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By Georgina Hutton

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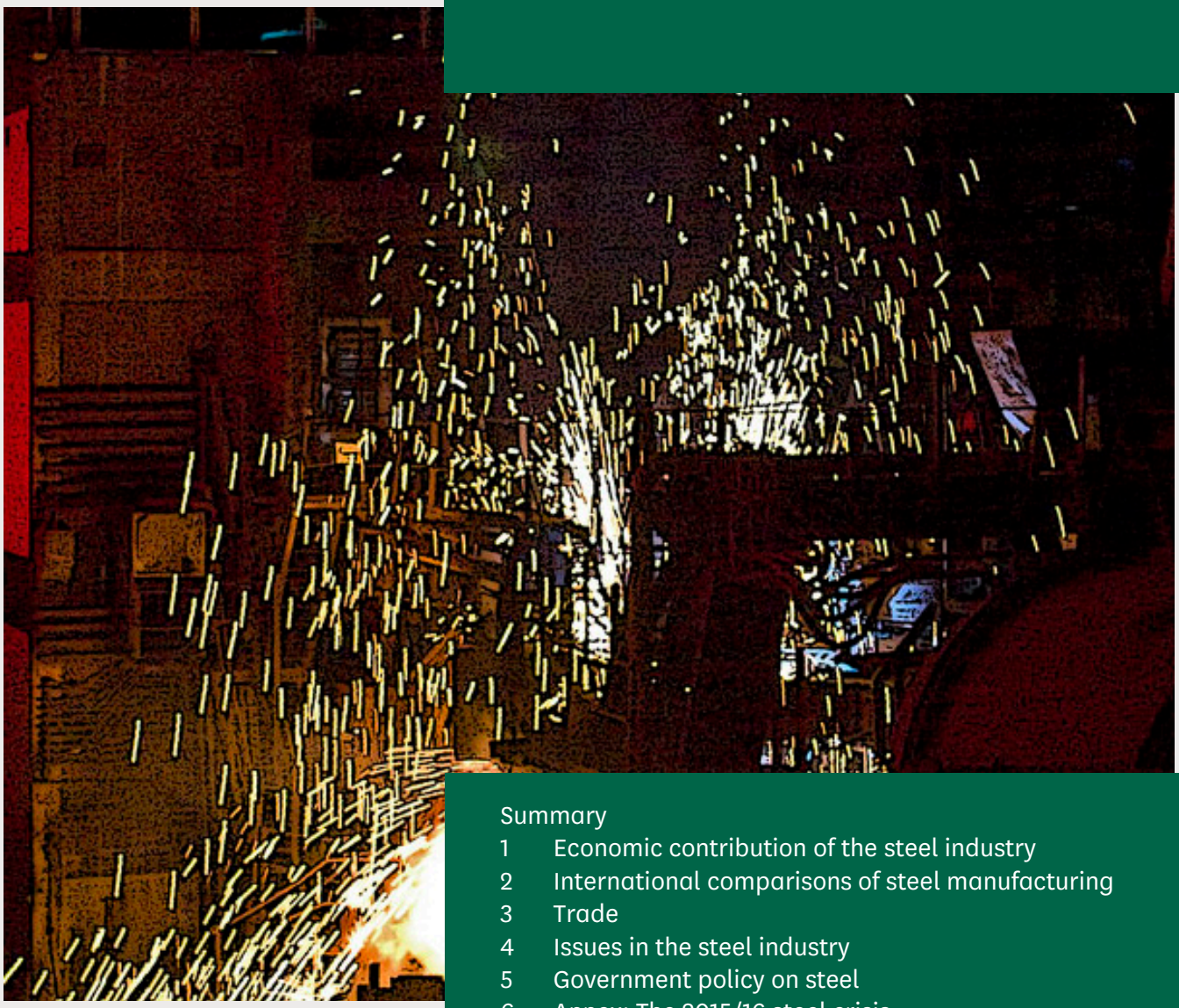
UK Steel Industry: Statistics and policy



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Summary

A combination of fierce international competition and high domestic costs has made many UK steel plants struggle to be competitive in a global market. The end of the Brexit transition period, the coronavirus pandemic, and an increased focus on steel decarbonisation, are raising the spotlight on Government strategy and policy on the steel industry once again.

This briefing sets out the scale of the UK steel industry, issues facing the sector in recent years including the 2015/16 crisis and Government policy on the sector.

The industry in 2020

In 2020 the UK steel industry contributed £2.0 billion to the UK economy in terms of gross value added (GVA). This was equivalent to 0.1% of total UK economic output and 1.2% of manufacturing output.

There are 1,100 business in the UK steel industry.

The industry supported 33,400 jobs in the UK in 2019, 0.1% of all UK jobs.

The international picture

In 2019, the UK produced 7 million tonnes of steel; China produced 996 million tonnes.

The EU produced 157 million tonnes of steel in 2019, 8% of the world total. The UK (then still an EU member state) was the eighth largest steel producer in the EU, after Germany, Italy, France, Spain, Poland, Belgium and Austria.

Prospects for the UK steel industry

The recent fall in international demand for steel, combined with continuing growth in production has created a glut of steel on the international market. This has pushed steel prices down, magnifying the comparative expense of steel produced in the UK, where overheads are higher than in some other countries.

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. The resilience of the UK steel sector continues to be a concern with steel producers continuing struggle with profitability.

Demand for steel fell significantly during the first coronavirus lockdown in early 2020 as construction and manufacturing sectors stalled leaving some companies facing liquidity issues. Additionally, the sector requires

considerable further investment to meet decarbonisation targets, which will likely raise costs of production further.

Government policy on steel

The Government has said it is committed to supporting and securing a future for UK steel which it describes as a "vital" industry. Measures taken by the Government to support the steel sector in recent years include:

- 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.
- Committing to support UK steel manufacturers through public procurement policy including setting guidance for the public sector on steel procurement.
- Providing compensation for energy intensive industries for indirect costs (higher electricity prices) incurred from low-carbon energy and emissions polices.

Steel industry stakeholders have been consistently calling for further governments support, particularly on energy prices and through public procurement for some years. The Labour Party has called for a more concrete strategy for the sector, including stronger targets and guarantees to "buy British" in public procurement.

Steel safeguards

While the UK an EU Member State (and during the transition period), EU trade remedies designed to protect domestic industry from cheap imports of certain steel products, such as steel safeguards and anti-dumping measures, applied to certain steel imports to the UK.

Some of these remedies have been transitioned into the UK trade remedies system at least temporarily. Steel safeguard measures transitioned are due to expire on 30 June 2021. The Trade Remedies Authority recommended in June that some steel safeguard measures be extended and some be revoked from 1 July 2021. UK Steel and the Labour Party said the recommendation to revoke certain safeguards was "deeply disappointing" for the steel industry and its workers. The TRA's recommendation now goes to the Secretary of State for International Trade who will make the final decision on whether to accept the recommendation.

EU steel safeguards now apply to UK exports to the EU; this means there is a quota on imports of certain steel products to the EU above which a 25% tariff is levied.

1 Economic contribution of the steel industry

The following table summarises the economic contribution of the steel industry in the UK in 2020. [1]

Manufacture of iron and steel in the UK, 2020

	Total	% of UK
Economic output	£1.97 billion	0.1%
Businesses	1,100	0.1%
Employees (2019)	33,400	0.1%

Source: ONS, GDP output approach – low-level aggregates: Business Activity Size and Location: 2020, Business Register and Employment Survey: 2019, via NOMIS database.

The steel industry in the UK is small compared to other manufacturing industries: [2]

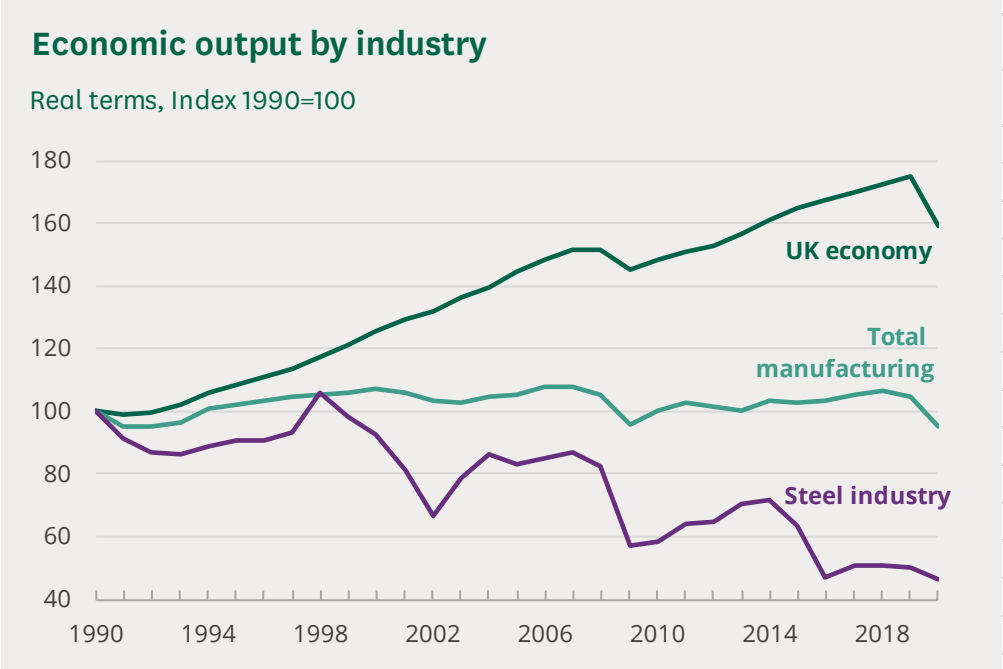
- The economic output of the sector totals £2.0 billion, 0.1% of the UK economy and 1.2% of manufacturing output.
- There are 1,100 business involved in the industry.
- These businesses support 33,400 jobs in the UK, 0.1% of the total.

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 Paper, the steel industry is defined as the manufacture of basic iron, steel and non-ferro alloy; manufacture of tubes, pipes, hollow profiles and related fittings, of steel; manufacture of other products of first processing of steel. This corresponds to SIC codes 24.1, 24.2 and 24.3.

[2] Sources: ONS, GDP output approach – low-level aggregates; Business Activity Size and Location: 2020, Business Register and Employment Survey: 2019 [via NOMIS database, 4 June 2021].



Source: ONS, GDP output approach – low-level aggregates series KL65, KL8V, KL8A, 12 May 2021.

In 2015 and 2016 the economic output of the steel industry in the UK declined rapidly as several plants closed and international orders were cancelled (see Annex to this briefing). Economic output from the steel industry declined by 13% in real terms in 2015 and 35% in 2016, the biggest annual percentage decline since 2009 (when it declined by 45%). Output had largely stabilised between 2017 and 2019, growing by 7% in 2017, and remaining virtually unchanged in 2018 and 2019, before falling 9% in 2020, owing to the economic disruptions of the coronavirus pandemic.

The decline of the steel industry over the past 30 years contrasts with the fortunes of the manufacturing sector as a whole, in which output has been reasonably stable. Manufacturing output fell 10% in 2020 compared to 2019, due to the economic disruptions of the coronavirus pandemic.

The performance of the whole UK economy has followed a far more positive path – total output increased by 75% between 1990 and 2019, before falling by 10% between 2019 and 2020.

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%.

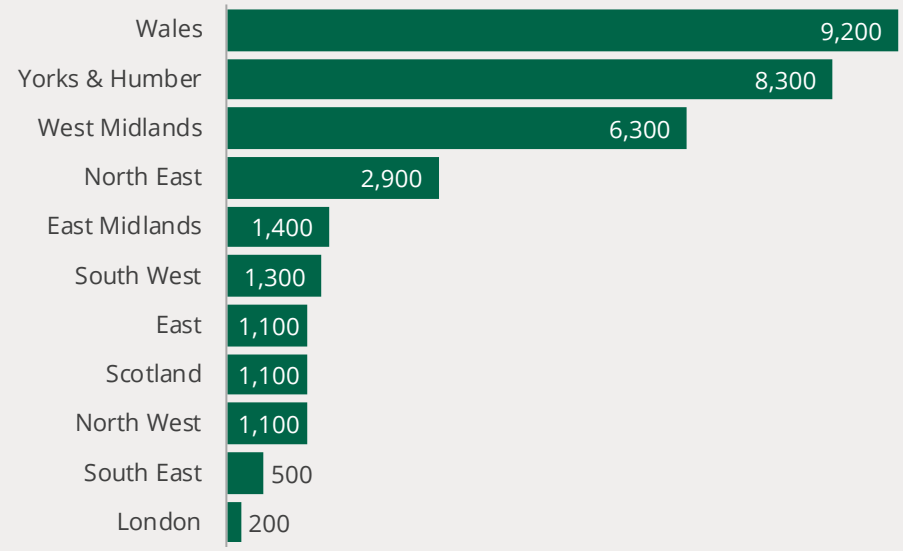
1.2 Employment

The steel industry supported 33,400 jobs in Great Britain in 2019. This is 0.1% of employees. [3]

Employment is unevenly distributed across the country, as the following chart shows. Just over half of all steel industry employees (17,500, 52%) work in Wales or Yorkshire and Humberside.

Employees in the steel industry by country and region

Great Britain, 2019



Source: ONS, Business Register and Employment Survey 2019, via NOMIS database

Historic employment in the industry

The steel industry supported 320,000 jobs in 1971 compared to 23,000 in 2019 (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.

[3] Employment data source: ONS, *Business register and employment survey*, 2019. SIC codes 24.1, 24.2 and 24.3.

The 2000s saw the number of steel industry employees fall to 23,000 in 2019 (on the narrow definition of the industry). [4]

Several factors have contributed to this decline, including:

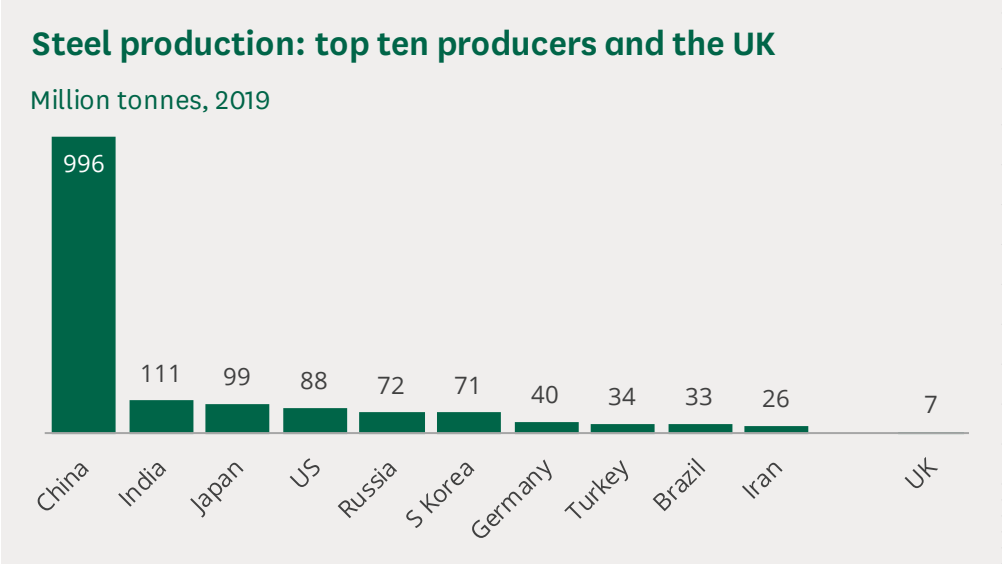
- The industry is far more productive now than in the past – it requires far fewer people to produce the same amount of steel today compared to in the early 1970s.
- The rise of manufacturing bases elsewhere in the world (particularly in China) which have lower labour costs and other overheads, meaning 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.
- The structure of the UK economy has changed, with the service sector becoming more dominant.

[4] A variety of different sources have been used to compile these figures: 1971 to 1978: ONS, census of employment; 1991: ONS, Annual employment survey; 2001: ONS, Annual business inquiry; 2014: ONS, Business register and employment survey. These sources use different methods and different industrial definitions (all of which exclude the processing of steel). Comparisons should be made with caution.

2 International comparisons of steel manufacturing

China produced 53% of the world's steel in 2019

China dominates world steel production, as the following chart shows. [5]



Source: World Steel Association, Steel Statistics Year Book, 2020

In 2019, the UK produced 7 million tonnes of steel. China produced 996 million tonnes in the same year.

The EU as a whole produced 157 million tonnes of steel in 2019, 8% of the world total. The UK (then still an EU member state) was the eighth largest steel producer in the EU, after Germany, Italy, France, Spain, Poland, Belgium and Austria.

Germany produced 40 million tonnes of steel, 25% of EU steel production.

The growth of Chinese steel production

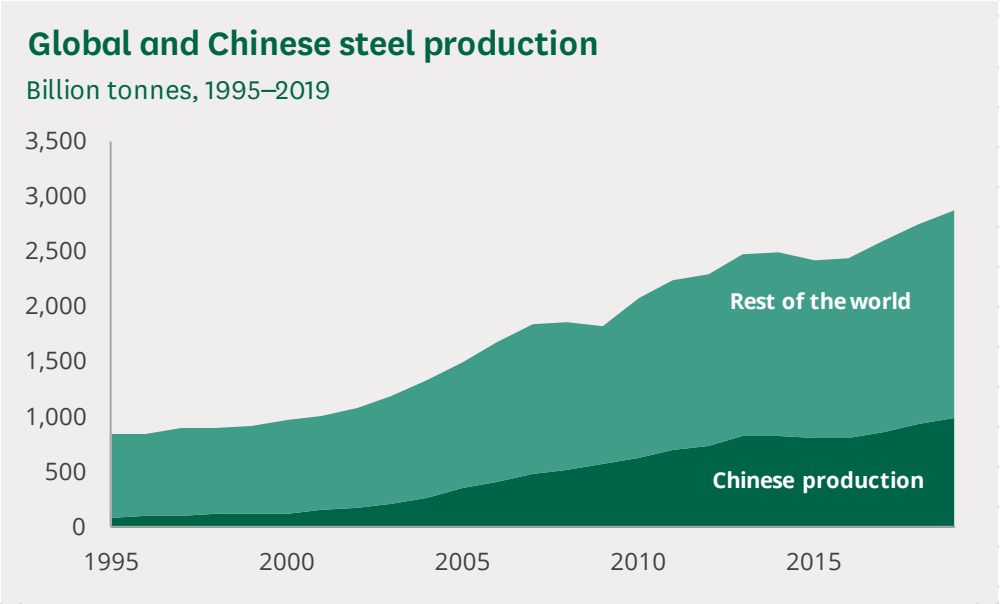
Global steel production has more than doubled since 1995 and China has been the biggest contributor to this growth.

In 1995, China accounted for 13% of the world's steel production. This had risen to 53% in 2019.

[5] World Steel Association, Steel Statistics Year Book, 2020

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, but output has now grown year on year every year since 2016, increasing by 23% between 2016 and 2019.

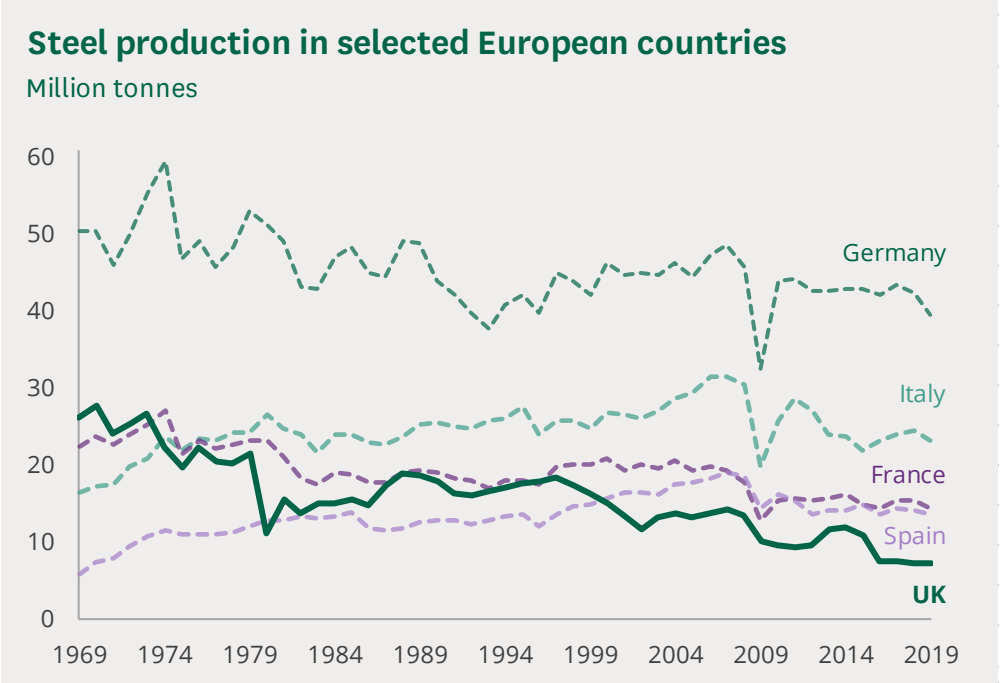


Source: World Steel Association, Steel Statistics Year Book, 2020

2.1 Historic steel production

The following chart shows steel production in the UK compared with other major European economies since the late 1960s. [6]

[6] World Steel Association, Steel Statistics Year Book, 2020



Source: World Steel Association, Steel Statistics Year Book, 2020

Between the late 1970s and the mid-2000s, steel output from these countries (excluding the UK) 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.

In the UK's case, steel production declined sharply in the early 1980s and then steadily from the mid-1990s to the mid-2000s. The financial crisis prompted a sharp decline in output in 2009, but production increased for four successive years from 2011.

UK steel production fell by 30% in 2016, after falling by 10% in 2015. This marked a further significant divergence from production in the other countries in the chart above, though has remained steady since 2016.

The Business, Innovation and Skills Select Committee, in their December 2015 report on the steel industry, argued that the relative decline in UK steel production could be explained in the following way: [7]

> ...other European countries have both better valued their domestic steel industry and have been able to withstand global competition more effectively than has been the case with the UK.

[7] Business, Innovation and Skills Committee, *The UK steel industry: Government response to the crisis*, HC 546 2015/16, pp5, 6

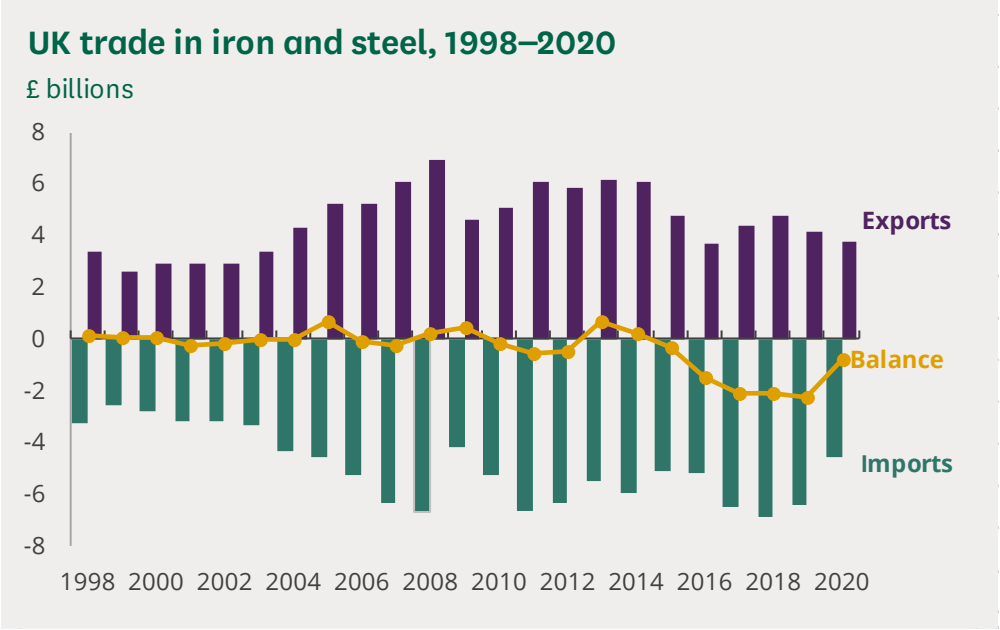
3 Trade

Volume

In 2020, the UK exported 4.4 million tonnes of steel. In the same year it imported 5.3 million tonnes of steel. [8]

Value

The following chart illustrates the value of the UK steel trade in £ billions. [9]



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

In 2020, the UK steel exports were worth £3.7 billion, down £0.4 billion or 10% on the 2019 figure.

Steel imports were worth £4.5 billion, down £1.9 billion or 29% on the 2019 figure.

The UK's steel trade deficit was –£0.8 billion in 2020 (a deficit is when exports exceed imports), its lowest level since 2015.

[8] HMRC, UK Trade Info

[9] ONS, UK Trade, Series EHBT, EHAL, BQQF

Origin and destination of traded UK steel

In 2020, slightly over half of UK steel exports are to the EU, whilst almost two thirds of steel imports are from the EU:

- 53% of UK steel exports are to the EU.
- 74% of UK steel imports are from the EU. [10]

[10] HMRC, UK Trade Info

4 Issues in the steel industry

A combination of fierce international competition and high domestic costs has made many UK steel plants struggle to be competitive in a global market. The Financial Times described the challenges facing the UK steel industry as a "perfect storm" in 2014. [11] These challenges included:

- Massive growth in the volume of steel produced internationally, especially in China, since the early 2000s.
- Slowing growth in China and other emerging economies means steel consumption has ceased to keep pace with the growth in production. [12]
- This has produced a surplus of steel in China, much of which has been exported.
- A glut of steel on the international market has pushed prices down.
- At the same time, the cost of overheads in the UK is high by international standards (see section 5.6 below). Business rates are also high in the UK, and the strong pound (prior to the EU referendum) had made UK exports less attractive.

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. The Annex at the end of this paper describes the events of that period in more detail.

Many of the issues listed above remain today with steel producers continuing to face financial difficulties over the last few years. Most notably, British Steel went into insolvency in 2019 and was subsequently acquired by Chinese firm Jingye. [13] 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). [14] Section 4.2 below covers the recent concerns over the future of Liberty Steel in the UK.

UK Steel, trade body for the sector, [15] highlights that steel production is highly competitive and that businesses operate with small margins. [16] In addition,

[11] Financial Times, UK steel hit by perfect storm of falling prices and high costs, 29 September 2014 [accessed 4 June 2021].

[12] UK Steel, Annual review 2014, published 2015, p6; BBC, Britain's steel industry: What's going wrong?, 30 March 2016 [accessed 4 June 2021].

[13] 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 [accessed 4 June 2021]

[14] 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].

[15] UK Steel is part of Make UK, the manufacturing trade body previously called EEF.

[16] UK Steel, UK Steel Electricity Price Report: Closing the Gap, 4 February 2021 [accessed 4 June 2021].

like many other sectors, the coronavirus pandemic has been a hit to the steel sector leaving some companies facing liquidity issues. The sector also faces increasing pressure on decarbonisation, which will likely see costs of production rise further and will need increased investment in new technology and processes over the next few years (see section 5.5 below) adding to the challenges facing the sector. [17]

4.1 Steel industry and Covid-19

The coronavirus pandemic caused demand for steel products to fall during the first lockdown in early 2020 as the construction and manufacturing sectors stalled. UK Steel estimated that demand for steel products fell by 45% during the first lockdown in early 2020. [18] The sector was particularly hit by falling car manufacturing output, UK Steel said that demand for steel from the automotive industry fell by 70% in the first lockdown. [19]

The steel industry has been able to make use of the Covid-19 support schemes available to all businesses, including the Coronavirus Job Retention Scheme, Government-backed business loans and financing facilities. [20]

In May 2020, UK Steel called on the Government to make changes to some of these schemes to better support the sector. [21] UK Steel also called for the Government to enable the construction industry start building again and to bring forward major infrastructure projects that would boost demand for steel. [22]

The Labour party called on the Government to do more to support the sector through a more "proactive" industrial policy including taking equity stakes in critically important but struggling businesses. [23]

The Government said in September 2020 that it had been "working intensively over this period to ensure that the UK steel industry has been able to access the support that it needed since the start of the pandemic". [24]

Celsa Steel

In July 2020 a bespoke financial support package was agreed for Spanish-owned steelworks business Celsa Steel. [25] Celsa Steel's UK operations are

[17] Materials Processing Institute, Decarbonisation of the Steel Industry in the UK, 18 March 2021
[18] UK Steel, Covid-19 restart and recovery, 14 May 2020.
[19] UK Steel, Covid-19 restart and recovery, 14 May 2020.
[20] For a summary, see our briefing: Coronavirus: Economic impact (CBP-8866 01 June 2021) section 4.3.
[21] UK Steel, Covid-19 restart and recovery, 14 May 2020.
[22] UK Steel, Covid-19 restart and recovery, 14 May 2020.
[23] Ed Miliband demands more state support to rescue UK steel sector, Jim Pickard, George Parker and Michael Pooler, Financial Times, 29 May 2020, accessed 4 June 2021.
[24] HC Deb 14 September 2020, c150
[25] BEIS, Government agrees support package to UK steel company, 2 July 2020.

based mainly in Wales. Celsa employs "over 500 staff and several hundred hundred contractors" in South Wales. [26]

The support was arranged through an emergency last-resort financing scheme for strategically important companies known at the time as "Project Birch". [27] It was reported that Tata Steel had also been in talks with the Government regarding emergency financing, which was not granted. [28]

The full size of the loan to Celsa Steel was not disclosed; media reports at the time believed it to be around £30 million. [29] The Government provided the following written statement explaining the deal:

> Since the start of the Covid-19 pandemic, the Government has set out a far-reaching package of support to protect jobs and the UK economy. However, in exceptional circumstances, where a viable company of strategic importance has exhausted all other options available to it, the Government has said that we will consider bespoke support on a 'last resort' basis.
>
> There is an extremely high bar for making use of taxpayers' money in this way, and any companies seeking support from the Government should do so only as an absolute last resort.
>
> Such circumstances applied to Celsa, which is a key supplier to the construction industry.
>
> While commercial confidentiality prevents me from setting out detail, I can assure the House that the Government has agreed terms that will protect taxpayers' money and ensure that the financial burden is shared with the company's shareholders and lenders.
>
> The Government has agreed legally binding contractual conditions with Celsa on employment, climate change and tax. We have also put in place legally binding conditions on corporate governance, including restraints on executive pay and bonuses. We would expect any company seeking such support from the taxpayer to play their role in our society's shared endeavours and challenges in the same way.
>
> More broadly, the Government has already taken wide-ranging actions to support the UK steel industry, including more than £300 million in relief for electricity costs since 2013. We have also created public procurement guidelines with annual reports on the proportion

[26] Celsa Steel UK, About Us accessed 7 June 2021.

[27] PQ 71690 [Companies: Coronavirus], 17 July 2020; PQ 71691 [Companies: Coronavirus], 17 July 2020.

[28] UK bailout talks end for Jaguar Land Rover and Tata Steel, Peter Campbell and George Parker, Financial Times, 14 August 2020; Manufacturers slash investment as bailout scheme 'gathers dust', Richard Partington, The Guardian, 21 September 2020; HC Deb 14 September 2020, c151.

[29] Celsa Steel gets UK's first Covid-19 corporate bailout, 2 July 2020, Richard Partington, The Guardian; Steelmaker Celsa strikes first UK bespoke rescue deal, Michael Pooler and Jim Pickard , Financial Times, 2 July 2020.

> of public sector steel bought from British companies, and details of a steel pipeline on national infrastructure projects worth around £500 million over the next decade.
>
> This agreement achieves a positive outcome and secures over 1000 jobs, including more than 800 positions at the company's main sites in South Wales.
>
> We want to praise the commitment of Celsa's workforce and management. Our focus is now on working with all parties to secure the company's future success, as well as ensuring that the loan is repaid and Celsa continue to deliver employment, climate change, corporate governance, and tax commitments. [30]

4.2 Liberty Steel

Liberty Steel Group is an integrated steel and mining business which operates over 200 manufacturing locations in twelve countries. [31] The company operate a number of sites across England, Scotland and Wales, including:

- Liberty Steel Scunthorpe
- Liberty Speciality Steels, with sites in Rotherham, Wednesbury and Stocksbridge
- Liberty Steel Dalzell
- Liberty Steel Hartepool
- Liberty Steel Newport
- Liberty Steel Tredegar.

It has been reported that Liberty employs around 5,000 jobs in the UK, of which 3,000 are in steel manufacturing. [32] Liberty specialises in specialty high-end alloys, stainless and carbon steels. Its products are primarily used in aerospace, oil and gas, industrial engineering and automotive industries.

There are concerns about the future of Liberty Steel in the UK after supply chain finance firm Greensill capital went into administration in March 2021. Greensill is the principle financial backer of Liberty Steel's owner, GFC Alliance.

In response to an Urgent Question on Thursday 25 March on the future of the UK steel industry, Business Secretary Kwasi Kwarteng said the Government was "looking at all options to see what we can do" to protect jobs at Liberty Steel's UK business. [33]

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[30] HCWS332, 2 July 2020.

[31] Liberty Steel Group, About us [accessed 4 June 2021]

[32] Liberty Steel nationalisation 'an option' to save jobs, BBC News, 30 March 2021.

[33] Financial Times, UK willing to rescue Liberty Steel 'in its entirety', 25 March 2021

The Labour party and trade unions have called on the Government to step in to support Liberty Steel early enough to prevent insolvency and save jobs – including nationalising the business if necessary. [34] [35]

The aerospace and defence industry has also voiced concerns about the continuity of production at Liberty's specialist sites in Rotherham and Stocksbridge. In April it was reported that the sector trade body, ADS Group, wrote to the Business Secretary to highlight that there were "very few alternative sources worldwide" for the types of specialty steel produced by Liberty Steel's plants and that a "significant problem with availability" is anticipated once Liberty's stock is consumed. [36]

On 28 March 2021, it was reported that the Government rejected a request for financial support from GFC Alliance due to concerns over GFC Alliance's "opaque" financial structure, which included assets outside the UK. [37]

Since March, the company's sites have had periods of intermittent operations and the company has been taking "self-help" measures to refinance and help maintain working capital, such as selling stocks of scrap metal, accelerating sale of finished products and commencing talks to raise money against assets outside of Britain. [38] On 24 May it was reported that Liberty proposed to sell its Yorkshire site producing steels for aerospace, and an associated facility in the West Midlands as part of a restructuring deal. [39]

On 25 May Kwasi Kwarteng told the Business Energy and Industrial Strategy Committee that he believed Liberty's UK plants have a viable future in the UK and was optimistic a buyer would be found:

> The assets are fundamentally good ones. The workforce is skilled and dedicated. The managers of the plant are very experienced, and I have spoken to them very frequently.
>
> The issue that Liberty had in particular—and maybe we will go on to this—was to do with financial engineering: the opaque bit of GFG, the leverage, the finance and the debt that it had incurred. All of that was what put a lot of pressure on those businesses. Without that,

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[34] Labour Party, Labour calls on government to intervene before Liberty Steel becomes insolvent to protect more than 3,300 jobs in the supply chain, 21 April 2021.

[35] Unite, Unite statement on Liberty Steel, 21 March 2021; Community Union - The case for intervention at Liberty Steel, 27 March 2021; GMB - GMB responds to government rejecting bailout, 29 March 2021.

[36] Aerospace industry warns of supply crunch from crisis at Liberty Steel, The Guardian, 14 April 2021; Aerospace warns of shortages should Liberty fall, The Times, 15 April 2021.

[37] BEIS Committee Oral evidence: Liberty Steel and the Future of the UK Steel Industry HC 301, 13 April 2021 Qq131-135; Reuters, UK ministers reject Sanjeev Gupta's bailout plea, 28 March 2021; Kwarteng defends rejecting request for £170m bailout, BBC News, 13 April 2021.

[38] GFG Alliance seeks to shore up finances while it finds alternative long-term funding Financial Times, 28 March 2021. Liberty Steel resumes partial output at Rotherham plant, Reuters, 6 April 2021.

[39] Liberty Steel plans to sell Yorkshire plant to stay afloat, Jasper Jolly and Kalyeena Makortoff, The Guardian, 24 May 2021; GFG to sell three UK steel plants as it seeks Credit Suisse debt deal, Sylvia Pfeifer, Owen Walker and Jim Pickard, Financial Times, 24 May 2021.

> there is a healthy interest in the assets and they have a viable future, for the reasons you have said. It is decarbonised and clean, and there is a demand for their product.

The Business Secretary told the Committee that the Government would consider all options but that nationalising the businesses would be "an extreme occurrence that is unlikely to happen":

> As I have said before, I look at all options, and nationalisation is an extreme occurrence that is unlikely to happen, frankly. My view has been vindicated by the fact that the assets are for sale. There is considerable interest in the assets. Mr Gupta, contrary to a lot of people's beliefs, got the thing refinanced. [40]

[40] BEIS Committee, Oral evidence: Liberty Steel and the Future of the UK Steel Industry, HC 118 25 May 2021, Q11.

5 Government policy on steel

5.1 Overview and background

The government responded to the 2015/16 crisis in the steel industry with a number of policy initiatives including: [41]

- Supporting EU trade remedies designed to protect domestic industry, in particular from Chinese firms selling steel at below market rates within the EU
- 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.
- Committing to support UK steel manufacturers through public procurement policy.
- 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.

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

On 14 December 2015, the Business Innovation and Skills Committee published a report on the steel industry and Government policy: The UK steel industry: Government response to the crisis. [42]

The committee concluded that the Government identified the steel industry as of vital importance, and had "worked hard to mitigate the impact" of the then recent crisis. [43] However, the Committee also found that the "increased activity had not yet translated into measurable impact for those in the industry and the communities they sustain" and would not be sufficient to "provide certainty" for the industry in the future.

[41] Summarised in the following contribution by the then Minister Anna Soubry MP HC Deb 17 September 2015 cc1120-1264

[42] Business, Innovation and Skills Committee, The UK steel industry: Government response to the crisis, HC 546 2015/16

[43] Business, Innovation and Skills Committee, The UK steel industry: Government response to the crisis, HC 546 2015/16, pp28 and 29

A spokesperson for the Department for Business Innovation and Skills stated in response that "the steel industry has been subject to complex global challenges, which no one simple solution can solve," and that the Government has taken "significant steps to help our steel industry." [44]

The resilience of the UK steel sector continues to be a concern. The end of the Brexit transition period, the coronavirus pandemic and financial trouble facing Liberty Steel, along with an increased focus on steel decarbonisation, are raising the spotlight on Government strategy and policy on the steel industry again. The sector has consistently been calling for further government action, in particular on energy costs and public procurement.

In May 2021, Business Secretary Kwasi Kwarteng "re-established and co-chaired" a meeting of the UK Steel Council. [45] A UK Steel Council was established in 2016. [46] 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. [47]

The Labour party has called on the Government to produce a more concrete strategy for the UK steel sector. Lucy Powell, then Shadow BEIS Minister said during an urgent question on 25 March 2021:

> Let us be honest: UK steel and steel communities have been betrayed by this Government, because they have no vision nor any plan. There was not a single mention of steel in the Secretary of State's plan for growth. There has been very little sector support during covid. The clean steel fund keeps being kicked up the road. There has been no action, despite promises, on the crippling issues of high energy prices and business rates. There is no buy-British guarantee in Government contracts. He just scrapped the industrial strategy. It is no wonder that the investment climate in UK steel is so uncertain. Will he finally take this opportunity to set out his vision and plan the future of UK steel? [48]

The Business Energy and Industrial Strategy Committee opened an inquiry on Liberty Steel and the Future of the UK Steel Industry in April 2021. The inquiry terms of reference include consideration of the current challenges facing the steel industry generally and potential options for Government policy.

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[44] MPs criticise government response to steel crisis, Michael Pooler , Financial Times, December 21 2015

[45] BEIS, Business Secretary co-chairs UK Steel Council meeting: 5 March 2021, 5 March 2021.

[46] BEIS, Business Secretary and Chair of UK Steel hold first meeting of new joint Steel Council, 2 March 2016.

[47] BEIS, Business Secretary co-chairs UK Steel Council meeting: 5 March 2021, 5 March 2021.

[48] HC Deb 25 March 2021.

5.2 Steel procurement

As a major source of demand for steel, the Government can use its purchasing power to support the UK steel industry. The Government can also encourage private sector manufacturers in the UK to use UK suppliers of steel, for example in the automotive industry.

The UK Steel sector lists the following benefits of supporting UK steel manufacturers through procurement policy:

- Increase the economic value a project delivers to the UK
- Increase the ability and potential of each project to spread its economic benefits across the UK
- Increase the interest in the competitive process and therefore help deliver best value for money
- Deliver against a wider range of outcomes beyond just value for money, such as the social and environmental benefits that can flow from procurement decisions
- Provide a strong pipeline of projects in the UK that helps anchor manufacturing and accompanying innovation here in the UK. [49]

In 2016, the government produced the first Steel public procurement pipeline. This document brings together all the planned and ongoing infrastructure projects in the UK which use steel, and records the dates of the project and the amount of steel required. The purpose of this document is to enable more accurate planning by steel manufacturers, and was something requested by the UK Steel Council of industry leaders set up after the steel crisis in 2016.

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. [50] 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. [51]

In December 2017 the Government updated its guidance on public sector steel procurement. The guidance aims address how central departments and the

[49] UK Steel, UK Steel Charter [accessed 4 June 2021]
[50] BEIS, Future capacities and capabilities of the UK steel industry, 21 December 2017
[51] BEIS, Future capacities and capabilities of the UK steel industry, 21 December 2017

wider public sector can use public procurement to "create a level playing field for UK steel producers" while also retaining the best value for money. [52]

The Government publishes data on central government departments' compliance with the steel procurement guidance. [53] The Government stated that in the financial year 2018/19, it spent £81 million on procuring UK-made steel (the latest data available as of June 2021). [54]

The steel procurement guidance was last updated in December 2017 and the steel industry has since called on the Government to take stronger action on procurement. [55] In May 2019 UK Steel launched its own procurement initiative – the Steel Charter – aimed at maximising the amount of UK produced steel used in UK construction and infrastructure projects. [56] The Charter asks signatories to commit to a range of practical steps on steel procurement and provides guidance for organisations. It has since been signed by the Welsh Government and the Department for Business, Energy and Industrial Strategy. [57]

UK Steel has urged the Government to go further and produce an overarching target for the UK steel content of major infrastructure projects. This would not be a legally binding target, but rather a statement of intent with which to drive improvements in public procurement. It has called for HS2 to be the first project to adopt such a target. [58]

The Labour party has 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. The Party argued that stronger "buy British" steel guarantees would support UK businesses, workers and reduce carbon emissions. [59]

In March 2021 the Government set up a Steel Procurement Taskforce. The Taskforce brings together representatives from Government, the steel industry, trade unions and the devolved administrations. It aims to "explore what government and industry can do to address challenges the sector has reported facing in competing for and securing public contracts". [60]

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[52] Cabinet Office, Crown Commercial Service, Procurement policy note 11/16: procuring steel in major projects - revised guidance, 12 December 2016, updated 18 December 2017, accessed 1 June 2021.

[53] BEIS, Steel public procurement 2020, 9 October 2020.

[54] Industrial decarbonisation strategy p42; (BEIS, Steel public procurement, 2020; accessed 2 June 2021.

[55] UK Steel, COVID-19 restart and recovery, 14 May 2020.

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

[57] MakeUK, UK Steel launches new public procurement initiative with UK Government Support, 20 May 2019

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

[59] Labour Party, Labour calls for stronger Buy British steel guarantees as failure to back steel industry exposed, 23 March 2021.

[60] BEIS, Lord Grimstone co-chairs inaugural Steel Procurement Taskforce meeting: 12 March 2021, 12 March 2021.

The Government is also consulting on reforms to its public procurement more generally. On 15 December 2020, the Cabinet Office published a Green Paper consultation on Transforming Public Procurement ahead of bringing forward primary legislation in the summer (2021).

5.3 State aid/subsidy control

While the UK was a member of the EU and throughout the transition period, the Government was bound by EU state aid rules. These rules were sometimes cited as one of the barriers to further Government support for the steel industry (see section 6.1 below). EU state aid rules prohibit most financial assistance to failing companies since this assistance could distort competition and trade between companies in the EU.

EU general state aid rules apply to the steel sector the same as to other industries but restrictions are more rigorous. In general, EU State aid rules allow support for the benefit of the long-term competitiveness and efficiency of steel manufacturing. But direct government intervention to support manufacturers in difficulties or rescue plants and jobs is seen as particularly distortive.

Other types of aid targeted at sustainability and the use of innovative technologies in the industry are possible. This could include for example training & employment support, aid to increase environmental protection and R&D.

In the past, the Government has also received state aid approval from the European Commission to provide the steel (and other energy intensive industries) compensation for the indirect costs resulting from low-carbon energy and emissions reduction policies. [61] See section 5.6 below for further discussion on energy costs and compensation.

EU State aid is explained further in the Commons Library Briefing Paper: EU State Aid rules and WTO Subsidies Agreement (16 September 2020)

UK subsidy control post Brexit [62]

From the end of the transition period, the UK does not have to abide by EU state aid rules. A number of individuals and organisations have called for subsidies to be used to support the steel industry.

[61] BIS, Press release: UK government secures EU compensation for Energy Intensive Industries, 17 December 2015; Financial Times, UK steel boosted by EU aid approval, 17 December 2015. For previous state aid support for emissions trading and carbon price policies, see the library briefing, Carbon Price Floor (CPF) and the price support mechanism, page 19.

[62] Having left the EU state aid framework and designing the UK's independent regime the Government now uses the term "subsidy control" instead of the EU law term "state aid".

UK Steel have stated that while "it has no desire for the creation of a more generous subsidies system in the UK than already exists in the EU" it does support greater UK autonomy to intervene in areas such as providing reductions in energy costs. [63] The Trades Union Congress (TUC) have argued in favour of state aid to be used to increase the domestic procurement of steel and maximise social benefit. [64] David Bailey, Professor of business economics at Birmingham Business School, has proposed a US-style 'Conservatorship' approach whereby enterprises deemed troubled but economically and strategically important are rehabilitated and then returned to private ownership once profitable again. [65]

The UK-EU Trade and Cooperation Agreement, agreed between the UK and the European Union in December 2020, requires that the UK develop its own regime, regulating when public bodies can provide subsidies to businesses. Both UK and EU subsidy control regimes must follow common "broad principles" which ensure that subsidies are proportionate, transparent and contribute to public policy goals. The TCA also provides that one of the parties can take unilateral remedial measures if there is evidence that a subsidy of the other party risks creating a "significant negative effect" on UK-EU trade and investment.

On 31 December 2020, the Government published guidance for public authorities which award subsidies. The guidance notes that steel is one of "historically sensitive sectors"; a subsidy targeted at this sector is "likely to increase the risk of trade partners deciding to start a dispute."

In February and March 2021 the Government held a consultation on plans for a new UK-wide subsidy control system. [66] Legislative proposals are expected after the results of the consultation have been published. [67]

The issues facing the independent UK state aid regime are explained in the Commons Library Briefing: UK subsidy policy: first steps (19 October 2020).

5.4 Post-Brexit trade and trade remedies

Following the end of the EU withdrawal transition period the UK now has a new trading relationship with the EU and the world. The UK-EU future trading arrangements are governed by the UK-EU Trade and Cooperation Agreement.

[63] UK Steel, Free Trade Agreement Priorities of the UK Steel Sector, 19 May 2020 (page 11)
[64] TUC, Levelling up the UK: the role of state aid, 23 October 2020
[65] UK in a changing Europe, The UK steel industry and state aid after Brexit, 31 March 2021
[66] Department for Business, Energy & Industrial Strategy, Business Secretary sets out new subsidies system that works for the UK, 3 February 2021
[67] Prime Minister's Office, The Queen's speech 2021, p72

UK exports to the EU

EU steel safeguards (see Box 1 below) in the form of tariff-rate quotas now apply to UK steel exports to the EU. This means there is a quota on imports of certain steel products to the EU above which a 25% tariff is levied. [68] The EU imposes these measures against all countries, except some developing countries and the European Economic Area countries – Norway, Iceland, and Liechtenstein.

In June 2021 it was reported that the European Commission had notified the WTO that it was planning to extend the steel safeguard measures for a further three years, from 1 July 2021. [69]

1 Global oversupply of steel and 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." [70] Steel industries are often heavily subsidised by national governments resulting in production levels far exceeding what the market would otherwise dictate. [71]

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 claimed that "trade remedies are probably the most important element of trade policy for the steel industry." [72]

The EU has used trade remedies to protect domestic EU steel industries in the last few years including:

- Steel safeguards: safeguards are a trade remedy intended for situations in which an EU industry is affected by an "unforeseen, sharp and sudden increase of imports". The objective is to provide the EU industry with "temporary breathing space" to make adjustments. [73] The measures are applied to all designated imports regardless of country of origin and

[68] European Commission, Trade: Commission imposes provisional safeguard measures on imports of steel products, 18 July 2018

[69] EU extends steel safeguards another three years, S&P Global, 11 June 2021; EU to extend steel safeguard for another three years, Borderlex, 14 June 2021; European Commission, Commission initiates an investigation to decide whether to prolong the steel safeguard measure, 26 February 2021.

[70] OECD, Steelmaking capacity, June 2020

[71] OECD, Excess capacity in the global steel industry: the current situation and ways forward, 10 March 2015

[72] International Trade Committee, Oral evidence: UK Trade Remedies Policy, HC 701, 14 October 2021, Q33

[73] European Commission, Actions against imports into the EU: Safeguards [accessed 4 June 2021]

unlike anti-dumping measures do not focus on whether trade is fair or not.

- Anti-dumping and anti-subsidy measures: An anti-dumping duty is an import duty charged 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 measure is a duty put in place to counteract a foreign subsidy that has caused an injury to domestic industry. These remedies are limited to specific firms or industries. For example, during the 2015/16 steel crisis and its aftermath, the EU took various anti-dumping and anti-subsidy measures to prevent dumped and subsidised imports of steel, particularly from China, entering the EU. [74]

Steel imports to the UK

UK steel safeguards

While the UK was an EU Member State, and during the transition period, steel imports to the UK were governed by the EU steel safeguards (explained above). [75]

Some of the steel safeguard measures put in place by the EU have been temporarily maintained by the UK. Nineteen product categories covered by the EU steel safeguard measure where UK production exists were identified by the UK Government, all of which were transitioned in order to provide continuity to UK producers. [76] These safeguards are due to expire on 30 June 2021.

In May 2021 the Trade Remedies Investigation Directorate (TRID) of the Department for International Trade (DIT) – the predecessor of the independent Trade Remedies Authority, newly operational from 1 June 2021 – published a draft recommendation on steel safeguards. The draft recommendation proposed extending safeguards on 10 product categories for three years and revoking safeguards on the other nine categories of steel imports. [77]

[74] EU Commission, 37th Annual report on the use of EU trade defence instruments in 2018, COM(2019) 158 final, 27 March 2019, chapter I.3; Full Fact, Is the UK calling for EU duties for Chinese steel? , 19 July 2016

[75] Department for International Trade, Trade remedies transition policy guidance updated 16 December 2020, accessed 7 June 2021.

[76] UK Government, Trade remedies transition policy, 16 December 2020

[77] DIT, TRID, Steel safeguard measures review – draft recommendation published, 19 May 2021; TRID, Statement of intended final determination, 19 May 2021.

Revoking safeguards is proposed for a number of reasons including where there was no increase in imports to the UK in the relevant period:

> For six of the nine revoked categories, TRID found that there was no increase in imports to the UK between 2013 and 2017, meaning that the measures cannot be extended. For the other three revoked categories, it was found that the import increase was not significant enough, or was not likely to cause injury, or that extending a measure did not meet the Economic Interest Test. [78]

The Financial Times reported that UK Steel reacted to say that the recommendation needed to be "urgently rethought" saying it would negatively impact already struggling steel producers. [79] It was reported that the following steel products would have protections removed:

> … steel sections, made in Teesside; tubes made in Hartlepool, wire-rod made in Cardiff, Scunthorpe and Rotherham, and plate made in Motherwell. [80]

Miriam Cates MP suggested that some companies may have struggled to respond to the TRID review consultation:

> It is unsurprising that some companies, with no experience of trade remedies measures, have struggled to fully participate in this review. Moreover, category 28 (wire) is dominated by SMEs who have been particularly exposed to the challenges mentioned above and will have had even less resource and expertise to respond to this review. [81]

On 11 June 2021 the TRA published its final recommendation on the steel safeguards. The TRA said that "major changes" were made to two product categories following representations received in response to the draft recommendation:

> Category 25 (large welded tubes, used among other things for offshore wind-farms and in the energy sector) was originally set to be revoked. Having assessed further comments and evidence on this category, the TRA has recommended it should now be extended. The TRA also received evidence that extending the application of the measure on Category 15 (stainless wire rod, used in a wide range of industries including automotive and oil/gas pipelines) would hinder the growth of downstream industries which use these products and would face increased costs if imports exceeded the allocated quota.

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[78] DIT, TRID, Steel safeguard measures review – draft recommendation published, 19 May 2021.

[79] Steel industry hits out at UK plans to remove tariff protections, Sylvia Pfeifer and Andy Bounds, Financial Times, 20 May 2021.

[80] S&P Global, UK proposes three-year steel import safeguards extension only on certain products, 19 May 2021; Steel industry hits out at UK plans to remove tariff protections, Sylvia Pfeifer and Andy Bounds, Financial Times, 20 May 2021.

[81] Letter from Miriam Cates MP to Trade Remedies Investigations Directorate, 21 May 2021.

> The only known UK producer of stainless wire rod is supportive of the measure being revoked for this reason. [82]

The Chief Executive of the TRA said that the TRA provides "impartial, data-drive economic assessments" and had "listened carefully to all interested parties throughout the review". [83]

UK Steel, trade body for the sector said the recommendation was "unbelievable". [84] Shadow International Trade Minister, Bill Esterson, called for the Government to allow the safeguards to be maintained in full to protect steelworkers:

> This is a deeply disappointing – if sadly unsurprising – recommendation from an organisation that is fundamentally flawed in its composition and its remit and has simply not given sufficient weight to the implications of this verdict for steelworkers, their families, and the communities that rely on that industry.
>
> The Government will say their only option is now to accept this recommendation, but that is simply not true. They must instead accept Labour's offer to work together in the national interest and come forward with emergency legislation, which we will support, to amend the regulations and allow Britain's steel safeguards to be maintained in full. [85]

The TRA's final recommendation will now be sent it to the Secretary of State for International Trade. The Secretary of State will make the final decision on whether to accept the recommendation and publish a Notice of Determination. Without a decision from the Secretary of State to extend the measures, the current safeguards are due to expire on 30 June 2021. [86]

In response to an oral question on 9 June 2021, Parliamentary Under-Secretary for International Trade, Graham Stewart, stated:

> The Secretary of State can only accept or reject the TRA recommendation as a whole; she cannot modify or partially accept it and she cannot extend the measure if the TRA does not recommend it. However, it is crucial that the Government have the correct tools available to allow them to tackle unfair trade, and the Secretary of

[82] Trade Remedies Authority, TRA publishes final recommendation on steel safeguard measures, 11 June 2021.

[83] Trade Remedies Authority, TRA publishes final recommendation on steel safeguard measures, 11 June 2021.

[84] Tweet by UK Steel, 11 June 2021 [accessed 18 June 2021]; Steel fears as import protections could go in 'an unforgivable act of self-harm' on world stage, David Laister, Business Live, 12 June 2021.

[85] Labour Party, Labour responds to Trade Remedies Authority recommendation to withdraw steel safeguards, 11 June 2021.

[86] Trade Remedies Authority, TRA publishes final recommendation on steel safeguard measures, 11 June 2021.

> State will be giving careful consideration to the trade remedies framework and the powers that it affords her. [87]

Anti-dumping and anti-subsidy measures

The EU has a number of anti-dumping and anti-subsidy trade remedies in force against certain steel products from specific countries. These applied to imports to the UK until the end of the transition period (31 December 2020).

EU anti-dumping and anti-subsidy measures in relation to steel products in force at the end of the transition period have largely been maintained by the UK until they expire or until the TRA completes a transition review and determines whether the measure should be varied, extended or terminated to reflect the circumstances of the UK market. [88] A full list is available in the Department for International Trade's Trade remedies transition policy guidance (last updated 16 December 2020).

In April 2021 the TRA (then TRID) began investigating two anti-dumping duties on steel products that were maintained at the end of the transition period to determine whether they are "fit for purpose in the UK". [89] The reviews consider existing duties on

> certain Cold Rolled Flat Steel products from China and Russia as well as high fatigue performance iron or steel concrete reinforcing bars and rods (sometimes referred to as HFP Rebars) from China. [90]

5.5 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, responsible for 13.5% of greenhouse gas emissions from manufacturing and 2.0% of total UK greenhouse gas emissions. [91] Steel is also an important part of a low-carbon economy, being needed to make wind turbines, electric vehicles, energy efficient products and infrastructure.

In addition to being an energy intensive industry, requiring a lot of electricity and other fuel sources, the steel industry faces particular challenges to decarbonise blast furnaces that use coal as a raw material (Box 2).

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87 HC Deb 10 June 2021 [UK Steel Exports].

88 Department for International Trade, Trade remedies transition policy guidance updated 16 December 2020, accessed 7 June 2021.

89 TRID, Investigating EU anti-dumping duties on two steel products, 29 April 2021.

90 TRID, Investigating EU anti-dumping duties on two steel products, 29 April 2021.

91 ONS, Atmospheric emissions: greenhouse gases by industry and gas, 3 June 2021; SIC 24.1-3: manufacture of basic iron and steel.

The Climate Change Committee (who advise the Government 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. [92]

In addition to the possibility of using more recycled material in electric arc furnaces, there are a few alternative methods being developed to reduce the emissions from the steel making process. Some of the options under development globally 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 substitute coal for biomass such as charcoal.
- **Electrolysis** – Reduces iron ore using electricity.

2 Coal use in steel manufacturing

Coal is used in the steel industry both as a fuel and as a raw material for the industrial process.

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: the blast furnace (basic oxygen furnace) route and the electric arc furnace 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. [93]

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

[92] Committee on Climate Change, Sixth Carbon Budget, 9 December 2020.

[93] A summary of how coal is used in steel making is available from the World Coal Association webpage on 'How is Steel Produced?' [accesses November 2020]

than the blast furnace route. However, there is debate about the extent to which recycled steel can meet global demand for steel production. [94]

The blast furnace route forms the majority of UK and global steel production. In 2018, 78% of UK steel (5.7 million tonnes) was produced using the blast furnace route at Tata Steel's Port Talbot site and British Steel's Scunthorpe site. [95] The Government estimated that 95% of iron and steel industry emissions (and around 15% of total industrial emissions) come from the Scunthorpe and Port Talbot blast furnace sites. [96]

Industrial decarbonisation strategy

In March 2021 the Government published its Industrial Decarbonisation Strategy. In the Strategy the Government 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. [97] The Government says that more detail will be provided in the Net Zero Strategy to be published later this year.

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.

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 Government provided the following response in May 2021 when asked about steps required to decarbonise the UK steel industry:

> Hydrogen, electrification, and carbon capture utilisation and storage (CCUS) are the main technological options being examined as part of this process. The industry decarbonisation pathways technical annex of the strategy (pg. 153-155) presents two possible options for the decarbonisation of the iron and steel industry: Our wide-ranging support also includes: providing over £500m in recent

[94] See for example Climate Action Tracker, Blog: Decarbonising the global steel and cement sectors requires more than zero carbon fuels: analysis, 18 October 2017

[95] Steel UK, Key Statistics Guide 2019

[96] BEIS, Industrial decarbonisation strategy, 17 March 2021, page 53.

[97] BEIS, Industrial decarbonisation strategy, 17 March 2021, Page 19

> years to help with the costs of energy; a £315m Industrial Energy Transformation Fund, which aims to support businesses with high energy use to cut their bills and reduce carbon emission; and our £250m Clean Steel Fund that will support the decarbonisation of the steel sector. [98]

The two main Government funds supporting decarbonisation in the Steel industry are:

- The Industrial Energy Transformation Fund is designed to help businesses in energy intensive industries (such as steel) to cut their energy bills and carbon emissions through investing in energy efficiency and low-carbon technologies. [99] The fund was announced in the 2018 Budget; £315 million is available up to 2024. [100]
- Clean Steel Fund: The Government opened a call for evidence in August 2019 on the establishment of a £250 million Clean Steel Fund to "provide a long-term signal of support to the steel sector and its decarbonisation efforts". [101] A summary of responses was published in December 2020. It stated that "several factors mean that it would help if funding started to be released only from 2023 onwards" including that the sector needed time to develop plans for decarbonisation and that technology options (such as CCUS and low-carbon hydrogen production) are not yet ready for implementation. [102] The Labour Party and trade unions have criticised the delay in clarity regarding the funding. [103]

The steel sector welcomed the Government's ambition in the industrial decarbonisation strategy however stated that the Government must put in place a supportive policy framework so that the sector can continue to compete in domestic and international markets if costs of production rise. [104] UK Steel outlined that this must include further action on electricity costs (see the following section):

> Critically this must include creating a market for low-carbon market in the UK. Steel makers need to know that if they decarbonise and significantly increase their costs of production, that there is a market out there in which they can continue to make a profit. Crucially too, we must see competitively priced power in the UK. All decarbonisation options for steel will see a massive increase in electricity consumption, and as long as UK producers face the

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98 PQ 4062 [Iron and Steel: Carbon Emissions], 24 May 2021.

99 BEIS, Industrial Energy Transformation Fund [accessed 4 June 2021].

100 HM Treasury, Budget 2018, 29 October 2018, para 4.64.

101 BEIS, Creating a Clean Steel Fund: call for evidence, 29 August 2019.

102 BEIS, Creating a Clean Steel Fund: call for evidence: Summary of responses, 14 December 2020, p5.

103 HC Deb 25 March 2021; Pressure grows to accelerate £250m green fund for UK steel industry, Jim Pickard and Sylvia Pfeifer, Financial Times, 30 March 2021.

104 UK Steel, UK Steel responds to Industrial Decarbonisation Strategy, 17 March 2021; British Steel, British Steel investing in a greener future 9 December 2021 [accessed 4 June 2021]

> highest prices in Europe, the UK is not the primary destination for investment in low-carbon steel production. We urge the government to act on this long-standing issue as quickly as possible. [105]

Further reading:

- 'Green steel': the race to clean up one of the world's dirtiest industries, Financial Times, 15 February 2021
- 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)
- Forging the future: A vision for northern steel's net zero transformation, IPPR, 17 April 2021

5.6 Energy costs

Steel production and processing is a highly energy-intensive process. The World Steel Association has estimated that energy consumption represents between 15–20% of the total cost of steel production. [106]

In the fourth quarter of 2020 in the UK, the average electricity price for extra-large industrial consumers [107], which will include steel producers, was 12.7 pence per kWh. This was 34% higher in cash terms than in Q4 2015 and 95% higher than the same quarter in 2010. Trends are shown below

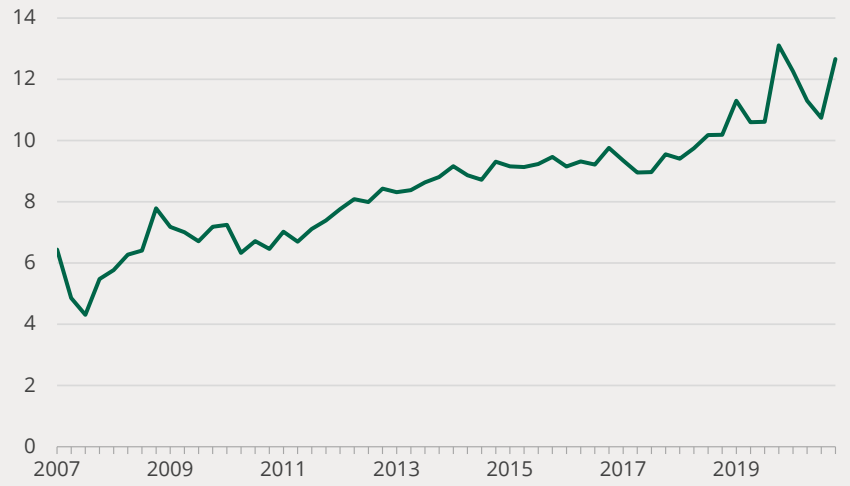
[105] UK Steel, UK Steel responds to Industrial Decarbonisation Strategy, 17 March 2021 [accessed 4 June 2021.

[106] World Steel Association, Energy use in the steel industry report, 2 February 2015

[107] Extra-large consumers are defined as those using 70,000 - 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

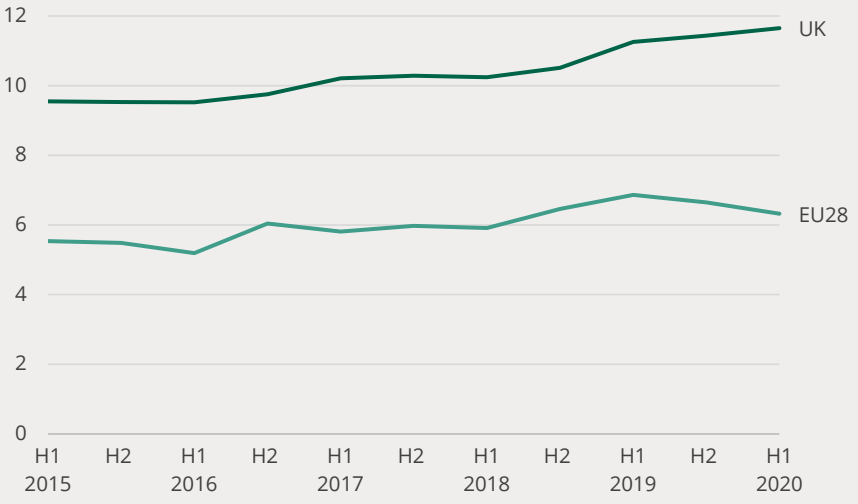


Source: Gas and electricity prices in the non-domestic sector, BEIS

UK Electricity prices for extra-large industrial consumers in the first half of 2020 were higher than for any EU member state. They were 11.7 pence per kWh which was 84% above the median price in the EU. Only Cyprus has had higher prices (at times) since 2015. Trends in UK and EU median values are illustrated below.

Industrial electricity prices for extra-large consumers

Pence per kWh including taxes and levies



Source: International industrial energy prices, BEIS

The UK Steel Electricity Price Report (February 2021) from trade body UK Steel 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 "...the various exemptions and compensation given to our EU competitors and thereby the commercial reality experienced by steelmakers". [108] In 2020/21 they put the average price in the UK at £47/MWh compared with £29/MWh in France and £25/MWh in Germany.

Support for electricity costs

The steel industry argues that 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 and fuel switching (e.g. to hydrogen) all require increased electricity consumption and significant investment. The industry says that high power costs are therefore hampering their ability to invest in decarbonisation. [109]

The Government provides compensation (or exemptions) to energy intensive industry for the indirect costs (i.e. higher electricity prices) associated with low-carbon energy and emissions reduction policies such as the EU Emission Trading System, carbon price support mechanism, Renewable Obligation, and small-scale Feed-in Tariff (see section 5.3 on state aid above). [110]

The Government said in September 2020 it had provided the steel sector with £480 million of compensation since 2013 to make energy costs more competitive. [111]

Further information is available at the following links:

- Guidance on exemption from the indirect costs of funding Contracts for Difference, the renewables obligation and small scale feed-in tariffs (December 2020)
- Guidance on compensation for the indirect costs of the UK ETS and the CPS mechanism (May 2021)

The steel sector is calling for further support from the Government, arguing that even with existing compensation and allowances their costs are still high. The UK Steel Electricity Price Report (February 2021) from UK Steel estimated that electricity prices have cost UK steelmakers an additional £54 million per year compared with Germany and £254 million over the past five years, taking into account interventions and compensations provided by

[108] UK Steel, UK Steel Electricity Price Report: Closing the Gap, 4 February 2021 [accessed 4 June 2021].
[109] UK Steel, UK Steel Electricity Price Report: Closing the Gap, 4 February 2021 [accessed 4 June 2021].
[110] Written answer UIN 239885, Iron and Steel: Manufacturing Industries, 9 April 2019
[111] HC Deb 14 September 2020, c152.

Governments. [112] The report includes further detail on policies the industry would like to see from Government to support energy costs.

The Government says it will publish a call for evidence later in 2021 on "affordability and fairness in our energy system". [113]

5.7 Industrial strategy

The government's 2017 industrial strategy mentioned two policies that are specifically designed to support the steel industry: the South Tees Development Corporation and the Swansea Bay City Region Deal (described further below). [114]

In 2021, the Industrial Strategy was replaced by the Treasury's Plan for Growth. While addressing areas related to the sector, such as the Government's ambitions to transition to net zero greenhouse gas emissions, investing in infrastructure and levelling up, the Plan for Growth does not make explicit reference to steel.

South Tees Development Corporation

Following the closure of the SSI steel plant in Redcar, the South Tees Development Corporation was established in October 2015 to support economic growth in the area. The purpose of the corporation is:

> ...to further the economic development of the area through physical regeneration, social regeneration and environmental regeneration so that it becomes a major contributor to the Tees Valley economy, bringing the SSI site, and other underutilised land in the area, back in to economic use. By attracting private sector investment the STDC will secure additional, high quality jobs for the people of Tees Valley and provide a safe environment for the workforce. [115]

The Corporation's 'Master Plan' aims to create approximately 20,000 jobs and increase the economic contribution of the region to the overall UK economy to £1 billion a year. [116]

The government will invest £118 million in the Corporation, with the intention of boosting leisure, tourism and the skills of workers in the area. [117]

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[112] UK Steel, UK Steel Electricity Price Report: Closing the Gap, 4 February 2021, page 8 [accessed 4 June 2021].

[113] BEIS, Industrial decarbonisation strategy, 17 March 2021, page 34

[114] The Library briefing paper, Industrial Strategy provides background information and a summary of the main policies.

[115] South Tees Development Corporation, About us

[116] South Tees Development Corporation, Master Plan

[117] HM Government, Industrial strategy white paper, November 2017, p222

Updates and news can be found on the Teesworks website.

Swansea Bay City Region Deal

City deals are bespoke packages of funding and decision-making powers negotiated between central government and local authorities, Local Enterprise Partnerships and/or other local bodies. Further information can be found in the Library briefing paper, City Deals.

The government announced its intention to create a City Deal for the Swansea Bay area in the 2016 Budget. [118] Then Prime Minister Theresa May confirmed this in March 2017, and stated that the Deal planned to created up to 9,000 new jobs and encourage up to £1.3 billion worth of investment into the region. [119]

The Swansea Bay area includes the Port Talbot steel plant (owned by Tata Steel). As part of the deal, the new Steel Science Centre will be set up in the area. This will:

- Focus on providing commercial R&D to address the current and future challenges of sustaining steelmaking capacity in the Region and the UK
- Work with Industry to reduce its carbon impact and place the Region at the cutting edge of low carbon production
- Development of value and supply chain opportunities in new products and processes. [120]

3 Sector deals

One of the key components of the 2017 Industrial Strategy was the Sector Deals. These are

> ...partnerships between the government and industry on sector specific issues can create significant opportunities to boost productivity, employment, innovation and skills. [121]

The 2017 Industrial Strategy announced that four sector deals have been completed: life sciences, construction, artificial intelligence and the automotive sector, and that deals with the creative industries, digitalisation, and a number of other sectors are close to being agreed.

[118] HM Treasury, Budget 2016, HC 901, March 2016 pg. 69
[119] BBC, Theresa May signs £1.3bn Swansea Bay City deal, 20 March 2017
[120] Swansea Bay City Region, Steel Science
[121] HM Government, Building a Britain fit for the future, November 2017, p192

A steel sector deal is not mentioned in the industrial strategy, but Greg Clark the then Secretary of State for Business Energy and Industrial Strategy stated in March 2017 that:

> [The Government] are discussing with the steel industry a steel sector deal, part of which is to make sure that there are bigger opportunities, especially by UK customers, to make greater use of steel products. [122]

A report by the Business, Energy and Industrial Strategy Committee on Sector Deals in March 2019 noted that despite multiple meetings between the sector and the Government on a deal the Government appeared "unwilling to meet the requests of the steel sector." [123]

Responding to the report, the Government stated that they remained "open to discussing a Sector Deal with the steel industry and have been meeting with companies in the sector regularly to discuss this." However, the Government claimed that while the sector had made significant demands on energy prices and business rates it had put forward only limited commitments on future UK investment, portraying the sector's position as an "ask," not a "deal." [124]

[122] HC Debate, 6 March 2017

[123] Business, Energy and Industrial Strategy Committee, Industrial Strategy: Sector Deals, Seventeenth Report of Session 2017–19, 19 March 2019 (page 22)

[124] Business, Energy and Industrial Strategy Committee, Industrial Strategy: Sector Deals: Government Response to the Committee's Seventeenth Report, Nineteenth Special Report of Session 2017–19, 7 June 2019 (page 5)

6 Annex: The 2015/16 steel crisis

2015 was a year of "dramatic upheaval and anxiety for the UK steel industry" [125], and "2016 started in much the same vein…with jobs being lost, business insecurity, a rise in dumped steel and a very uncertain future ahead…" according to EEF/UK Steel. [126]

In summary, the combination of fierce international competition and high domestic costs made many UK steel plants uncompetitive. The industry responded with a series of plant closures, company mergers and staff lay-offs. Some of the most notable events in the crisis were:

- The closure of the Sahaviriya Steel Industries (SSI) plant in Redcar, Teeside in September 2015, which included the second largest blast furnace in Europe
- The reduction in capacity at the Port Talbot plant in South Wales by Tata through late 2015 and early 2016
- The sale of Tata's Scunthorpe site in April 2016
- The transfer of British Steel pension liabilities to Greybull Capital in April 2016

It is estimated that between September 2015 and March 2016, 7,000 steel industry jobs were lost. [127]

The following section describes these incidents in detail. The Timeline outlines the sequence of events in the crisis.

6.1 Major incidents in the steel crisis

SSI and Teesside

On September 28th 2015, Sahaviriya Steel Industries (SSI) announced that they would be "mothballing" their major steel making plant in Redcar on Teesside in the North East of England. [128]

This plant includes the second largest blast furnace in Europe and the decision could result in the loss of 1,700 jobs directly employed at the plant.

[125] UK Steel, Annual review 2015, February 2016, p1
[126] UK Steel, Annual review 2016, March 2017, p1
[127] BBC, Britain's steel industry: What's going wrong?, March 2016
[128] Financial Times, SSI mothballs Redcar steel plant with loss of 1,700 jobs, 29 September 2015

SSI had been struggling with increasing losses at the plant and had accumulated debts worth $1.4 billion. The Redcar plant had been loss making since it was bought by SSI in 2010 from Tata Steel, the largest steel manufacturer in the UK. [129]

The Government stated that compensation for energy intensive industries has already been provided, but that State Aid rules "prevented it from offering financial support to secure the facilities." [130]

The Redcar steel plant has been mothballed before. In 2010, Tata steel mothballed production whilst seeking a buyer for the plant. SSI eventually bought the plant and restarted production in 2011. [131]

Liquidation of SSI UK

On the 2 October 2015, SSI UK went into liquidation. [132] As a consequence of this, all employees at the Redcar site were made redundant, apart from a skeleton staff to man the blast furnace in case a buyer could be found. [133]

However, on 12th October 2015, the Official Receiver stated that [134]

> ...the coke ovens and blast furnace at the SSI Redcar steel mill are to be closed after no viable offers were received from potential buyers.

This announcement confirmed that all employees at the Redcar steel works would be made redundant.

The Government announced a package of support for people who have lost their jobs in Redcar and the Tees Valley. The package will be worth £80 million and will include: [135]

- funding for affected workers to train at local further education colleges and tailored support for them via Jobcentre Plus
- finance to assist workers if they want to start up their own business and for local small businesses to grow and create jobs

The Government stated that SSI had requested financial support from the Government, but that it

> ...has no confidence that this is a realistic proposal for taxpayers to support.

[129] Guardian, Corus agrees to sell Teesside plant to SSI of Thailand, 27 August 2010
[130] Financial Times, SSI mothballs Redcar steel plant with loss of 1,700 jobs, 29 September 2015
[131] BBC, SSI Redcar steel production 'paused', 18 September 2015
[132] BBC, Redcar steelworks: Owners SSI go into liquidation, 2 October 2015
[133] Insolvency Service, SSI steelworks: information for employees and creditors, 2 October 2015
[134] Insolvency Service, Press release: SSI steel works, 12 October 2015
[135] BIS, £80 million support package for SSI workers and local economy, 2 October 2015

The Government also stated that financial support for SSI UK would be illegal under EU State Aid rules and therefore, none could be provided.

The Government announced that it will hold a 'Steel Summit' on the 16 October 2015, involving steel companies, MPs, trade unions, and Welsh and Scottish government representatives. The summit would examine how to respond to the industry's current problem and "start mapping out a path to a sustainable future for the industry." [136]

This package of support was confirmed in a Written Statement to Parliament by Savid Javid, Secretary of State for Business, Innovation and Skills on 12th October 2015. [137]

Tata steel

Tata steel contributed 3% of Welsh total economic output in 2011

Tata Steel is one of the world's largest steel manufacturers and the owner of several plants in the UK.

Its biggest plant is at Port Talbot in South Wales. It is estimated that Tata Steel contributed 8% of Welsh industrial and extractives economic output and 3% of total Welsh economic output in 2011, making it the largest private sector contributor to economic output in Wales. [138]

Decision to sell UK steel business in March 2016

On the 29th March 2016, Tata announced that it was "looking at strategic alternatives" to the current ownership of its UK business. The company confirmed that it was exploring the "potential divestment of Tat Steel UK in whole or in parts." [139]

Tata stated that they had been in "deep engagement" with the UK Government over the future of their UK steel operations. [140]

In response to this announcement, the Government stated that

> ...we remain committed to working with Tata and the unions on a long term sustainable future for British steel making...Both the Welsh and UK governments are working tirelessly to look at all viable options to keep a strong British steel industry at the heart of our manufacturing base. [141]

The Government confirmed that they were willing to provide support through loans, loan guarantees or procurement to the UK steel industry. They also stated that a private sector sale of Tata was their preferred option for

[136] BIS, £80 million support package for SSI workers and local economy, 2 October 2015
[137] HCWS215 [On Liquidation of Sahaviriya Steel Industries UK Limited] 12 October 2015
[138] Welsh Economic Research Unit, Economic impact of Tata in South Wales, Welsh Economic Review, 2012, p30
[139] Tata Steel press release, Review of European Portfolio of Tata Steel, 29 March 2016
[140] Ibid
[141] UK Government press release, Response to Tata Steel announcement, 30 March 2016

supporting Tata in the long term because this option would not contravene EU state aid rules and would not expose the Government to potentially large future losses in the steel industry. [142]

On the 21st April, the Government announced that they were willing to take a stake of up to 25% in Tata Steel's UK operations. [143]

This followed the announcement by Tata that they had set a deadline of the 28th May 2016, by which date, if they had not secured a "viable buyer" for the Port Talbot plant, they would cease operations there. Subsequently, Tata announced that they would wait until the weekend of 25-26 June, later delayed to 8 July, before making a further announcement. [144] [145]

Tata plans to merge European operations (July 2016)

On 8 July, Tata's board met in Mumbai, India, and announced that it had put on hold the sale of most of its UK steel operations in order "to explore the feasibility of strategic collaborations through a potential joint venture" for its European business. [146]

Tata also announced that it would seek to sell off its speciality steel business employing 2,000 people in Hartlepool, Rotherham and Sheffield. It stated that it had already received interest from several bidders and that a formal process to sell this business would start soon.

This decision to pursue a merger for the rest of its UK business (including Port Talbot), which employs around 9,000 people, means that these factories will likely continue to operate under the ownership of Tata, at least for the time being. Tata stated talks about a tie-up with rival companies, including ThyssenKrupp, were at a "preliminary stage".

Tata's Executive Director for Europe linked the possible success of such talks to a number of issues, including supportive policies from the UK and Welsh governments. He said such policies "are necessary for realising a sustainable business in the UK."

Since the decision to sell was taken in March, world steel prices have risen reportedly limiting losses at Tata Steel UK [147] (some reports even state that it made a profit in the last quarter) [148]. This improvement in market conditions may have lessened the urgency for the company to divest itself of its UK operations.

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[142] Financial Times, Tata confirms plan to sell UK steel businesses, 30 March 2016

[143] BBC, Steel crisis: Government willing to take state in Tata , April 21st 2016

[144] FT, Tata sales process pushed back until after Brexit poll, 4 May 2016

[145] Financial Times, Tata delays decision on its UK steel operations, 9 Jun 2016

[146] Tata Steel press release, Tata Steel announces developments regarding the strategy for its European businesses, 8 Jul 2016; BBC News, Sale of Tata UK steel business on hold, 8 Jul 2016

[147] Financial Times, Tata delays decision on its UK steel operations, 9 Jun 2016

[148] ITV news, Revealed: Only one bidder left in Tata Steel UK talks - as others blast 'unprofessional' sales process, 7 Jul 2016

Parliamentary Committee evidence sessions

The BIS Select Committee held an oral evidence session on the 28th April 2016 to discuss the recent announcements from Tata the Government's response and the future of the steel industry. [149]

A joint evidence session comprised of five Select Committees was held on 6 July 2016 to address the steel crisis and Brexit vote implications for the UK steel sector. [150] Anna Soubry, Minister of State for Small Business, Industry and Enterprise, gave evidence on the Government's position following the EU referendum result and its implications for the UK steel industry. See section 7 of this paper for more on the implications of Brexit.

Tata sale of Scunthorpe site, April 2016

On the 11th April, Tata Steel reached a deal with Greybull Capital, a London based investment firm, which transferred ownership of Tata long products division to Greybull. The long product division is based mainly in Scunthorpe meaning that the 4,000 plus jobs threatened there would be saved.

The deal will keep the steelworks in Scunthorpe open, and will transfer pension and other liabilities from Tata to Greybull. The investment firm also pledged a £400 million funding package to modernise the businesses. The Government have agreed to contribute to this in the form of a loan on commercial terms. Greybull have changed the name of the Tata long products division to 'British Steel.' [151]

On 31 May 2016 Tata announced the completion of the sale to Greybull. [152] Altogether this business employs 4,400 people in the UK in steelworks in Scunthorpe, two mills in Teesside, an engineering workshop in Workington, and a design consultancy in York.

Job losses announced in January 2016

On the 18th January 2016, Tata Steel announced cost saving measures that would result in 1,050 job losses mainly at its Port Talbot plant in South Wales: [153]

> The plans would lead to the loss of 1,050 jobs – 750 jobs at its Port Talbot-based Strip Products UK business, 200 jobs in support functions and a further 100 jobs at steel mills in Trostre, Corby and Hartlepool.

[149] BIS Select Committee, The UK Steel Industry follow-up inquiry: oral evidence session, 28 April 2016
[150] The European Scrutiny, Business, Innovation and Skills, Energy and Climate Change, Welsh Affairs and Work and Pensions Committees
[151] Guardian, Tata deal saves 4,400 jobs in UK, April 11 2016
[152] Tata Steel Europe press release, Tata Steel UK completes sale of Long Products Europe business to Greybull Capital, 31 May 2016
[153] Tata Steel, Press release, 18 January 2016

Tata steel blamed "continued falls in the European steel price caused by a flood of cheap imports, particularly from China" and called for the European Commission to "increase the robustness of its actions in this area."

Tata's announcement was the subject of an oral ministerial statement from the Rt. Hon. Anna Soubry MP, Minister for Small Business, Industry and Enterprise, on 18th January 2016. The Minister outlined the actions the Government has taken already to support the industry and the areas where activity is still continuing, discussed later in the note. [154]

Many aspects of industrial policy are devolved. The First Minister of Wales, Carwyn Jones, made a statement on Tata Steel on 18th January. This announced a High Level Taskforce to draw up an action plan to support the supply chain in the local economy. The First Minister also stated that the Welsh Assembly Government would continue to lobby the UK Government over issues such as energy prices. [155]

Previous cost savings measures

Tata Steel suffered losses of $615 million in 2014. This prompted the company to announce 720 job losses at its plants in South Yorkshire and the West Midlands in July 2015. [156]

The company also announced that it would "scale down production" at its plant at Llanwern in South Wales which employs 250 people, adding that none of the permanent jobs there would be under threat.

In October 2015 (in the same week as the closure of the SSI plant in Teesside) Tata announced that it "expected to significantly reduce the workforce" mainly at its Scunthorpe plant, which employs 4,000 people. [157]

Media reports have suggested that up to 1,200 jobs could be lost from the Scunthorpe plant, and plants at Dalzell in Motherwell and Clydebridge in Cambuslang. [158] According to UK Steel, the Dazell plant is the only plant in UK capable of rolling and processing the steel used in Trident submarines and the MoD special Armour plate, along with certain requirements of the offshore oil and gas industry for drilling platforms and oil and gas pipelines. [159]

This follows the loss of 400 jobs at the Tata plant in Port Talbot, South Wales, in 2014. [160]

[154] HC Deb 18 Jan 2016 c1133

[155] Welsh Assembly Government, Speech by the First Minister: Tata Steel, 18 January 2016

[156] Financial Times, Tata targets 720 job cuts at English steel plants, 16 July 2015

[157] BBC, Tata Steel set to cut 1,200 jobs, 16 October 2015

[158] The National, Action plan on Tata steel closures is welcomed by unions, 19 October 2015

[159] EEF, UK Steel comment on Tata announcement, 20 October 2015

[160] Guardian, Tata Steel to cut as many as 250 jobs in south Wales, 26 August 2015

On 23 October 2015, the Government and Tata steel announced an initial support package of up to £9 million in response to the proposed restructuring and job losses at the Scunthorpe steelworks:

> Tata Steel's regeneration arm UK Steel Enterprise has pledged £3 million to support job creation in Scunthorpe, on top of £10 million it has already earmarked to help regenerate UK steel communities over the next 5 years.
>
> The new £3 million funding is being matched by the UK government. It will provide support for more start-up businesses and companies that are looking to expand and create jobs.
>
> In addition, the government is separately providing up to £3 million specifically for training of affected employees through local further education colleges.
>
> The government has asked Baroness Liz Redfern, leader of North Lincolnshire Council, to lead a taskforce which will identify local needs, co-ordinate with UK Steel Enterprise and consider whether additional support may be necessary. [161]

Tata Steel is also providing an £1.5 million for job creation in steel communities around the Dalzell and Clydebridge sites. Economic development and regeneration is devolved in Scotland, and the UK government has said that it is continuing discussions with the Scottish government about further support. [162]

Caparo industries

Certain businesses within the Caparo industries group went into administration on 19 October 2015. This includes Caparo Steel Products Ltd, but not include Caparo Merchant Bar. The affected businesses have about 1,700 employees, who are attending work and being paid as normal while the administrators' review gets underway. [163]

[161] Department for Business, Innovation and Skills, Government and Tata steel to provide support to Scunthorpe steel workers and local economy, 23 October 2015.

[162] As above. For more on the Scottish Government response see Scottish Government, A future for Scottish steel, 22 October 2015

[163] PWC, Caparo Industries plc and its subsidiaries – collectively the "Caparo Industries group" or "CIP"- in administration, 19 October 2015. This contains a list of the Caparo industries businesses that are affected.

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