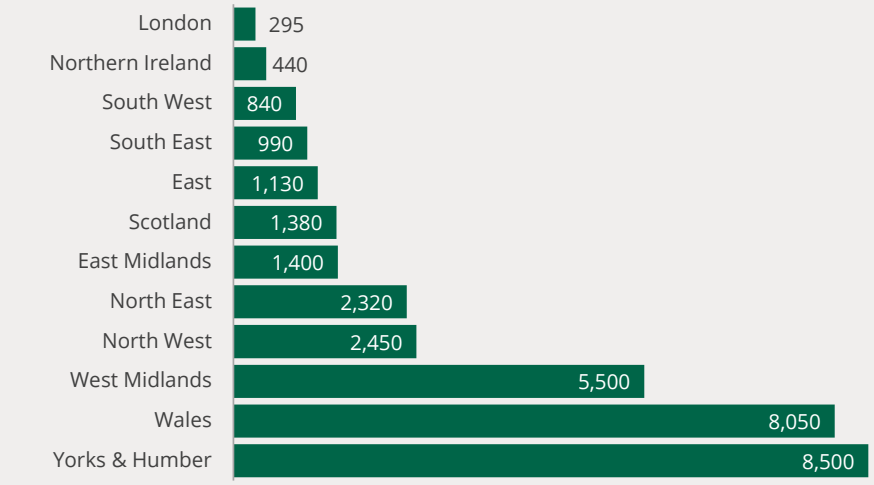
1.2 Employment

The steel industry supported 33,900 jobs in 2022. This is 6,000 less than in 2021 and amounts to 0.1% of employees.[2] According to a different methodology used by UK Steel, the steel industry directly employed 39,800 people across the UK in 2022. It supported a further 50,000 jobs through the supply chain.[3]

Employment is unevenly distributed across the country, as the following chart shows. Half of all steel industry employees (16,550) work in Yorkshire and Humberside, and Wales.

Employees in the steel industry by country and region

UK, 2022



Source: ONS, Business Register and Employment Survey 2022, via NOMIS database; NISRA, Business Register and Employment Survey. Publication and Tables 202, table 2.3

According to the latest (May 2024) UK Steel estimates, the industry employs 33,700 people and a further 42,000 in the wider supply chain.[4]

In 2024, employment levels in the steel industry will be affected by the closure of blast furnaces at the Tata Steel UK plant at Port Talbot in Wales as part of its transition to lower-carbon steelmaking starting from 2027. At the beginning of 2024, the company employed 8,000 people across the UK, with the majority at Port Talbot. In February 2024 the company said it would lay off around 2,800 employees at Port Talbot. Tata Steel has now committed to retaining 5,000 jobs across the UK.[5] See further section 6.

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2 Employment data source: ONS Business Register and Employment Survey: provisional results 2022 [via NOMIS database, 4 October 2024]; NISRA, Business Register and Employment Survey, Publication and Tables 2022: SIC codes 24.1, 24.2 and 24.3

3 UK Steel is the trade association for the industry; UK Steel, UK Steel Key Statistics 2023, p3

4 UK Steel, UK Steel Key statistics 2024, p3

5 HCWS63, [Statement from the Secretary of State for Business and Trade], 11 September 2024

Historic employment in the industry

The steel industry supported 320,000 jobs in 1971 compared to 23,000 in 2022 (excluding steel processing)

The current level of employment in steel manufacturing in the UK is far removed from the numbers that were once involved in this industry.

Using a more narrow definition of the steel industry (excluding the processing of steel), employment fell from 320,000 jobs in 1971 to 271,000 in 1978.

By 1991, the number of jobs in the manufacture of steel had fallen to 44,000.

The 1990s saw a more gradual decline and in 2001, there were 30,000 jobs in the industry.

The 2000s saw the number of steel industry employees fall to 23,000 in 2022 (in the narrow definition of the industry).

Several factors have contributed to this decline, including:

- The industry is far more productive now than in the past – it requires far fewer people to produce the same amount of steel today compared to in the early 1970s.
- The rise of manufacturing bases elsewhere in the world (particularly in China) which have lower labour costs and other overheads, meaning that they can produce steel more cheaply than the UK, and so now dominate the international steel market.
- Employees in the modern steel industry are likely to work in high value roles which attract higher salaries and require higher skill levels than traditional manufacturing roles, but are far less numerous.

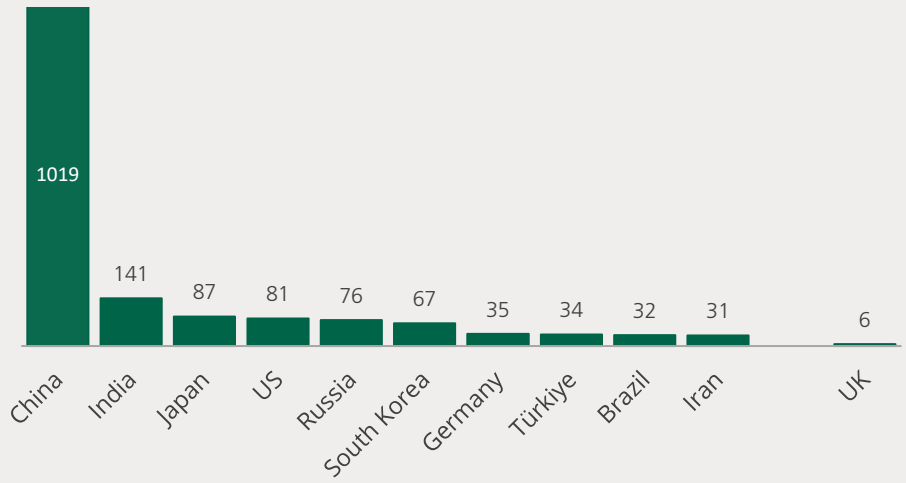
2 International comparisons of steel manufacturing

China produced 54% of the world's steel in 2023

China dominates world steel production, as the following chart shows. It produced 54% of the world's steel in 2023.[6] China, India, Japan, the US, Russia and South Korea together accounted for nearly 78% of global steel production.

Steel production: top ten producers and the UK

Million tonnes, 2023



Source: World Steel Association, World Steel in Figures 2024, Total production of crude steel

In 2023, the UK produced 5.6 million tonnes of crude steel. China produced 1,019 million tonnes in the same year.

The EU as a whole produced 126 million tonnes of steel in 2023, 7% of the world total. Compared with the EU countries, the UK ranked the eighth largest steel producer, after Germany, Italy, Spain, France, Austria, Poland and Belgium.

Germany produced 35 million tonnes of steel, 28% of EU steel production.

6 World Steel Association, World Steel in Figures 2024

2.1 The growth of Chinese steel production

Global steel production has more than doubled since 1995 and China has been the biggest contributor to this growth.

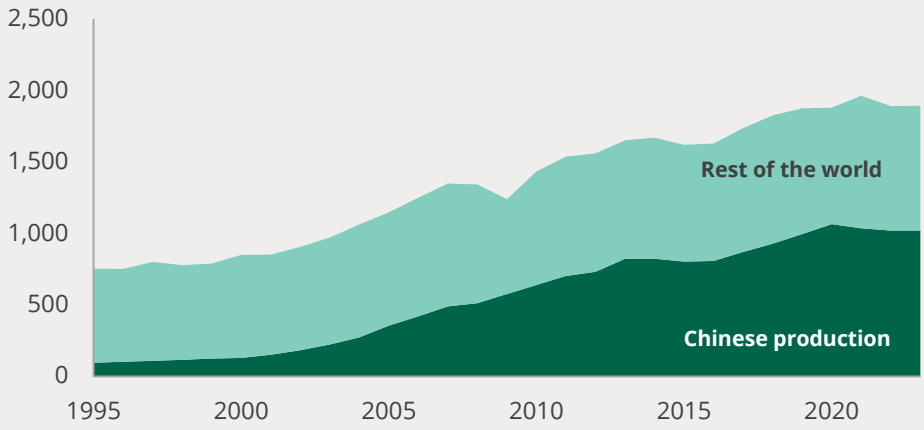
In 1995, China accounted for 13% of the world's steel production. This has risen to 54% in 2023.

There was a dip in global production at the time of the 2008/09 recession, which was not reflected in Chinese production.

Chinese and global steel production slowed in 2015 and 2016, but output picked up year on year in China, increasing by 33% between 2016 and 2020. A slight dip followed in 2021 and 2022. This affected the global supply, with the total steel production falling in 2022.

Global and Chinese steel production

Billion tonnes, 1995–2023



Source: World Steel Association, World Steel in Figures

2.2 Global surplus of steel and falling consumption

The steel industry has been facing increasing pressures over the past 25 years. A growing issue has been the global excess capacity (the gap between demand for steel and the capacity to produce steel) in the face of decreasing market demand.

As shown above, since the early 2000s China has contributed increasingly to global steel production. However, slowing growth in China and other emerging economies led to steel consumption failing to keep pace with the

growth in production. This has resulted in a surplus of steel in China, much of which has been exported.

Another issue in global steel trade is unfair trade practices to boost exports, such as state subsidies and dumping. This led to a glut of steel on the world market and an industry crisis in 2014/2015.[7]

Trade diversion

The pressure on the European and the UK steel industry was exacerbated by the US seeking to protect the domestic market by introducing high tariffs on steel and aluminium imports in 2018, under the Trump Administration. In response the EU introduced its own safeguard tariffs on imported steel. These import taxes were intended to protect the EU market from the inflow of metals diverted from the US market. The UK has retained a similar safeguard against steel imports, in force till 30 June 2026. See below, section 5.8.

As of 2023, according to the OECD, global excess capacity is "a persistent and growing problem". Despite some reduction in steelmaking capacity in China in 2023, its steel exports kept increasing, unlike in other economies. In 2023 Chinese exports of steel grew by over 39% and were approaching the peak levels of 2016, the crisis year in the global steel industry, which was dominated by severe excess steel capacity.[8]

The OECD notes that long-lasting government financial support in China has contributed to the excess capacity:

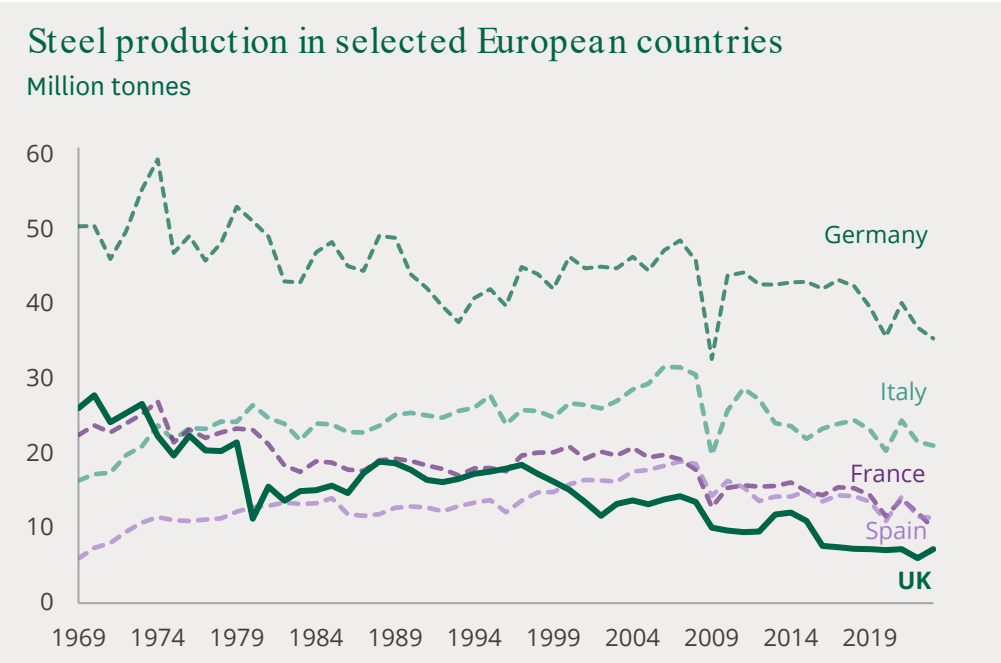
> The Chinese government has provided financial incentives such as tax benefits, grants, and research funding since 2006 to facilitate the transition of the steel industry into "high-quality development" to move to higher added-value production.[9]

Overall, the region with the fastest growing crude steel production is ASEAN. Over two thirds of this growth can be attributed to investments of Chinese companies.[10]

2.3 Historic steel production in the UK

The following chart shows steel production in the UK compared with other major European economies since the late 1960s.[11]

7 UK Steel, Annual review 2014, published 2015, p6; "Britain's steel industry: What's going wrong?", BBC, 30 March 2016
8 OECD: Steel Market developments: Q2 2024, pp5-6
9 OECD, Steel Market developments: Q2 2024, pp5-6
10 OECD, Steel Market developments: Q2 2024, pp5-6
11 World Steel Association, Steel Statistics Year Books



Source: World Steel Association, World Steel in Figures

Between the late 1970s and the mid-2000s, steel output in Germany, Italy, France and Spain was broadly steady. Italy and Spain saw a gradual increase over this period. Following the 2008-09 financial crash, steel production declined steeply in all of the countries above. Although steel production bounced back in the immediate aftermath of the crash, since then steel production has gradually declined.

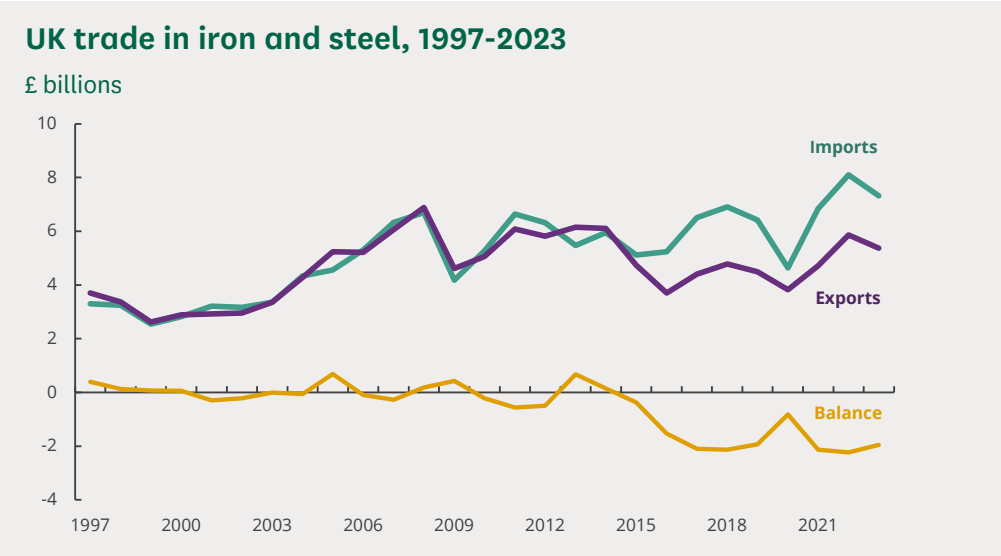
3 Trade

3.1 Volume

In 2023, the UK exported 3.2 million tonnes of iron and steel and imported 5.5 million tonnes.[12]

3.2 Value

The chart below shows the value of UK trade in iron and steel between 1997 and 2023 in £ billions. [13]



Source: ONS, UK Trade, Series EHBT, EHAL, BQQF

In 2023, UK steel exports were worth £5.4 billion, a fall of £0.7 billion, or 8% in cash terms on the 2022 figure. Steel imports were worth £7.3 billion, down £0.8 billion or 10% in cash terms on the 2022 figure.

The UK's trade deficit in steel was £1.9 billion in 2023 (a deficit is when imports exceed exports), compared to £2.2 billion in 2022.

12 HMRC, UK Trade Info

13 ONS, UK Trade, Series EHBT, EHAL, BQQF

3.3 Origin and destination of traded UK steel

In 2023, the EU accounted for around 70% of both UK exports and imports of iron and steel:

- 68% of UK steel exports were to the EU.
- 71% of UK steel imports were from the EU.[14]

[14] HMRC, UK Trade Info

4 Issues facing the UK steel industry

Steel is an energy intensive industry which has seen costs increase significantly in the past years, before falling to some extent in 2024. Gas prices increased to record levels after Russia launched its full-scale invasion of Ukraine and continued to rise during much of 2022 due to cuts in Russian supply. Electricity prices are linked to gas prices and have followed a similar trend (see section 5.3 below).

According to the assessment of Eurofer, organisation representing the European steel industry, the increasing production costs and inflation, combined with a worsening economic outlook, contribute to lower global demand for steel.[15]

The industry was facing challenges prior to the recent increase in energy costs. A combination of fierce international competition and high domestic costs has made many UK steel plants struggle to be competitive in a global market. UK Steel – an industry body – says that "long-standing uncompetitive electricity prices [have] constrained UK investment and steel production for some time."[16]

The years around 2015/16 were a period of upheaval in the steel industry, with a series of plant closures, company mergers and staff lay-offs. Continued difficulties have included British Steel going into insolvency in 2019 and its subsequent acquisition by Chinese firm Jingye.[17] Tata Steel announced plans to cut jobs across its European sites in late 2019 and operations at its Orb steelworks site in Newport were wound down (with jobs redeployed elsewhere).[18]

In early 2023, Liberty Steel – a company operating sites across England, Scotland and Wales – said it would restructure its operations. The plans could affect up to 440 jobs.[19]

15 Eurofer, Economic and steel market outlook 2023-2024, fourth quarter, accessed 31 January 2024

16 UK Steel Press Release, UK Steel comments on Liberty Steels restructuring announcement, 12 January 2023

17 "British Steel: Takeover by Chinese firm completed", BBC News, 9 March 2020; "British Steel rescued by Chinese group Jingye", Peggy Hollinger and Nikou Asgari, Financial Times, 11 November 2019

18 "Tata Steel to cut 3,000 jobs in 'severe' market", BBC News, 18 November 2019; Tata's Orb steel plant in Newport is to be mothballed, Brian Meechan, BBC News, 11 December 2019 [accessed 4 June 2021].

19 "Liberty Steel restructuring puts 440 jobs at risk", BBC News, 12 January 2023

The steel sector also faces increasing pressure from decarbonisation, which will likely see costs of production rise further. Options for decarbonising such as Carbon Capture and Storage (CCS), electrification and fuel switching (for example to hydrogen) all require increased electricity consumption and significant investment. This will need increased investment in new technology and processes over the next few years adding to the challenges for the sector (see section 5.4 below).[20]

Lower emission steelmaking using electric arc furnaces (EAFs) requires less people than operating traditional blast furnaces. Therefore, transition to this technology is bound to affect employment. In early 2024, Tata Steel officially announced it will decommission its two lossmaking blast furnaces at the Port Talbot steelworks in Wales to build EAFs within three years. The restructuring process started in mid-2024, and will lead to redundancies at Port Talbot (see section 6 below). Another major producer, British Steel, is also planning to replace its blast furnaces in Scunthorpe by 2025 and replace them with a single EAF in Scunthorpe and one at Teesside.[21]

[20] Materials Processing Institute, Decarbonisation of the Steel Industry in the UK, 18 March 2021

[21] As above, c239; Virgin steel is new steel manufactured in steel mills from iron ore as opposed to recycled steel.

5 UK Government policy on steel

The resilience of the UK steel sector remains a concern. A focus on steel decarbonisation and the loss of steel jobs in Tata Steel's plant at Port Talbot have highlighted the need for government strategy and policy. The sector consistently calls for more government action, especially regarding energy costs and public procurement.

5.1 UK Steel's priorities

Ahead of the 2024 general election, UK Steel, the steel industry body, set out policy priorities emphasising the sector's strategic importance for the UK economy and supply chains. UK Steel's priorities are:

- Lowest electricity prices in Europe to achieve parity with competitors on network charges, and wholesale electricity market reform
- Steel scrap competitiveness and recycling capability
- Decarbonisation through government – industry partnership
- Investment in innovation
- UK Carbon Border Adjustment Mechanism by 2026
- Robust trade defence
- Leverage power of public procurement[22]

5.2 Labour government's approach

The Secretary of State for Business and Trade, Jonathan Reynolds, announced on 11 September 2024 that the government will introduce a new steel strategy in the spring of 2025, which will be linked to the overall industrial strategy.

The Secretary of State said the government is seeking "to ramp up investment, strengthen our supply chains and create more well-paid jobs in

[22] UK Steel Election Manifesto, 10 June 2024

the places where they're most needed" but does not intend to "prioritise short-term subsidies over long-term jobs." [23]

Jonathan Reynolds said the government sees steel industry as essential to reaching the UK's net zero goals and was aiming to support domestic steel through public procurement and look at the high electricity prices.

The government will also consider the viability of primary steelmaking and Direct Reduced Iron in the UK.[24] Virgin steel is new steel manufactured in steel mills from iron ore as opposed to recycling scrap steel. MPs have raised losing primary steelmaking capacity in the UK as a strategic security issue, arising after the potential closure of the last blast furnaces at Scunthorpe.[25]

As announced in Labour's 2024 election manifesto, the government will reserve £2.5 billion for steel, in addition to the £500 million for the transformation at Port Talbot agreed by the previous government.[26]

Sarah Jones, the Minister of State for the Department for Business and Trade, said the funds will be provided through the National Wealth Fund (NWF) and other routes.[27] The Chancellor of the Exchequer, Rachel Reeves, announced the creation of the NWF on 14 October 2024 as "the UK's new impact investor, that will mobilise billions of pounds of investment in the UK's world-leading clean energy and growth industries". She said at least £5.8 billion of the fund's capital will focus on the five sectors announced in the manifesto: green hydrogen, carbon capture, ports, gigafactories and green steel.[28] Rachel Reeves said earlier that:

> Part of the reason for the national wealth fund is to invest in industries such as CCS, but also in our crucial steel sector, which is important to so many of the other Government ambitions on growing our economy. We are determined to support the steel sector through that investment from the national wealth fund.[29]

On 7 January 2025, the government launched a new Steel Council, a forum of government, leading steel manufacturers such as Tata Steel and British Steel, industry experts, trade unions, trade associations and devolved administrations. The council will advise the government on the forthcoming steel strategy and industry modernisation. It will support collaboration across

23 HCWS87, [Statement from the Secretary of State for Business and Trade], 11 September 2024

24 Direct Reduced Iron (DRI) is produced from iron ore that has been processed to remove oxygen using reducing gasses such as hydrogen and carbon monoxide. This process occurs below the melting point of iron and does not require melting in blast furnaces.

25 HC Deb [Steel Industry: Wales] 21 February 2024, cc262-264WH, c268WH

26 HCWS87, [Statement from the Secretary of State for Business and Trade], 11 September 2024

27 PQ20003 18 December 2024

28 HCWS130 [Written statements - Written questions, answers and statements - UK Parliament], 14 October 2024

29 HC Deb 3 September 2024, c157

the sector and steel supply chains, and help decide how to allocate the £2.5 billion funding.[30]

On 16 February 2025, the government opened a consultation aimed at supporting the development of its steel strategy. The consultation ends on 30 March 2025.[31]

In opposition, the Labour Party had called on the government to produce a more concrete strategy for the UK steel sector. It has criticised the Conservative government for postponing the clean steel fund, slow action on business rates and electricity prices and the lack of commitment on buying British steel in government contracts.[32] The party also committed to accelerating "a £3 billion green steel fund to invest over the next five years in the future of our sovereign steel industry".[33]

5.3 Previous government's policy

Over the past ten years, the government responded to the difficulties in the steel industry with a number of policy initiatives including:[34]

- Committing to support UK steel manufacturers through public procurement policy. This includes publishing an infrastructure pipeline which sets out the UK's future infrastructure needs to beyond 2030. This is intended to help producers understand steel requirements in the UK over the next decades, enabling capacity planning.
- The government updated the Steel Procurement Policy Note, which aims to create a level playing field for UK steel producers through government procurement.
- Compensation for energy intensive industries for indirect costs incurred (through higher electricity prices) from carbon reduction polices, such as the carbon price floor, the EU emissions trading system and the climate change levy, renewables obligation and feed-in tariffs.
- The government implemented a trade remedies framework to protect domestic steel industry from a surge in imports.[35]

30 Department for Business and Trade, Government sets out plan to secure the long-term future of steelmaking and safeguard steel communities, 7 January 2025.
31 DBT, The steel strategy: the plan for steel, consultation document, 16 February 2025
32 HC Deb 25 March 2021, c1057
33 HC Deb [Steel industry: Wales] 21 February 2024, cc264-265WH, c266WH
34 Summarised in the following contribution by the then Minister Anna Soubry MP HC Deb 17 September 2015 cc1120-1264
35 HC Deb [Steel Industry] 30 November 2023, cc1051-1052;
PQ 191236 [Iron and Steel: Manufacturing Industries] 29 June 2023

- The government made various funds available for innovation, research and development and decarbonisation in the steel industry (see section 5.4 below).

More detail on some of these topics is covered in the following sections.

In May 2021, the government "re-established" the UK Steel Council.[36] A UK Steel Council was established in 2016.[37] The Council consists of representatives from government and the industry and trade unions to:

> work in partnership on the shared objective of creating an achievable, long-term plan to support the sector's transition to a competitive, sustainable and low carbon future.[38]

5.4 Steel industry decarbonisation

Decarbonisation of the steel industry is an important part of reaching the government's target to achieve net-zero greenhouse gas emissions in the UK by 2050. The steel industry is a significant contributor to greenhouse gas emissions. It is responsible for 13.4% of greenhouse gas emissions from manufacturing, and 2.2% of total UK greenhouse gas emissions, while it contributes 0.1% of the UK economy and 1.0% of UK's manufacturing output.[39] Steel is also an important part of a low-carbon economy, necessary to make wind turbines, electric vehicles, energy-efficient products and infrastructure.

The Climate Change Committee (government's independent advisor on decarbonisation) said in its policy recommendations for the 6th Carbon Budget that the government should adopt a target that all iron-ore based steelmaking be near-zero emissions by 2035.[40] The UK Steel sector says it is committed to reducing its emissions by 85% by 2035 and reaching net zero by 2050.[41]

In its 2024 progress report, the Climate Change Committee recognised that the iron and steel sector has been a key contributor to the 8.1% fall in emissions in industry. However, it noted that the government deal to support industrial decarbonisation at the Port Talbot steelworks raises serious

36 BEIS, Business Secretary co-chairs UK Steel Council meeting: 5 March 2021, 5 March 2021.
37 BEIS, Business Secretary and Chair of UK Steel hold first meeting of new joint Steel Council, 2 March 2016.
38 BEIS, Business Secretary co-chairs UK Steel Council meeting: 5 March 2021, 5 March 2021.
39 ONS, Atmospheric emissions: greenhouse gases by industry and gas, 9 October 2023; SIC 24.1-3: manufacture of basic iron and steel
40 Committee on Climate Change, Sixth Carbon Budget, 9 December 2020.
41 UK Steel Election Manifesto, 10 June 2024, p6

concerns "from a jobs and just transition perspective, as well as around the need for a long-term economic development plan for the area".[42]

What is green steel?

"Green steel" or "low carbon steel" refers to a product that has been manufactured in a way intended to reduce its environmental impact, especially the carbon emissions released during production. There is no set level of sustainability that would constitute steel being described as "green".

Some interventions to reduce emissions can include improvements to existing processes, such as partially replacing the fossil fuels used in the process with biomass (which is considered by the UK Government to be a low-carbon, renewable fuel when sustainability requirements are met), or increasing material efficiency (that is, providing the same amount of product with less material input).

Other interventions include changing the way the steel is produced to a low-carbon technology option, such as increasingly using electric arc furnaces (EAFs), which can use scrap steel and low-carbon electricity.

There are several alternative methods being developed globally to reduce the emissions from the steel making process. Some of the options are summarised in the World Steel Association's policy paper: Climate change and the production of iron and steel (2021), including:

- **Hydrogen as a reducing agent** - Avoids carbon and uses hydrogen to reduce iron ore, thereby averting the creation of CO2, and producing H2O (water) instead.
- **Carbon Capture and Storage (CCS)** - Generates a clean and concentrated CO2 stream that can be captured and stored. The process involves retrofitting steel plants with capture technology and requires the development of transportation networks and access to storage sites.
- **Carbon Capture and Utilisation (CCU)** – Uses the components of the co-product gases from existing processes to produce fuels or input material for the chemical industry.
- **Biomass as a reducing agent** - Can partially replace coal with biomass such as charcoal.
- **Electrolysis** – Reduces iron ore using electricity.[43]

While electric arc furnaces are a commonly used, existing technology which is being rolled out in some places to decarbonise traditional blast furnace steel making, some of the other options, such as carbon capture and storage, are

[42] Committee on Climate Change, 2024 Progress Report to Parliament, July 2024, sections 1.1.1 and 4.3.1

[43] World Steel Association, Climate change and the production of iron and steel (PDF), 2021

more nascent technologies. There is also global variation in new technologies, for example, while the UK has no companies creating steel through directly reducing iron using hydrogen, the technology is being piloted in Sweden.[44]

The Parliamentary Office of Science and Technology (POST) published a note on Green Steel in May 2022. This sets out current steelmaking processes, technologies and interventions that could reduce emissions from steel making, and wider information on supporting infrastructure and policy.

Steel in the UK

The UK is a net importer of steel, but does produce around 70% of its annual steel demand of 8.9 Mt domestically.[45] Two main methods dominate steelmaking in the UK: the blast furnace and electric arc furnace method, as set out in Box 1.

Much of the UK's steel manufacturing is concentrated at the UK's two blast furnace sites: in Scunthorpe and Port Talbot. Together these produce 4.5 million tonnes of steel per year (76% of UK steel production). These two sites have been responsible for 95% of emissions from steelmaking in the UK.[46]

Both Tata Steel and British Steel have confirmed their plans to decarbonise steelmaking at both these sites, by closing blast furnaces and investing in EAFs, as set out in more detail in section 6. This is estimated to reduce the UK's territorial greenhouse gas emissions by 2%.[47]

The UK also has several electric arc furnaces which produce around a fifth of the UK's crude steel per year. Other countries have a higher proportion of steel produced in this way, for example in the US, 68% of domestic steel is produced from EAFs. In Italy, 86% of steel is produced using the EAF route.[48]

However, the extent to which an EAF is green will depend on the electricity that powers it. For example, if the electricity is produced from fossil fuels, the EAF will have limited emissions savings, whereas if the electricity is produced from a mixture of technologies including some that are low carbon (as the electricity grid in the UK is) then the EAF does provide emissions reductions to the steel making process.

Box 1 Two main methods of steelmaking

44 "The race across Europe to build green steel plants", BBC News, 17 February 2023
45 UK Steel, UK industry could supply 8 million tonnes of steel for public projects, 28 March 2024
46 UK Steel, UK Steel Key statistics 2024
47 UK Steel, Industrial electricity prices. A barrier to growth, competitiveness and profitability (PDF), September 2024 p14
48 World Steel Association, World Steel in Figures 2024, accessed 11 October 2024

Steel is an alloy of iron, meaning it is made by mixing iron with carbon and other elements. Iron is found naturally in the earth's crust as iron ore (iron oxides with impurities) and must be extracted from the ore to produce steel.

There are two main methods for producing steel in the UK: the blast furnace (basic oxygen furnace/BOF) route and the electric arc furnace (EAF) route. During steel manufacturing using the blast furnace method, coke (produced from coal) is needed as a reducing agent to extract iron from iron oxide ores.[49]

The electric arc furnace route uses scrap steel as the raw material and electricity to produce heat. As there is no iron ore processing, there is no need for coke. AEFs therefore have much lower carbon emissions than the blast furnaces.

The blast furnace route forms the majority of UK and global steel production. In 2023, 76% of UK steel (4.5 million tonnes) was produced using the blast furnace route at Tata Steel's Port Talbot site and British Steel's Scunthorpe site.[50] The government estimated that 95% of iron and steel industry emissions (and around 13% of total industrial emissions) come from the Scunthorpe and Port Talbot blast furnace sites.[51] This will change thanks to decommissioning of blast furnaces at Tata Steel's plant in Port Talbot in 2024.

Industrial decarbonisation strategy

In March 2021 the Johnson Conservative government published its Industrial Decarbonisation Strategy. In the strategy it stated it would work in collaboration with the Steel Council to "consider the implications of the recommendation" of the Climate Change Committee to set targets for ore-based steelmaking to reach near-zero emissions by 2035.[52]

The strategy included modelling of options for steel industry decarbonisation (see Technical Annex, page 153), presenting two possible options for the decarbonisation of the iron and steel industry:

- Retain coking coal in steelmaking with Carbon Capture Utilisation and Storage (CCUS) to sequester emissions.
- Use of electric arc furnaces with hydrogen replacing coal for use in direct reduced iron processes.

[49] A summary of how coal is used in steel making is available from the World Coal Association webpage on 'How is Steel Produced?' [accesses October 2024]

[50] Steel UK, Key Statistics Guide 2024

[51] HM Government, Net Zero Strategy: build back greener, October 2021, p129

[52] BEIS, Industrial decarbonisation strategy, 17 March 2021, p19; The Steel Council is a forum of government representatives, the sector and trade unions.

Other policies in the strategy included using public procurement to support "green" industrial products and support further research and development towards new industrial processes.

The steel sector welcomed the government's ambition in the industrial decarbonisation strategy. But it called on the government to put in place a supportive policy framework so that the sector can continue to compete in domestic and international markets if production costs rise. UK Steel, the steel industry body, called for further action on reducing electricity costs for the sector to make the UK a more attractive destination for investment in low-carbon steel production.[53] On electricity costs see section 5.5 below.

Net zero strategy (2021)

The Johnson government's Net Zero Strategy, published in October 2021, restated its commitment to work with the Steel Council "to consider the implications of the recommendation of the Climate Change Committee". According to the strategy, hydrogen-based steelmaking, CCUS and electrification were among the technological approaches being considered during this process.[54]

Environmental Audit Committee's inquiry into green steel

The Environmental Audit Committee (EAC) held an inquiry into green steel in 2022. The committee approved of the government's support for decarbonising the sector. However it concluded that the government's actions did not yet meet its ambition.[55]

Decarbonisation pathways are commercial decisions

The government considered that decarbonisation offers an opportunity for the UK steel industry to compete in the global market. In 2022 the minister wrote to the Environmental Audit Committee stating that decarbonisation of UK industry is a core part of the government's plan "for the green industrial revolution to create sustainable and significant economic development across the UK."[56]

The government's position was that choices on how to decarbonise are "a commercial decision for companies" and that it is working closely with the sector as companies choose the optimum route for their plants.[57]

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53 UK Steel, UK Steel responds to Industrial Decarbonisation Strategy, 17 March 2021; UK Steel is part of Make UK, the manufacturing trade body

54 HM Government, Net Zero Strategy, October 2021, para 42, p129

55 Environmental Audit Committee, inquiry Technological Innovations and Climate Change: Green Steel, 2022

56 Environmental Audit Committee, Correspondence with the government, HC 108, 31 May and 29 June 2022.

57 PQ 67889 [Iron and Steel] 26 October 2022

The steel industry's position on net zero

In July 2022, UK Steel, the industry body, published Net Zero Steel - A Vision for the Future of UK Steel Production.[58] UK Steel expects UK demand for "steel to grow by 2030, presenting an opportunity to reindustrialise and create green jobs." In its view, high electricity prices for steel producers, "almost 60% higher than those available to their direct European competitors" are among the main challenges to reaching industry net zero targets.

Developing and adapting often untested, new technologies is risky and considerably more expensive than traditional technologies. UK Steel considers that in absence of a global carbon price, where all steel producers face the same cost of carbon emissions, "increased climate change ambitions and accompanying costs in the UK will lead to offshoring of production and investment".

UK Steel calls on the government to:

- Create a net zero carbon market, for example by introducing a carbon border adjustment mechanism, product standards and focussing on green procurement, as set out below;
- Offer direct support for net zero steel production (such as public investment in significant assets and infrastructure, research and development funding, support for hydrogen production and infrastructure). [59]

Government support for decarbonisation of the steel industry

Government support for the sector covers general measures such energy cost relief, as well as targeted programmes to support greening technologies and net zero transition. These programmes are typically open to a range of industries, including steel. Support measures include:

- providing the steel sector with £730 million in energy costs relief since 2013;[60]
- The British Industry Supercharger, a set of measures to bring energy costs incurred by energy-intensive industries including steel "in line with the world's major economies". The rollout of the measures started on 2 April 2024;
- the steel industry can bid for various funds to support energy efficiency and decarbonisation, including:

58 UK Steel, Net Zero Steel - A Vision for the Future of UK Steel Production, July 2022

59 UK Steel, Net Zero Steel - A Vision for the Future of UK Steel Production, July 2022, p4; 'UK steel industry warns it needs state aid to survive green transition', Financial Times, 6 November 2022

60 HC Deb [British Steel] 8 November 2023

- Access to up to £66 million through the Industrial Strategy Challenge Fund and the £500 million Industrial Energy Transformation Fund (IETF) (available up until 2028) to develop new technologies, help reduce energy bills and increase energy efficiency.[61]

- A separate IETF fund operated in Scotland with funding to Scotland calculated by the Barnett formula. It is not currently accepting applications pending Scottish ministers' decision on extending the fund.[62]

- Long-term work at the Materials Processing Institute (the Green Steel Centre) in Teesside to help the UK steel and metals sector improve efficiencies, reduce emissions, and boost competitiveness.

- In terms of research and development in green steel technology, the government has supported a number of programmes including SUSTAIN (Future steel manufacturing research Hub) funded by £10 million funding from the Engineering & Physical Sciences Research Council (EPSRC) and studies undertaken as part of the £55 million Net Zero Innovation Portfolio (NZIP) Industrial Fuel Switching programme.[63]

The government also has several support schemes that seek to incentivise infrastructure that is adjacent to the green steel process. For example, it has several programs to support the production of hydrogen. This includes the hydrogen production business models to provide revenue certainty to hydrogen producers. More information is available in the UK Hydrogen strategy (updated December 2023).

Specifically on steel, the strategy includes the Industrial Hydrogen Accelerator programme, which awarded funding for innovation projects that can demonstrate end-to-end industrial fuel switching to hydrogen in September 2023. These were a project on steel and a project supporting decarbonisation of the asphalt and cement production industry.

The government has also developed business models to support carbon capture, usage and storage. Although none of these are specifically targeted at steel use, the Government's CCUS vision to establish a competitive market (published December 2023) does highlight that CCUS will be needed for the steel sector, and scaling the technology in other sectors will allow the technology to develop and costs to fall for installation in the steel sector.

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61 HC Deb 28 June 2023 Prime Minister's questions - 1st Supplementary, C275

62 Scottish Government, Energy Efficiency: Scottish Industrial Energy Transformation Fund (SIETF), accessed 28 May 2024.

63 PQ 193602 [Iron and Steel: Environment Protection] 19 July 2023

Proposals for a clean steel fund

In 2019, the government announced an intention to establish a £250 million Clean Steel Fund to "provide a long-term signal of support to the steel sector and its decarbonisation efforts". Following a consultation on the fund in 2019/2020, it decided not to release funding before 2023.[64] The industry signalled the proposed funding of £250 million would be too small to make a significant difference for its decarbonisation plans.[65]

As noted above, before the 2024 general election, the Labour party pledged £3 billion to a green steel plan, to match what "other countries are offering their steel sectors".[66] In the party's 2024 Election manifesto it announced £2.5 billion for steel, "on top of the £500m for this transformation at Port Talbot."[67]

Further information and commentary on government policy

The Institute for Public Policy Research (IPPR), a progressive think tank, has published a report, Manufacturing matters: The cornerstone of a competitive green economy, where it calls on the government to retain as much as possible of the domestic steel industry through "greening" it. It calls on the government to make more subsidies available to decarbonise the industry:

> Steel is strategically important in the UK and provides thousands of jobs across the country. A successful green transition will need lots of steel for use in construction and manufacturing, but right now the British industry is going backwards. Policymakers should ensure that we retain as much capacity as possible, particularly in green steel. [68]

Green Alliance, an independent environment think tank, argues in its report, A brighter future for UK steel (2023), that the UK market for steel has the potential to grow by up to 26% by 2030. Two thirds of the growth would by generated by new net zero needs. It calls on the government to support the transition by "creating a favourable investment environment, supporting UK manufacturing and increasing requirements around resource efficiency".[69]

Further reading

- Parliamentary Office of Science and Technology, Green steel, May 2022
- UK Steel, Net Zero Steel - A Vision for the Future of UK Steel Production, July 2022

64 BEIS, Creating a Clean Steel Fund: call for evidence: Summary of responses, 14 December 2020, p5.
65 "Could decarbonisation be the cure for the UK's ailing steel industry?" BusinessGreen.com, 14 October 2022
66 HC Deb [Steel Industry: Decarbonisation] 29 June 2023, c403
67 HCWS87, [Statement from the Secretary of State for Business and Trade], 11 September 2024
68 IPPR, Manufacturing matters: The cornerstone of a competitive green economy, 15 May 2024, p36; "UK has competitive edge on a third of green products, thinktank finds", the Guardian, 14 May 2024
69 V. Viisainen, R. Bulleid, Green Alliance, A brighter future for UK Steel, 2023

- Environmental Audit Committee, inquiry Technological Innovations and Climate Change: Green Steel, 2022
- World Steel Association, Climate change and the production of iron and steel, 2021
- Materials Processing Institute: Decarbonisation of the steel industry in the UK - toward a mutualised green solution, March 2021
- J. Webb, Forging the future: A vision for northern steel's net zero transformation, IPPR, 17 April 2021

5.5 Energy costs

Steel production and processing is a highly energy-intensive process. The World Steel Association has estimated that energy consumption represents between 20-40% of the total cost of steel production.[70]

UK energy price is comparatively high

UK Steel highlights that steel market is characterised by intense competition and that businesses operate with small margins. The steel industry argues that higher dependency of the UK electricity market on gas contributes to UK steel producers experiencing significantly higher electricity prices than their counterparts in France and Germany.[71]

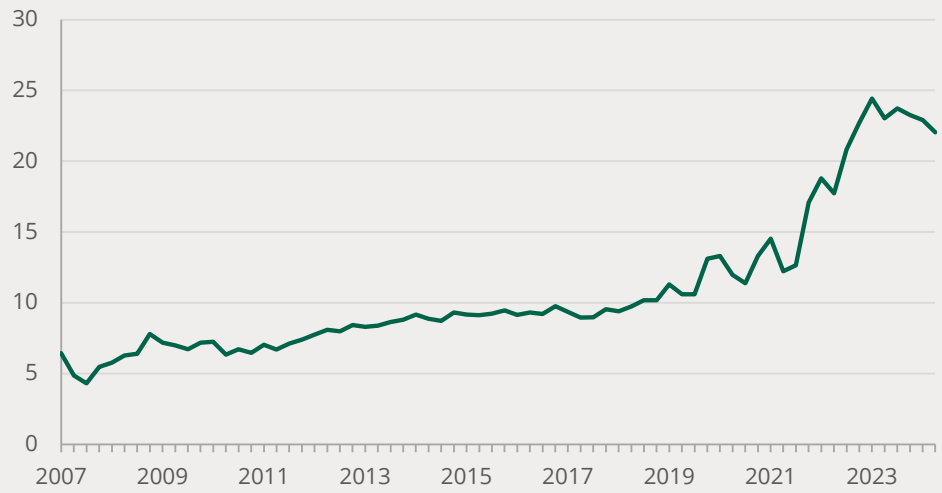
According to UK Steel, the higher UK power costs are causing the industry to struggle to be competitive in the global market. In addition, options for decarbonising the steel industry such as Carbon Capture and Storage (CCS), electrification by moving to production through the EAF route and fuel switching (for example to hydrogen) all require increased electricity consumption and significant investment. The industry says that high electricity costs are therefore undermining the sector's prospects of long-term investment in decarbonisation.[72]

In the second quarter of 2024 in the UK, the average electricity price for extra-large industrial consumers,[73] which will include steel producers, was 22.04 pence per kWh. This was more than double in cash terms than in Q2 2019, but 2.4 pence lower than the price peak in Q1 2023. Trends are shown below.

70 World Steel Association, Energy use in the steel industry report, April 2021
71 UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), September 2024
72 As above
73 Extra-large consumers are defined as those using > 150,000 MWh per year

Average UK electricity prices for extra-large industrial consumers

Pence per kWh in cash prices, including the Climate Change Levy



Source: Gas and electricity prices in the non-domestic sector, BEIS

UK electricity prices for very large industrial consumers in the second half of 2023 were higher than for any EU member state. They were 23.04 pence per kWh which was 71% above the median price in the EU. Trends in UK and EU median values are illustrated below.

Industrial electricity prices for very large consumers

Pence per kWh including taxes and levies

Source: International industrial energy prices, BEIS, table 5.4.4.

The UK Steel report Industrial competitiveness: electricity prices faced by UK steelmakers (September 2024) uses data from its members and sister organisations in France and Germany to make what it says is a more meaningful comparison of prices faced by steel producers. These include

"...all exemptions and compensations available" to those companies and thereby reflects the situation experienced by UK steel producers.

In 2024/25 UK Steel puts the average price in the UK at £66 per megawatt hour (MWh) compared with £50 per megawatt hour in Germany and £42 per megawatt hour in France. The difference is £16 and £22 per megawatt hour respectively.[74] The difference was £20 per megawatt hour over the period of 2016 to 2021, but lower than the disparity of £52 per megawatt hour in 2023/24.[75] The report includes further detail on policies the industry would like to see from government to support energy costs.[76]

Support to industry for recent rises in energy costs

In 2022/23, the government introduced a series of support schemes to help customers with rising energy prices. Non-domestic consumers, including the steel industry, were eligible for discounts on non-domestic electricity and gas unit prices. The support was available in the period between October 2022 and April 2024.[77] Detailed information about these past schemes is provided in the Library briefing Constituency casework: government support for energy bills.

Support for energy intensive industries

The main support measure for energy intensive industries' electricity costs is a series of exemptions and compensation. The government provides compensation or exemptions to energy intensive industrial users for the indirect costs (higher electricity prices) associated with funding certain decarbonisation policies. The policies include the climate change levy, contracts for difference mechanism, renewables obligation and feed-in tariffs.

The government said in November 2023 it had provided the steel sector with more than £730 million of relief since 2013 to make energy costs more competitive.[78]

Government support schemes for energy intensive industries include:

- The rollout of the British Industry Supercharger (BIS) from 2 April 2024. The British Industry Supercharger encompasses a set of measures to bring energy costs incurred by energy-intensive industries including steel "in line with the world's major economies". It will fully exempt eligible

74 UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), September 2024

75 UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), September 2024; UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), November 2023

76 UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), September 2024;

77 The schemes for non-domestic consumers included the Energy Bill Relief Scheme (EBRS), the Energy Bill Discount Scheme (EBDS) and one-off alternative fuel payments.

78 HC Deb [Steel Industry] 7 March 2023, cc1051-1052

firms from the small-scale feed-in tariff. It will also reduce network charges (the costs industrial users pay for their electricity supply) by 60%.

UK Steel recognises that the British Energy Supercharger has reduced the disparity between the UK's electricity prices and those in Germany and France. It has brought the price difference back to pre-pandemic levels of £19 to £23 per megawatt hour. However, UK Steel says the government must go further and compensate 90% of network charges for the industry, on par with the support in those countries. It is also calling for wholesale electricity market reform.[79]

- An updated Guidance on exemption for the indirect costs of funding Contracts for Difference, the renewables obligation and small-scale feed-in tariffs (June 2024). In the autumn of 2022, the government held a consultation on providing a 100% exemption from these environmental and policy costs instead of the former 85%, from 1 April 2024. The government published its response to the consultation in May 2023.

- Compensation for the indirect costs of the UK Emission Trading Scheme (UK ETS) and the Carbon Price Support (CPS) mechanism (October 2024). In April 2022 the government announced that it would extend the compensation scheme for three years until March 2025.[80] It also said the scheme's budget would be more than doubled.[81]

5.6 Steel procurement

As a major source of demand for steel, the government can use its purchasing power to support the UK steel industry. Public projects account for over 10% of the UK domestic demand for steel.[82] The government can also encourage private sector manufacturers in the UK to use UK suppliers of steel, for example in the automotive industry.

UK Steel lists the benefits of supporting UK steel manufacturers through procurement policy, including:

- Buying close to the source taps into local knowledge and steel expertise
- Boosting the national and local economy through support for a domestic industry

79 UK Steel Election Manifesto, 10 June 2024; UK Steel, Industrial competitiveness: electricity prices faced by UK steelmakers (PDF), September 2024

80 BEIS, Consultation outcome: Review of the schemes to compensate energy intensive industries for indirect emission costs in electricity prices, 29 April 2022

81 BEIS, Press release: High energy usage businesses to benefit from further government support, 29 April 2022

82 UK Steel, Election Manifesto, June 2024, p10

- Value for money, adaptability and many options for recycling
- Speed and efficiency thanks to factors such as factory-based off-site manufacturing
- Cutting carbon footprint by saving on CO2 emissions of transportation
- Using highly skilled domestic workforce.[83]

There are frequent calls on the government to support the domestic industry by buying more or exclusively British steel.[84] However, because of the UK's international obligations embedded in UK procurement rules, contracting authorities, such as local authorities, are not generally allowed to require that the goods they buy originate in the UK.[85] However, procurement rules offer opportunities to engage with domestic suppliers and give them better access to public contracts.

In December 2017, the Department for Business Energy and Industrial Strategy published a research report called Future capacities and capabilities of the UK steel industry.[86] This report identifies areas of significant demand for UK steel, barriers to this demand being satisfied by the industry in the UK, and 'enablers', or actions that the government and industry can take to overcome these barriers. It estimated that if UK demand for finished steel (across all industries) grew to 11 million tonnes by 2030, this would represent a future opportunity of 6.6 million tonnes for the UK steel industry and up to a £3.8 billion revenue opportunity.[87]

Steel Procurement Taskforce

In March 2021 the Government set up a Steel Procurement Taskforce, bringing together representatives from government, the steel industry, trade unions and the devolved administrations. The taskforce aimed to "explore what government and industry can do to address challenges the sector has reported facing in competing for and securing public contracts". The Steel Procurement Taskforce's final report was published in February 2022.[88]

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83 UK Steel, UK Steel Charter. Sign For A Better Future, 2023 [accessed 8 October 2024]

84 See, for example, HL Deb 4 July 2022, cc216-217GC; Amendment 66 HL Deb 13 July 2022, cc476-478GC; Amendments 37 and 53, HL Deb 28 November 2022, c1632; HC Deb 9 January 2023 c347; Labour Party, Labour calls for stronger Buy British steel guarantees as failure to back steel industry exposed, 23 March 2021

85 The general principles of non-discrimination and equal treatment of suppliers are embedded in the UK procurement rules (Regulation 18, the Public Contracts Regulations 2015). A similar principle prohibiting discrimination of suppliers from countries with which the UK has a trade agreement on procurement ("treaty state suppliers") is included in the new Procurement Act 2023, section 9.1. The act entered into force fully on 24 February 2025.

86 BEIS, Future capacities and capabilities of the UK steel industry, 21 December 2017

87 BEIS, Future capacities and capabilities of the UK steel industry, 21 December 2017

88 Department for Business and Trade and the Department for Business & Energy and Industrial Strategy, Steel Procurement Taskforce: final report, 22 February 2022

The recommendations of the taskforce focussed on developing new technologies, improving data, collecting data on the origins of purchased steel, and the promotion of greater transparency. The taskforce also recommended the UK steel industry and government explore whether to develop a new standard, which could recognise, for example, "action on sustainability, digital information availability at product level and completion of environmental product declarations" while considering the UK's legal obligations.

The taskforce observed that the UK as an independent member of the World Trade Organisation's (WTO) Agreement on Government Procurement (GPA) "is committed to its principles of fairness, impartiality, transparency, and non-discrimination."[89]

Steel Procurement Policy Note (PPN) and guidance

Following recommendations of the Steel Procurement Taskforce, the government updated its Procurement Policy Note 04/23: Procuring Steel in Government Contracts in April 2023.[90] From 24 February 2025, an updated note (PPN 010) replaces PPN 04/23. The note aligns with terminology in the new Procurement Act 2023, which also came into force on 24 February 2025.[91] Government policy remains unchanged.

The policy note Procuring steel in government contracts outlines how contracting authorities can use public procurement to support UK businesses and industry, decarbonisation and levelling up "by taking account of the wider social, economic and environmental considerations". It requires central government departments to report on the origin of steel in public projects. Contracting authorities are expected to find a balance between these objectives and a requirement to ensure a level playing field for all suppliers and value for money for the taxpayer.[92]

The guidance is mandatory for central government departments and certain other contracting authorities. Wider public sector bodies are encouraged to follow it.

UK Steel has welcomed the reporting requirements on the origin of steel and said this should raise the profile of British-made steel. It would also help to track the source of products from sanctioned countries such as Russia.[93]

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89 As above, pp 6-8

90 Cabinet Office, Procurement Policy Note 04/23: Procuring Steel in Government Contracts, April 2023; This Procurement Policy Note replaces an earlier PPN 11/16 last updated in 2017; Cabinet Office, Revised Guidance on Procuring Steel in Government Contracts (PDF), p2

91 PPN 04/23 continues to apply to procurement started before 24 February 2025 and contracts awarded before this date.

92 Cabinet Office, Procurement Policy Note PPN 010: Procuring steel in government contracts, 17 February 2025

93 Make UK, New UK Government regulations to boost uptake of British made steel in public projects, April 2023

Procurement pipelines

Since 2017, the government has produced a Steel public procurement pipeline, which brings together all the planned and ongoing infrastructure projects in the UK that use steel. It records the dates of the projects and the amount of steel required. The purpose of this document is to help steel manufacturers plan more accurately. The 2024 iteration of the steel procurement pipeline indicates that public infrastructure projects will require over 8 million tonnes of steel in the coming years.

Data on steel procurement

The government publishes data on central government departments' compliance with the steel procurement guidance. The most recent report is from March 2024.[94] About 66% of steel used in public projects is reported as made in the UK. However, UK Steel said it was likely "an overestimate", because steel is typically purchased by subcontractors several tiers removed from the main contractors directly supplying contracting authorities.[95]

UK Steel's procurement initiative: the steel charter

In May 2019, UK Steel launched its own procurement initiative – the Steel Charter (updated in 2023) – aimed at maximising the amount of UK produced steel used in UK construction and infrastructure projects.[96] The Charter asks signatories to commit to a range of practical steps on steel procurement and provides guidance for organisations. Its signatories include the Scottish and Welsh Governments and the (former) Department for Business, Energy and Industrial Strategy.[97]

Steel in strategic procurement

UK Steel has urged the government to go further and produce an overarching target for the UK steel content of publicly funded projects. This would not be a legally binding target, but rather a statement of intent with which to drive improvements in public procurement.[98]

When in opposition, the Labour party also called on the government to do more to support the sector through public procurement. It called for the government to set "targets for UK steel content in major public works with a guarantee to state a preference for the use of UK produced steel through the contracting process". It argued that stronger "buy British" steel guarantees

94 Department for Business and Trade, Steel Public Procurement 2024 Compliance with the steel procurement guidance (PPN 04/23) (PDF), March 2024

95 UK Steel, Election Manifesto, June 2024, p10

96 UK Steel, UK Steel Charter [accessed 4 June 2021]

97 MakeUK, UK Steel launches new public procurement initiative with UK government Support, 20 May 2019

98 UK Steel, COVID-19 restart and recovery, 14 May 2020 (page 11)

would support UK businesses, workers and reduce carbon emissions.[99] As part of its plan to 'Get Britain Building' the Labour party said in October 2023 it would use strategic procurement to support the steel industry:

> Labour's plan to do, make and sell more in Britain is a commitment to use strategic procurement for industrial strategy. Labour has set out plans to help British businesses win more government contracts, using stretching social, environmental and labour clauses in contract design to ensure British businesses and industries like steel are recognised for the high standards they meet.[100]

5.7 Carbon Border Adjustment Mechanism

Decarbonising steel production is costly and threatened by the risks of carbon leakage – offshoring production of steel (and the resulting emissions) to countries outside the UK, where producers may face lower carbon costs and less stringent climate change regulations. Carbon leakage means more expensive domestically produced goods are displaced by cheaper imported goods, which are produced to less demanding emission standards.[101]

UK Steel has called on the government to introduce a Carbon Border Adjustment Mechanism (charging for carbon emissions of imported goods) to create a level playing field in carbon pricing between domestic and imported steel.[102]

What is a CBAM?

A Carbon Border Adjustment Mechanism (CBAM) is a measure implemented by governments to account for the carbon cost of producing imported goods, with the ultimate aim of reducing greenhouse gas emissions and supporting global progress towards net zero. A CBAM aims to ensure equal treatment of domestic and imported goods by applying a charge to carbon emitted during the production of imported carbon-intensive goods, such as iron and steel.

In 2023, the EU started rolling out the world's first CBAM, to be completed by 1 January 2026. The EU CBAM covers imports of selected goods in several sectors including iron, steel and hydrogen. It will require importers to pay a carbon price on those goods equivalent to the price paid by EU domestic producers operating in those sectors.

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99 Labour Party, Labour calls for stronger Buy British steel guarantees as failure to back steel industry exposed, 23 March 2021

100 Labour Party, Labour pledges bright future for UK steel with plan to 'Get Britain Building', 23 October 2023

101 HC Deb 29 June 2023 [Steel Industry: Decarbonisation - Hansard - UK Parliament], c402

102 UK Steel, Net Zero Steel - A Vision for the Future of UK Steel Production, July 2022, pp32-33; UK Steel, UK CBAM: creating a level playing field with robust carbon leakage protection, April 2024, p5

In December 2023, the UK Government announced it would implement its own CBAM from January 2027. From 21 March to 17 June 2024 the government consulted on the design of a UK CBAM. Based on the Conservative government's announcements, a UK CBAM would be similar to the EU CBAM but it may be different in terms of timescale and sectoral scope. The government's intention was to include imports of certain iron and steel products, as well as hydrogen in the scope of the UK CBAM.

Commons Library research briefing on a Carbon Border Adjustment Mechanism has further details on CBAM policy in the EU and UK.[103]

Mismatch of timing

The steel sector has repeatedly called on the government to mirror the EU calendar for the introduction of CBAM. A failure to begin its application from 2026 risks flooding the UK market with nearly 23 million tonnes of non-EU steel diverted from the EU market, according to UK Steel estimates. The organisation warns that the proposed UK timing would create a one-year gap, which coincides with the expiry of the temporary steel safeguard measures in 2026. Steel safeguards have been temporarily introduced under WTO rules to protect UK domestic producers from a surge of imports. UK steel safeguards are explained in section 5.7 below. The combination of both factors would leave UK producers more exposed to an import surge.[104]

Mutual recognition of EU and UK emissions trading systems

The EU CBAM would not apply to countries that participate in the EU Emission Trading Schemes (ETS) or have an ETS linked to the EU ETS. UK Steel is therefore calling for a mutual recognition of the UK and EU Emission Trading Schemes, which would merit such an exemption and support continued UK steel exports to the EU:

> Mutual recognition between the UK and EU CBAM policies and Emission Trading Schemes (ETS) is equally crucial to avoid any restrictions to trade. 75% of the UK steel industry's exports - totalling 2.55Mt of steel (£3.5bn in value) - goes to European markets. Without mutual recognition and linked emission trading schemes, UK-made steel will face a financial trade barrier when exported to our biggest export market.[105]

New government's position

The Secretary of State for Business and Trade, Jonathan Reynolds said on 11 September 2024 that the government is looking at the proposals made by the

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103 Commons Library research briefing CBP 9935, Carbon Border Adjustment Mechanism

104 HC Deb 29 June 2023 [Steel Industry: Decarbonisation] c402; UK Steel, Critical carbon border policy's sluggish timeline will leave UK steel sector exposed, 19 December 2023; See also Commons Library research briefing, UK Steel safeguards, 2 August 2024

105 UK Steel, CRITICAL CARBON BORDER POLICY'S SLUGGISH TIMELINE, 19 December 2023

previous government. He said that the CBAM "is a key part of a wider policy environment that must deliver decarbonisation, which is not deindustrialisation."[106] The government confirmed at the Autumn 2024 Budget that the UK CBAM will be introduced on 1 January 2027 "placing a carbon price on goods that are at risk of carbon leakage imported to the UK". It will apply to the aluminium, cement, fertiliser, hydrogen and iron & steel sectors.[107]

5.8 UK trade remedies

Steel is an intensively traded product and a glut of steel on global markets has depressed its value. Governments participating in the OECD Steel Committee "consider excess capacity as being one of the main challenges facing the global steel sector today."[108] Steel industries are often heavily subsidised by national governments resulting in production levels far exceeding what the market would otherwise demand.[109]

Countries can use trade remedies to protect their domestic industries from a flood of global oversupply. Giving evidence to the International Trade Committee, UK Steel said that "trade remedies are probably the most important element of trade policy for the steel industry."[110]

Steel safeguards

Trade safeguard measures aim to protect the domestic industry from import surges. The UK has a steel safeguard measure in place covering 15 steel product categories. The safeguard comprises a quota on imports of certain steel products above which a 25% tariff is levied, making imports more expensive. These are intended to protect the UK steel market from cheap steel diverted from elsewhere.

Import quotas under a safeguard are set by product category and apportioned to the countries whose import market share exceeded 5% in 2017-2019. Such country-specific quotas are available to the EU, Turkey, China, South Korea, India, Japan and several others. The residual quota is open to all other countries. There are adjustments for developing countries that export limited volumes of steel to the UK.

According to the World Trade Organisation rules, safeguards are temporary mechanisms designed to give domestic industries time to adapt to changed

106 HC Deb [Port Talbot transition project] 11 September 2024, c834
107 HM Treasury, Autumn Budget 2024 – HC 295 (PDF), para 5.81
108 OECD, Steelmaking capacity, June 2020
109 OECD, Excess capacity in the global steel industry: the current situation and ways forward, 10 March 2015
110 International Trade Committee, Oral evidence: UK Trade Remedies Policy, HC 701, 14 October 2021, Q33

market conditions. The UK steel safeguard must expire after 30 June 2026 and cannot be extended beyond that date.

On 30 September 2024, following the closure of the last blast furnace at Port Talbot, the government agreed to a 132% increase in the safeguard quota for some types of steel, thus allowing a larger volume to be imported without the additional 25% duty. This is measure is intended to compensate for the loss of the domestic supply of hot-rolled steel, which was produced at Port Talbot.[111]

Our briefing UK Steel Safeguards provides a more detailed overview of the UK steel safeguard.

Anti-dumping and anti-subsidy measures

An anti-dumping duty is an import duty applied in addition to normal customs duty. It is designed to take action against goods that are exported at less than their normal value (defined as the price for 'like goods' sold in the exporter's home market). An anti-subsidy duty (also called a countervailing measure) is a duty put in place to counteract a foreign subsidy that has caused an injury to domestic industry. These duties are applied to specific industries, goods or firms instead of imports from a whole country

The UK largely retained EU steel anti-dumping and anti-subsidy measures, which were in force at the end of the transition period in 2020. The government is conducting a transition review to determine whether these measures should be adjusted, extended or terminated to reflect the circumstances of the UK market.[112]

Commons Library briefing UK Steel Safeguards (section 5) gives more detail on the UK anti-dumping and anti-subsidy measures protecting the steel industry.

5.9 US tariffs and UK steel exports to the United States

US President Donald Trump announced a 25% tariff on US steel and aluminium imports without exceptions or exemptions, which will come into effect from 12 March 2025. This repeals an exemption from a 25% tariff on steel and 10% tariff on aluminium imports to the US, which the UK Government negotiated with the Biden Administration in 2021.[113]

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111 Trade Remedies Authority, Changes to Category 1 steel imports quota come into effect, 30 September 2024

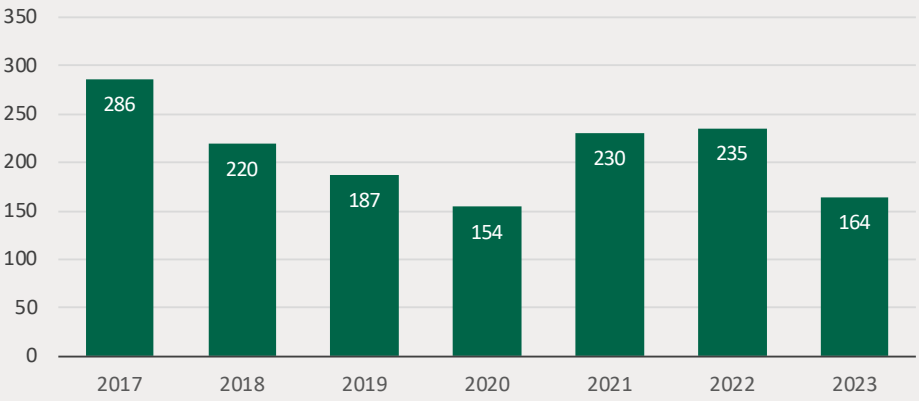
112 Department for Business and Trade, Trade Remedies Authority (TRA) dumping, subsidisation and safeguarding investigations guidance (accessed 10 March 2025)

113 The new tariff on aluminium will rise to 25% compared to 10% under the first Trump's Administration.

According to HMRC trade data, UK iron and steel exports to the US totalled 164 kilotonnes (£394 million) in 2023.[114] This equals 5.2% of total UK steel exports of 3,187 kilotonnes. The table below shows that UK steel exports to the US decreased from 2017 to 2020, following the introduction of US tariffs of 25% for the first time in 2018 (see below), and the covid-19 pandemic.

UK steel exports to the US has decreased between 2017 and 2023, with an uplift in 2021-22

kilotonnes



Source: HMRC, UK trade info

UK Steel, the industry body, expects the tariff will affect UK exports negatively and predicts "huge ramifications for the steel sector in the UK and across the world." Gareth Stace, UK Steel Director General, says this will also have "hugely distortive effects on international trade flows", meaning excess steel unable to be sold in the US may be diverted to other markets, including the UK. This could add pressure on UK steel manufacturers.[115]

Douglas Alexander, Minister of State for the DBT, told Parliament on 11 February 2025 that the government wanted to engage "in a constructive and mature dialogue" with the US to address the issue.[116] The government sees the UK's steel safeguard measure (see section 5.8 above) as an essential tool to protect the industry from excessive imports following the introduction of the US steel tariffs.[117]

114 HMRC, UK trade info

115 UK Steel, Trump orders 25% tariffs on UK steel imports to the US, without exemption, 10 February 2025

116 HC Deb 11 February 2025 [US Steel Import Tariffs] c184

117 PQ 30901 11 February 2025 [Iron and steel: imports]

Background: first round of US tariffs on steel and aluminium

In March 2018, the US Trump administration introduced tariffs on national security grounds (Section 232 legislation) imposing additional duties of 25% on certain steel and 10% on aluminium product imports to the US. The US was using the Section 232 legislation to address longstanding grievances about the exponential growth of Chinese steel and aluminium exports since the 2000s, boosted by Chinese state subsidies.[118] According to Chad Bown, senior fellow at the Peterson Institute of International Economics, while China was the main target of the tariffs, they affected many countries' exports to the US, including NATO members and other allied countries, thus undermining the Trump administration's rationale that these tariffs protect US national security.[119]

In June 2018, the Trump administration put tariffs on EU steel and aluminium. The tariffs initially targeted €6.4 billion worth of European exports. Additional tariffs on certain derivative steel and aluminium products were introduced in January 2020, affecting around €40 million in EU exports.[120]

Until 1 January 2021, the UK was part of the EU customs union and single market. Accordingly, the tariffs imposed on EU-US trade applied to UK-US trade and were initially carried over when the UK left the EU.

EU response to Section 232 tariffs

In response to the Section 232 tariffs, the EU took a three-pronged approach:

- The European Commission initiated a dispute against the US under the World Trade Organisation dispute settlement mechanism;
- took 'rebalancing measures' imposing tariffs on US exports worth €2.8 billion in goods, such as motorcycles, bourbon, jeans, and agrifoods. In response to the second batch of US tariffs, the EU put tariffs on US exports to the EU worth around €34 million in 2020. Further rebalancing tariffs targeting US exports worth up to €3.6 billion were scheduled for June 2021 but were suspended;[121] and
- introduced an EU steel safeguard – a tariff rate quota (TRQ) on steel imports, with a 25% tariff on imports exceeding the quota.[122] This

118 See Commons Library research briefing, UK steel industry: statistics and policy, section 2

119 Chad P. Bown, Katheryn Russ, Peterson Institute for International Economics, Biden and Europe remove Trump's steel and aluminum tariffs, but it's not free trade, 11 November 2021

120 Congressional Research Service, Section 232 Investigations: Overview and Issues for Congress, R45249, updated 18 May 2021

121 European Commission, press release EU and US suspend steel and aluminium trade disputes, 31 October 2021

122 Tariff rate quotas (TRQs) set a volume of a product that may be imported at relatively low (or zero) tariffs.

safeguard, extended until June 2026, aims to protect the EU market from diverted steel.[123]

According to EU data, EU exports of affected steel and aluminium to the US fell from 5.1 million tons to 2.4 million tons between 2018 and 2020.[124]

UK government's response

As an EU member state, the UK was similarly subject to the US Section 232 tariffs imposed in June 2018. At the end of the transition period (31 December 2020) the UK initially carried over the EU's steel safeguard measures and retaliatory tariffs (rebalancing measures on US goods such as whiskey, jeans and motorcycles) while announcing an independent approach to US tariffs.[125]

Biden administration pauses the trade dispute on Section 232 tariffs with the EU

In 2021, instead of removing Section 232 tariffs, the Biden administration offered the EU a tariff-free quota till the end of 2025. In addition, both sides agreed to suspend their respective tariff rebalancing measures till 31 March 2025[126] and agreed to pause the bilateral WTO disputes related to the Section 232 tariffs.[127]

The agreement of 31 October 2021 removed Section 232 tariffs from EU steel and aluminium and terminated EU retaliatory tariffs on US goods. However, tariff-free imports of EU metals in the US were limited to historic trade volumes of these goods. Chair of the European Parliament's international trade committee, Bernd Lange, described the US TRQ system as "very burdensome" for EU steel exporters.[128]

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123 Under the WTO rules countries can use trade remedies to protect their domestic industries from a surge in imports, which negatively affect domestic industries; these include safeguard tariffs, antidumping, and anti-subsidy measures. See further our briefing on UK steel safeguards, sections 1.1 and 5.
European Commission, Trade: Commission imposes provisional safeguard measures on imports of steel products, 18 July 2018; European Commission, Commission imposes definitive safeguard measures on imports of steel products, 1 February 2019; European Commission, EU prolongs steel safeguard for three years, 25 June 2021; Regulation 2021/1029, 25 June 2021; European Commission, EU prolongs steel safeguard measure until June 2026, 25 June 2024

124 European Commission, factsheet on EU-US relations - EU-US steel and aluminium trade accessed 11 March 2025

125 Department for International Trade, UK announces new approach on US tariffs, 4 March 2021; Department for International Trade, UK and US resolve steel and aluminium tariffs issue, 22 March 2024; "Small UK businesses count the cost of lingering Trump-era steel tariffs", Financial Times, 8 February 2022

126 US International Trade Administration, Foreign Retaliations Timeline, accessed 25 November 2024

127 European Commission, EU trade relations with United States, accessed 26 November 2024; US Trade Representative, Fact Sheet: U.S. – EU Arrangements on Global Steel and Aluminum Excess Capacity and Carbon Intensity | United States Trade Representative, October 2021

128 "In brief: EU US extend tariff truce for fifteen months", Borderlex, 19 December 2023

In parallel, the EU and US started negotiations for a US-initiated Global Arrangement on Sustainable Steel and Aluminium (GASSA) as a permanent solution to the trade dispute.[129] The US proposed a long-term trade partnership with the EU, limiting imports from countries with nonmarket practices, including subsidies. Tariffs would be imposed on imports of these metals from countries with carbon-intensive production, predominantly China. However, no deal was reached before the start of the second Trump presidency.

The Council on Foreign Relations, a US foreign policy think tank, noted significant divisions between the parties: the US was seeking to apply Section 232 tariff as a common external tariff of a "green steel club" of countries, while the EU wanted to eliminate them and implement a global arrangement based on the EU Carbon Border Adjustment Mechanism (CBAM) (see section 5.7 above).[130]

… and exempts UK steel and aluminium

The UK-US agreement on steel and aluminium tariffs was reached on 22 March 2022.[131] Under the deal, the US removed Section 232 tariffs on UK-produced steel and aluminium products imported under a TRQ linked to historic trade volumes for these goods. The UK lifted retaliatory tariffs on US goods and agreed to ensure that Chinese-owned UK steel companies are audited to assess the "influence from the People's Republic of China government." The UK and the US also agreed to start talks on global steel and aluminium arrangements, similar to GASSA. According to the UK-UK Joint Statement, the tariff arrangement would be reviewed annually. They did not feature a deadline, unlike the EU arrangement.[132]

[129] European Commission, EU and US agree to start discussions on a Global Arrangement on Sustainable Steel and Aluminium and suspend steel and aluminium trade disputes, 31 October 2021

[130] Inu Manak, Helena Kopans-Johnson, In Green Steel Discussions, the United States Is Playing Dirty, Council on Foreign Relations, 8 November 2023

[131] USTR, Tai, Raimondo Statements on 232 Tariff Agreement with United Kingdom, 22 March 2022; Department for International Trade, UK and US resolve steel and aluminium tariffs issue, 22 March 2022

[132] As above

6 Restructuring of Tata Steel's Port Talbot plant

6.1 Tata Steel's decarbonisation plan

In January 2024, Tata Steel UK announced its plans to cut 2,800 jobs across the UK as part of its transition to greener steelmaking.[133] Tata Steel would close its two blast furnaces at the Port Talbot plant by the end of 2024. The company is aiming to replace them with a single electric arc furnace (EAF), which produces less CO_2 but is less labour-intensive to operate. It expects to start large scale works on the EAF in 2025 and it to be operational within three years – in 2028.[134]

The announcement is part of Tata Steel's four-year plan to restructure loss-making operations and make its steel production in the UK less carbon intensive. According to the government, the Port Talbot plant is currently the UK's largest single industrial carbon emitter.[135]

In July 2024, Tata Steel closed the first blast furnace and coke ovens. In September the second blast furnace was closed.[136]

Investment package and government grant

On 15 September 2023, the UK Government and Tata Steel agreed on a joint investment package for the decarbonisation of steel production at Port Talbot. Under the proposal:

- the UK Government will provide a grant worth up to £500 million – one of the largest government support packages in history. This grant is part of a larger potential capital investment by Tata Steel totalling £1.25 billion.

133 Tata Steel press release "Tata Steel announces next steps towards its ambitious transformation from blast furnaces to green steelmaking in the UK and initiates statutory consultation", TataSteel.com, 19 January 2024

134 "What Tata Steel has said about building an electric arc furnace in Port Talbot", ITV News, 2 October 2024

135 Competition and Markets Authority, Referral of the proposed subsidy to Tata Steel UK by the Department for Business and Trade, 6 February 2024

136 "Port Talbot: steel town braces for shutdown of its last blast furnace", The Guardian, 30 September 2024

- An electric arc furnace will replace the existing coal-powered blast furnaces and reduce the UK's entire carbon emissions by around 1.5% as a result.[137]

- The UK Government has reserved £80 million for a dedicated transition board to support affected employees, contractors and the local economy. Tata Steel has committed £20 million to the transition board. The transition board members include representatives of the UK Government, the Welsh Government, Tata Steel, the Neath Port Talbot County Borough Council, the UK Parliament, the Senedd Cymru and two independent business representatives. Representatives from the trade unions also attend.[138]

Our debate pack, DP-2024-0031, The future of the steel industry in Wales[139], for a Westminster Hall debate on 21 February 2024, provides further background on Tata Steel's restructuring plan.

Labour government's approach

In early 2024 Labour MPs urged the government to adopt the alternative multi-union plan, which proposed avoiding compulsory redundancies at Port Talbot and said it would protect over 2,300 jobs over 10 years across the UK if adopted.

The Labour Party also said it was committed to accelerating "a £3 billion green steel fund to invest over the next five years in the future of our sovereign steel industry".[140]

Following the 2024 general election, the new Labour government started negotiations with Tata Steel seeking job guarantees for the plant's steelworkers.[141]

On 11 September 2024 Business Secretary, Jonathan Reynolds, announced "an improved deal for the workers impacted by the transformation plans of Tata Steel". This includes:

- Tata Steel will fund a training programme for up to 500 employees as an alternative for those at risk of compulsory redundancy. This would be on full pay for one month, then £27,000 per year per employee for 11 months.

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137 HM Government press release, Welsh steel's future secured as UK Government and Tata Steel announce Port Talbot green transition proposal, last updated 19 September 2023

138 HM Government, Office of the Secretary of State for Wales, Tata Steel / Port Talbot Transition Board Statement, 30 November 2023

139 Commons Library debate pack DP-2024-0031, The future of the steel industry in Wales, 19 February 2024

140 HC Deb [Steel industry: Wales] 21 February 2024, cc264-265WH, c266WH

141 "Tata Port Talbot talks under way but no full jobs guarantee - Jonathan Reynolds", BBC News, 7 July 2024

- Tata Steel will offer a voluntary redundancy package. Employees will be paid 2.8 weeks of earnings for each year of service up to a maximum of 25 years.
- There is also a minimum redundancy payment of £15,000 pro-rata and a 'retention' payment of £5,000 for employees leaving the business because of the closures. Over 2,000 employees have expressed interest in voluntary redundancy on these terms, the minister said.
- Tata Steel will release 385 acres of their site for sale or transfer to allow local business development.[142]
- Tata Steel has set a 5,000 UK jobs target after the transition.[143]
- The government and Tata Steel's arrangement includes a clawback provision for investment if Tata Steel fails to fulfil its promises. This includes a grant repayment of £40,000 for every job Tata Steel does not retain after the transition (the previous government had agreed a £30,000 repayment per job).[144]

Further, the cross-government transition board has opened the Supply Chain Transition Flexible Fund. This fund, released in tranches, offers up to £80 million to businesses in Tata Steel's supply chain, impacted by the closure of blast furnaces.[145] As part of the transition fund, the government has set up a Business Start-Up, Growth and Resilience Fund to support businesses and individuals affected by Tata Steel's transition.[146]

6.2 Issues arising from restructuring at Port Talbot

Several wider policy issues have been put forward following Tata Steel's restructuring announcement. MPs discussed these during the Opposition Day debate on protecting steel in the UK on 23 January 2024 and other debates.[147]

Potential loss of virgin steelmaking capacity in the UK

With the proposed closure of the blast furnaces at Port Talbot, the only "virgin" or primary steelmaking will be in Scunthorpe, run by British Steel.

142 HCWS87, [Statement from the Secretary of State for Business and Trade], 11 September 2024
143 In 2023, Tata Steel UK employed around 8000 people. See Tata Steel, Tata Steel UK Sustainability Report 2021-2023 (PDF), 29 June 2023, p10
144 HCWS87, [Statement from the Secretary of State for Business and Trade], 11 September 2024
145 Welsh Government, Support for Tata supply chain launched, 30 September 2024
146 HCWS 227 18 November 2024 [Port Talbot Transition Board]
147 HC Deb 23 January 2024 [Protecting Steel in the UK]; Wales Office, UK Government increases funding for Port Talbot steel communities, 19 December 2024

However, British Steel is also planning to replace its virgin steel making operation with electric arc ovens by 2025.[148]

Should that happen, from 2025, the UK would be the only G20 country that does not produce its own virgin steel. This has led to some questions around national security and whether virgin steel production should be retained as a sovereign capability.[149]

UK defence capabilities

The UK Government's policy is that it is the responsibility of 'prime contractors', that is, companies with a direct contract with the Ministry of Defence (MoD) to source the steel for projects supporting UK Defence. However, the MoD encourages them to source UK steel for defence projects "wherever it is technically and commercially feasible to do so".[150]

According to the Royal United Services Institute for defence and security studies, prime contractors supplying the MoD have a mixed record on the use of UK steel.[151] The Financial Times reports the facilities at Port Talbot are not currently used to produce steel used in defence.[152]

However, ongoing concerns about the future of the UK's only other blast furnaces at Scunthorpe have led to concerns about a total loss of this capacity in the UK.[153] The GMB Union has said this will "significantly impact" the security of the UK's defence supply chains.[154]

The quality of steel produced using electric arc furnaces

An electric arc furnace (EAF) is designed for scrap steel and high grade Direct Reduced Iron, material for producing high quality iron and steel. In the Opposition Day Debate on 23 January 2024, the Secretary of State for Wales acknowledged that historically there was an issue with the quality of the steel produced in an arc furnace. Experts had reassured him, however, that it was steadily improving. He said:

> Tata expects an electric arc furnace to be able to supply about 90% of the products that it currently supplies through the blast furnace.[155]

148 As above, c239; Virgin steel is new steel manufactured in steel mills from iron ore as opposed to recycled steel.

149 HC Deb [Protecting Steel in the UK] 23 January 2024 c239

150 PQ 198628 [Ministry of Defence: Iron and Steel] 20 September 2023

151 RUSI, Use It or Lose It: The UK Must Decide If It Wants a Steel Industry, 10 November 2022

152 "A step into the unknown for Britain's steel industry", Financial Times, 23 January 2024

153 As above

154 GMB, Blast furnace closure leaves UK underprepared for war, 25 January 2024

155 HC Deb [Protecting Steel in the UK] 23 January 2024 c267

In the same debate, referring to concerns about supply of scrap steel, then minister Nusrat Ghani said that there was enough resource in the UK economy to satisfy the estimated demand:

> We have ample scrap steel in the UK economy. We use shy of 3 million tonnes of scrap steel, and we export 8 million tonnes. We could use that scrap steel, which can be recycled infinitely, to provide us with supply chain resilience while reducing our carbon footprint [...] we have a plentiful and reliable supply of scrap metal in the UK for electric arc furnace production, and this is made into new steel products for British and other manufacturers. The scrap sourced here in the UK reduces our need to import steel from China and other countries.[156]

National Grid capacity for electric arc furnaces

Tata has said that to deliver the proposed EAF in 2027, it is in advanced discussions with the National Grid to secure enabling infrastructure by early 2027.[157]

The British Steel announcement regarding its plans for decarbonisation noted, in relation to its plant in Scunthorpe, that it would take at least till 2034 to connect an EAF to the electricity grid.[158]

Trade unions have raised concerns about the timelines of the Tata Steel project considering the infrastructure and capacity of the National Grid.[159]

Emissions

The steel industry in Port Talbot is the UK's biggest single carbon emitter. The September 2023 announcement said an EAF would reduce the UK's entire carbon emissions by around 1.5%. However, there have been criticisms that the UK will simply be offshoring its emissions, with steel being imported from India, where steel making is more carbon intensive.[160]

6.3 British Steel plant in Scunthorpe

The government is in negotiations with British Steel about a £300 million support package for the decarbonisation of its steel plant in Scunthorpe.[161] British Steel, which is owned by the Chinese company Jingye Group since

156 HC Deb [Protecting Steel in the UK] 23 January 2024 c246

157 "Tata Steel announces next steps towards its ambitious transformation from blast furnaces to green steelmaking in the UK and initiates statutory consultation" , 19 January 2024; Welsh Affairs Committee, Oral evidence: Steel Industry in Wales, HC 508, 31 January 2024, qq44-46

158 British Steel press release, "British Steel today unveils £1.25 billion proposal to decarbonise its operations", 6 November 2023

159 Syndex, The Multi-Union plan for Tata Steel, November 2023

160 Welsh Affairs Committee, Oral evidence: Steel Industry in Wales, HC 508, 31 January 2024, Q84; Oral evidence: Steel Industry in Wales, HC 508, 31 January 2024, Q36

161 "British Steel set to cut up to 2,000 jobs in furnace closure plan", BBC News, 6 November 2023

2020, is planning to close its two blast furnaces in Scunthorpe and replace them with a single EAF in Scunthorpe and one at Teesside.

In March 2024, This is Money, a financial news website, reported that the talks about government support were stalling.[162] The then minister, Nusrat Ghani, noted the government had offered British Steel "a generous support package".[163]

On 11 September, the Secretary of State for Business and Trade said the following about the government's talks with British Steel:

> In relation to British Steel, I want a transition plan. My comments earlier were about my frustration that, for me, the ideal deal in a place like Scunthorpe would have been to build the future alongside operating what we currently have. That was available to the last Government; they did not proceed with it. The kind of infrastructure needed for the long-term future of operating blast furnaces would require carbon capture and storage. It was cancelled many times by the previous Government, and is not there. I am heavily constrained in my options, but I am still doing everything that I can to get a deal for the workforce, and to ensure that there is a business there that commands the support of its customers to transition in the future.[164]

The government is in talks with British Steel shareholders on the steel manufacturer's transition to more efficient production methods. Ministers have said there are no plans to nationalise the company.[165]

[162] "British Steel's talks with Government for £300m of green funding stall", Thisismoney.co.uk, 25 March 2024

[163] PQ 19933 [Iron and Steel: China] 29 March 2024

[164] HC Deb [Port Talbot transition project] 11 September 2024, c838

[165] PQ 18542 12 December 2024; PQ 18457 18 December 2024.

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