HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: Steel Industry in Wales, HC 508

Wednesday 31 January 2024

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Watch the meeting

Welsh Affairs Committee members present: Stephen Crabb (Chair); Tonia Antoniazzi; Virginia Crosbie; Ben Lake; Beth Winter.

Other Members present: Sarah Atherton; Stephen Kinnock; Mark Tami.

Questions 1 - 83

Witnesses

I: Alasdair McDiarmid, Assistant General Secretary, Community union; Charlotte Brumpton-Childs, GMB National Officer for Steel; Nick Kardahji, Bargaining and Investigative Researcher, Unite.

II: T. V. Narendran, Global CEO and Managing Director, Tata Steel; Rajesh Nair, Chief Executive, Tata Steel UK.

Examination of witnesses

Witnesses: Alasdair McDiarmid, Charlotte Brumpton-Childs, Nick Kardahji.

Q1 **Chair:** Good morning—bore da. Welcome to this meeting of the Welsh Affairs Committee. We are devoting this morning's meeting and an extra session this afternoon to the future of the steel industry in Wales. We have four panels throughout the day. We have representatives from the trade unions on the first panel. We will then take evidence from the senior management at Tata, and then this afternoon we will take evidence from the Welsh and UK Governments.

Thank you to our first panel. We are joined by Alasdair McDiarmid, assistant general secretary of the Community union; Charlotte Brumpton-Childs, national officer for steel at GMB; and Nick Kardahji, from Unite. Welcome to you all.

Before we get into the questions, I should point out that, given the enormous importance of this issue to Wales, I have decided as Chair to invite other Welsh Members of Parliament to guest on the Select Committee today. I have invited Sarah Atherton from the Defence Committee; James Davies, who is not present for this session but will hopefully be with us later; Stephen Kinnock, who obviously has a constituency interest, and another interest in that he sits on the Welsh Government and UK Government's transition board; and Mark Tami, who has a constituency interest as well. I am grateful to these Welsh colleagues for joining us today.

My final point of housekeeping, given that we are so time-constrained, is to ask colleagues around the table to be as concise as possible with their questions and to ask witnesses to be as efficient as they can in how they respond.

Could I open the questioning by asking you, as union representatives, what engagement you have had thus far with Tata on the plan that it is putting forward? What do you anticipate will be the sequence of steps as far as consultation with you and your members is concerned? Alasdair McDiarmid, perhaps you could answer first.

Alasdair McDiarmid: Good morning, everyone, and thanks for the opportunity to come and talk to you about the situation at Tata Steel. It is massively important, of course. The vast majority of the members in the affected areas are members of the community, and the stakes could not be higher.

We have had a lot of engagement with Tata over a very long period. It is important to remember that these discussions are not new; they started back in 2020, in fact, when a number of scenarios were under consideration. Tata's favoured solution at the time was the Kronus model—investing in two electric arc furnaces over a short period of time. We had a problem with that strategy, based around the fact that the hot strip mill wasn't included, which meant the death of Trostre. That hot strip mill has now been put back into the proposal, which is good. That happened as part of the consultation around the multi-union plan.

Ultimately, the discussions we had back in 2020 didn't come to anything. We had covid and the Ukraine war, and everything was put on hold. We were told that there would be a constructive discussion around the different technology models, and no decisions would be made before a full consultation with the unions. Unfortunately, that did not happen, and out of the blue in September we had the announcement of the 3 million-tonne electric arc furnace proposal, with 3,000 job losses.

We said very clearly that that deal between Tata and the UK Government was not acceptable to anyone. There are lots of reasons why it is not acceptable, but the root cause is that it is the cheapest decarbonisation strategy anywhere in the world. The £500 million that the Government are giving to Tata equates to just £166 of assistance per tonne of steel, whereas the German Government are giving Salzgitter €525 per tonne—

Q2 **Chair:** Sorry to cut you off. We are going to get into the detail of what the proposals are in due course, but on the point about consultation with the unions, what is currently happening and what do you foresee happening?

Alasdair McDiarmid: We presented our alternative proposals to Tata on 17 November. After that, there has been a very detailed process between our advisers and Tata Steel's experts to look into the detail of that plan, test all the assumptions and agree the figures. There is now an understanding that everything with our plan, in terms of the figures, is agreed with Tata. They responded to our plan and rejected most of it, other than putting the hot strip mill back into their proposals and saving 200 jobs in their estimation.

That is where we are. We haven't started the statutory consultation yet. We have had a number of national meetings. Charlotte and I have met the company on a number of occasions, and we are meeting them again this week. The 45-day statutory consultation hasn't even started, so we are a long, long way away from having a fixed plan. Everything is still up for debate and consultation. We have some clear ideas about the best way forward, and obviously Tata have their own ideas. We don't pretend to have all the answers—I don't think Tata do either—but we have an excellent opportunity to negotiate and consult in the right way, hopefully to get some more support from the politicians and get the best way forward for the business, rather than the cheapest method, which is what I was starting to talk about before. I think the focus has been on price, rather than what is best for the industry, the country and the workforce.

Q3 **Chair:** Thank you very much. Charlotte Brumpton-Childs, does your union feel as though you are in the room with Tata at the moment?

Charlotte Brumpton-Childs: Yes, I think that is fair to say. We are meeting with them on nearly a weekly basis at the minute to go through some of the discussions.

To go back to what Alasdair was saying about 2020, we were meeting with the company on a bi-monthly basis to talk through decarbonisation plans in quite excruciating detail. At the point that the UK Government started

to intervene and have discussions about what sort of support would be given to the decarbonisation route, those conversations with us stopped. We found out what their preferred route to decarbonisation was about an hour before the press did.

Since that happened back in September, when the £500 million was announced, Tata have engaged with us on a regular basis. They facilitated a meeting with our European trade union colleagues at an EWC in Cardiff a few weeks ago. As Alasdair says, we are not in any sort of statutory consultation period yet. I expect that to start by the end of this week, but—

Q4 **Chair:** Sorry to cut you off. Do you feel that there is good faith in your conversations with the Tata management?

Charlotte Brumpton-Childs: That is hard to say. Like Alasdair said, they have engaged really well with our experts in going through the detail of our proposal, their proposal and the assumptions on both sides. I think we are relatively aligned on where that is.

One of the frustrations for the trade unions is that the plan that we proposed to the company was its plan in the early 2020s with a few modifications. We were told then that cost was the justification for that being a difficult route, but since we have had discussions with Tata about potential investment from a Labour Government—Labour pledged £3 billion in its manifesto—and asked if we can pursue that instead, Tata has now been citing other reasons for not being able to pursue it, outside affordability. That is frustrating, because we feel the goalposts are moving slightly at the minute.

Q5 **Chair:** That is helpful. Nick Kardahji from Unite, is it fair to say that Unite struck a different tone from the other trade unions and is pursuing a different plan? From looking at your press releases, you seem to be in a more confrontational mode with Tata. Is that a fair description?

Nick Kardahji: Yes, we have had some differences in our approach. There is an opportunity to have a more ambitious plan for what Port Talbot could be in the future. That is why we put forward our own proposals on the future of the plant. We think that there is still an opportunity to get a more ambitious solution delivered for the plant, so our general secretary has been very clear that we are putting in the resources and the time to fight for a better solution, to get Tata to move and to reconsider what it is doing, and to get political actors to move and reconsider the amount of funding. As Alasdair indicated, the amount of money on the table for Port Talbot—an important strategic asset for the UK—is completely inadequate for what is needed to decarbonise. This is an opportunity to rethink what we are doing at the moment.

Q6 **Chair:** The Unite plan—correct me if I have not got this right—involves a doubling of the capacity envisaged at Port Talbot and building multiple electric arc furnaces. It is a bold expansion plan. Why are the other unions not rowing in behind what you are saying?

Charlotte Brumpton-Childs: May we answer that, because that is us?

Chair: I want to hear first from Mr Kardahji whether my characterisation is correct.

Nick Kardahji: Our proposals are not to double capacity at Port Talbot itself. At a national level, we certainly think that there is an opportunity to double the capacity of the steel industry as a whole. Our steel industry is a minnow compared with that of other European countries. We produce far less steel per capita than France, Germany, Italy and countries like that. Nationally, that is our proposal. We are not proposing to double capacity at Port Talbot, but we think that there is an opportunity to expand capacity to some extent and to increase production from its current level.

Q7 **Chair:** Why would the other unions not support that plan?

Charlotte Brumpton-Childs: There are differences in approach. To be clear, the multi-union plan was endorsed by all three unions at the start of the process, but where we are in the process, and with what is at stake for our communities and our members' livelihoods, we need to focus on the common aims of the trade unions and the workforce, which is to maintain primary steelmaking in south Wales. Fundamentally, if we do not do that, it does not matter what Unite has written or the multi-unions have written, it will decimate our members' livelihoods and their communities.

Alasdair McDiarmid: We have been focusing on a practical and deliverable plan. We have a whole team of expert management consultants—experts in the steel industry—who have been working on this for a number of years. Tata is losing a lot of money; there have been a lot of suggestions in the press that it is not, but it is. We need to decarbonise—we know that—but we need to do so on the basis of the facts, and at the moment the UK strip market is 4 million tonnes, and Tata is already producing 2 million tonnes of steel into the strip market. Doubling capacity is not practical. Our big customers, automotive in particular, will never rely on a single source of steel, so it is just not possible to do that. We need to understand that those are the facts.

We have major concerns about the proposal to invest in a 3 million-tonne arc furnace. That is the root of our opposition to Tata's plan. I am happy to talk about that now, or at a later point, but ultimately the 3 million-tonne furnace is the cheapest option. It is putting all our eggs into one basket. No one else is doing that. Not a single European steelmaker is going down an EAF-only approach; they are all retaining their blast furnaces into the 2030s at least and/or investing in DRI EAF capacity.

The proposal will make us an outlier in Europe and permanently cut production capacity by 500,000 tonnes in Port Talbot, with a knock-on impact downstream, threatening the future of Llanwern and Trostre in particular. That is completely unacceptable. It is impossible to keep a blast furnace going beyond the start of the electric arc furnace, as our experts have conclusively demonstrated, and Tata would support that as well. A 3 million-tonne EAF is the barrier to a just transition, the barrier to keeping

a blast furnace going into the future, and the barrier to protecting our capacity to produce virgin steel in the future.

Chair: Thank you; that is very succinct. I will start to bring in colleagues. Just to reiterate, my plea is to be as brief as we can—in the responses as well. That will help us to get through the material. For the Members around the table who have trade union affiliations, if there are relevant interests to declare, it would be in order to so.

Q8 **Stephen Kinnock:** I am very happy to declare that I am a member of Community union, the steel union. My first question is primarily to Alasdair. Could you explain a bit more about why electric arc furnaces are not capable of producing complex flat products, particularly for tin cans and automotives, for example? All the European producers have said very clearly that they need a mix—a ratio of around 70% ore-based metals to 30% scrap—to be able to deliver those complex flat products. If that is universally accepted, why is Tata Steel going down the road of an electric arc furnace-only model?

Alasdair McDiarmid: That is a very good question—very topical. Obviously, a lot has been said in the press in recent days about what electric arc furnaces can and can't do. The truth is that there is not an easy answer to that question. Yes, it is impossible to make about 10% of TS UK's order book through electric arc furnaces. That is about 30% of Trostre's portfolio, 25% of Llanwern's and a significant proportion of Corby's as well. A lot of that is the most profitable part of the order book, which is critical.

So you can't make 10%, and the rest is subject to metallics and how much metallics you put into an electric arc furnace. If you put 100% scrap into an electric arc furnace with no metallics—that is iron ore, HBI and so on—you can't make more than about 60% of Tata Steel UK's order book. The question of metallics is absolutely vital. Probably the biggest issue with Tata's plan is that it has no secure supply of metallics to put into the electric arc furnace. As I say, it will be the only European steelmaker to give up its blast furnace this decade. In fact, 55% of EU flats producers will still have a blast furnace in 2030, which can make steel a lot cheaper—about 30% cheaper. So it is giving up its blast furnace. We do not have DRI EAF capacity, so we do not have access to a secure supply of metallics, which is a major risk for the business.

That is why we are advocating a two-stage solution in our multi-union plan: a smaller electric arc furnace in the first instance, combined with the 2 million-tonne blast furnace No. 4, so that we can continue to maintain production capacity at Port Talbot, which is based on the hot strip mill bottleneck of 3.2 million tonnes. In 2032, when we take the blast furnace No.4 off, that will be replaced by another technology. It might be another EAF, which is the finance that we factored into our multi-union plan, but our favoured solution would be a DRI smelting operation, otherwise known as an OSBF or a REF.

The advantage of that is that you can use blast furnace-grade pellets in that process. DRI-grade pellets are extremely scarce. Only about 3% of the world's iron ore reserves are suitable for DRI production. They are all captive, more or less. They are not freely available on the open market, so Tata Steel does not have access to a supply of DRI-grade pellets. The other big steelmakers in Europe, like Tata Steel Netherlands, ThyssenKrupp and POSCO, which also do not have access to a secure source of DRI-grade pellets, are all looking at the REF. That is a better way to secure your virgin steelmaking capability because you have better access to that iron ore. It is an unproven technology, but other steelmakers are doing it and we think that we need to show a similar level of ambition in this country.

Q9 **Tonia Antoniazzi:** I will try to be swift. Growing up near Stradey Park, I saw Duport steelworks close down as a child and the devastating impact that that had on Llanelli as a town. Charlotte, you have spoken about livelihoods and devastation. I want to know how far-reaching this will be for job losses, because my brother's friend sails a tugboat, and his job is under threat because he will not be bringing the ships in. I was surprised to know that. How far-reaching is it? What work have you done to know how far—down into south Wales and beyond—that devastation will impact on people's livelihoods?

Charlotte Brumpton-Childs: The impact cannot be overestimated. I live in Scunthorpe, which I am sure we will be talking about in the next couple of months, and I started my working life as a steelworker. These are friends, colleagues and family members of probably a lot of people who sit on the Committee, actually. The 2,800 jobs that are proposed to go are just the tip of the iceberg. The knock-on effect can be really direct: like you say, it is about people who work in the logistics supply chain of the steel industry, but it is also about the cafés down the road from the steelworks where people go and get their bacon butty in the morning. It is about the dance schools that the steelworkers' kids go to, because they have an income that will allow them to pay for those sorts of pursuits.

We are trying to do quite a lot of press around this to move the company, but I have members who will not talk to the press because they are so angry about what their employer is doing. I have a member who signed a mortgage agreement two weeks before the announcement was made and now does not know how he will pay for his house. Our senior rep for the steelworks is in his late 20s; he needs a job for the next 50 or 60 years, depending on what happens with the pensionable age. This is not a dying industry, and this is not a group of workers who are trying to eke out getting to their retirement. It is a vibrant, young industry that could and should provide livelihoods and jobs to our communities for the next 100 years.

The decisions that Tata is making are not ideological decisions about greening the industry, which we all accept that we need to do. It is building three blast furnaces in India, and it will be importing that Indian steel made from blast furnaces to Port Talbot for at least the next four years to feed the Port Talbot mills while it is building an arc furnace.

Q10 **Tonia Antoniazzi:** On that point, is there an issue around health and safety in this country and health and safety in India, which may be a reason why it is doing more there and why it is cheaper to produce steel in India and bring it over?

Charlotte Brumpton-Childs: There is a really complex issue around why it is cheaper to make steel in other countries. The UK has the highest energy prices of all its competitors, which makes it really difficult to have a competitive steel industry in the UK to begin with.

It is common knowledge that the standards to which we rightly hold our employers in terms of health and safety and welfare, and how we rightly pay and reward our members of staff, mean that companies can take advantage of lower standards in other countries. One thing that is really important is that the steel that we will be importing from the Netherlands and India to facilitate this move to a greener steel industry is at least 10% more carbon-intensive before you have put it on a ship and sailed it halfway around the world. Our carbon emissions from our steel industry will go up, not down, as part of this transition.

Tonia Antoniazzi: Thank you. I should declare that I was a GMB member.

Q11 **Mark Tami:** I should put it on record that I am a member of Unite. Alasdair and Charlotte, you have both touched on issues surrounding the arc furnace and the transition period. I represent Shotton, and the steel—whether it is imported, usable or whatever—can be fired, but that can be only a short-term measure. How confident are you that this arc furnace will be built and that it can be built to that timescale? What are the issues surrounding it if it is not? As you say, Charlotte, it is hardly green steel if you are importing stuff from halfway around the world and then sending it back into different markets.

Charlotte Brumpton-Childs: I would welcome the Committee challenging Tata on that point when they are sat in front of you in a few minutes. I heard the Secretary of State say last week that "the Government will not pay a penny to Tata until that arc furnace is built." That is not my understanding of what the funding model looks like. I understand that it is in the grant process, where they achieve certain milestones and then get given the money, so it is entirely possible that Tata is going to be given money. I am happy to be corrected by Tata, but that is how it has been explained to me.

Chair: We will ask them about that.

Alasdair McDiarmid: It is important to say that it is an extremely ambitious timescale to build an electric arc furnace. Anyone in the industry will tell you that. The future of that electric arc furnace is unknown and uncertain, because there is no deal signed off between Tata and the UK Government at this stage. It is all subject to consultation.

That can be changed. We have had assurances at every level that if the consultation comes to a place where a better solution is identified and

supported by all stakeholders, then a different route is possible. The £500 million that the Government have already pledged is not necessarily tied to the 3 million-tonne electric arc furnace. I think that is very important to say.

That 3 million-tonne furnace plan is not inevitable. There are better plans available. Yes, they will require a bit more investment, and we can talk more about that, but it is critical that we get the best solution for our steel industry and our steelworkers, not the cheapest solution. This is the cheapest bargain-basement decarbonisation strategy you will see anywhere in the world. It is not the best option.

Nick Kardahji: The key point is that we need this steel. The question is not whether we need the steel, but where it is going to get made. The risk is that we are offshoring our emissions, production and jobs, and that will then become the new status quo after a few years, especially if there are problems or delays down the line. There are potentially other Tata plants around the world that will be producing this steel and bringing it here. That might be a decision that Tata makes, going forward. This is a really dangerous step and one that we should have big questions about.

Q12 **Chair:** I have heard Tata say, "Look, this is the way the global industry is moving." Notwithstanding the investments that we know are being made into more blast furnaces in China and India, across the United States and Europe, they will say that this is the way the steel industry is moving—towards electric arc furnaces—and that you will see a greater proportion of steel made in this way. Nick, would you disagree with that?

Nick Kardahji: Clearly we are at a moment of transition in the way we make steel. There needs to be a change to the way we produce steel, because of the climate and carbon impact of steelmaking. We think that electric arc technology can be part of the solution. There is nothing wrong with saying that, but it needs to be part of a solution that includes the capacity to retain virgin steel production, which is what is missing from the scenario that Tata is laying out. We cannot rely purely on a scrap-based model to produce the range of products that we need. That is a basic economic security point—it is a national security issue. There are specialist applications for steel that we are in danger of not being able to provide in this country if we go down a purely scrap-based route.

Q13 **Beth Winter:** I declare an interest: I am a member of Unite and Unison. You have answered part of the question I was going to ask, so I will ask a different question: why is virgin steelmaking so important?

Alasdair McDiarmid: That is a very big question. It is important for lots of reasons. Every other country can do it, including every other member of the G7. If we cannot do it, we will be reliant on others for something that is absolutely critical to our national infrastructure and our nation's defence. It is also critical for Tata's plan and our multi-union plan.

If you do not have the capacity to make virgin steel, you cannot run an electric arc furnace model for Tata Steel UK, because we need a very high amount of metallics. At the moment we have no plan for it and no security

that we are going to get it. We are giving up our blast furnaces when nobody else is doing that. We are not investing in DRI. At the moment we have no plan to invest in a smelting furnace or OSBF/REF solution of the sort that I was talking about. We are completely at the mercy of others and we do not have a secure plan for the business.

You asked whether we agree that Tata's plan is mainstream and everyone else is doing it. We absolutely do not accept that. To cite a statistic, by 2040, 40% of all flat steel in Europe will still be produced by a blast furnace; 40% will be produced by an EAF, supplemented by a DRI; 12% will be produced by an REF smelting furnace; and just 8% will be produced by a simple electric arc furnace, which is Tata Steel UK and Arvedi in Italy.

Arvedi is often cited as an example for the approach that Tata Steel is following, but its 3 million-tonne furnace is based on 100% scrap because it is a commodity producer; it is not a high-value producer in the same way as Tata Steel, so it is very different. Tata is by itself. It is going it alone and trying something completely untested. It is saying that it is proven and tried and tested, but actually it is forging a path that no one else has followed. It is a massive risk, and we have not even talked about the lack of scrap supply chain in the UK.

Q14 **Beth Winter:** Charlotte, what is the most important thing that needs to be done to preserve jobs?

Charlotte Brumpton-Childs: In order to preserve jobs, we need to take a sensible approach in terms of what steel we want to be able to make in the UK. I think the most immediate issue is making sure that blast furnace 4 at Port Talbot stays open through to 2032 to allow for a just and fair transition to green the UK steel industry without selling our jobs in the process. That is what needs to happen. I do not know whether we have made this point before, but if you turn a blast furnace off, you cannot turn it on again, so decisions that are made over the next couple of months will be far-reaching for decades.

Q15 **Beth Winter:** Finally, Nick, we have touched on investment and my colleague is going to ask more about that. What levels of investment are needed for the plans and where should that come from? Tata Steel is saying, "We are losing money," and I was shocked to see that actually, on a global level, it is making significant amounts of money. Should the Government have a stake in steelmaking? What levels of investment are we talking about and where should that money be coming from, Nick?

Nick Kardahji: To echo what Charlotte said, the most important thing in the immediate term is to keep blast furnace 4 open. Additional investment will be needed to do that, but it is not a significant amount more, and we think Tata has the resources, certainly at a global level. It is a very profitable conglomerate. Admittedly it has had issues at the UK level, but at the global level this is an extremely profitable company.

We also need to think about the role that Government are playing in this. As we have touched on already, the amount of money that Government are putting in is not adequate and not comparable to what other countries

are doing. This is a strategic asset that is far too important for us to allow it to be lost simply because inadequate funding was put in place.

It is not acceptable to have that funding coming without strings attached, either. At the moment, that money does not come with solid guarantees on jobs, for example. That needs to be there. We think that there is a role for the Government to take a stake in the plant as well, potentially; that should be considered. The need to retain virgin steel production in the UK is too important to be left to the decisions of one multinational company.

Q16 **Chair:** So you are pushing a model of part-renationalisation.

Nick Kardahji: We think a stake should be taken in the industry by Government—yes, absolutely.

Q17 **Sarah Atherton:** I share your concerns about Britain's sovereign capacity to make virgin steel, particularly for defence shipbuilding. I am absolutely with you on that. Can I ask a little more about your different plans? Unite has diverged from the Syndex plan and is proposing zero job losses. GMB and Community union are proposing 500 job losses in their plan. Will you talk about your plan?

Alasdair McDiarmid: Can I take that one? This is a common misconception. Our multi-union plan is based on a smooth transition towards low-carbon steelmaking over a period of time, protecting our capacity by first investing in a small, 1.5 million-tonne EAF to sit alongside the 2 million-tonne blast furnace number 4, to be replaced in 2032 by something else. At the moment, we think a smelting furnace is the right thing to do. We all agree that the blast furnace needs to continue to 2032, but in actual fact it is impossible to do that with a 3 million-tonne electric arc furnace. All the experts say that; Tata says it as well. That needs to be understood.

In terms of job losses, under our plan about 600 roles will disappear because of the decarbonisation strategy, mainly or almost all in Port Talbot's heavy end. Those roles will disappear. However, other roles will appear in the building of the electric arc furnaces and in the new infrastructure around them. We are also proposing that Tata needs to look at other investments downstream, in particular a new plate mill.

We are not saying that at the end of our strategy there will be 600 fewer job losses; there may be some, but it is not going to be 600. Crucially, we are absolutely confident that the number of job losses could be managed on a voluntary basis. If you look at the age profile, the demography and people's aspirations in Port Talbot, we believe that we have a very good chance of managing a process with no one being forced out of their job.

The whole strategy is based on three primary red lines, which all the unions agreed when we first started having these conversations in 2020. They are to protect the future of steelmaking at Port Talbot; to maintain capacity and protect the future of all the downstream plants; and to manage a just transition with no compulsory redundancies. That is what our plan achieves.

Charlotte Brumpton-Childs: Tata also gave us a red line, by the way, to stop the bleed of money that we have referenced, which we achieve in our plan.

Alasdair McDiarmid: Absolutely. It is very important to recognise that. It is a plan that addresses Tata's losses, and we can talk more about the finances there.

We are not putting our head in the sand. We always knew that we had to decarbonise, and we always knew that Tata has a big problem: it is losing a lot of money. Despite what some people may think, Tata Steel in India might be making a lot of money, but they are not going to come over and continually bail the UK out. They have put billions in. In reality, Tata have been good owners over time; we would always say that. They have stuck with the business when many others would have walked away.

But the business does need fixed. It does have major problems, and our plan addresses those problems in a constructive but fair way that means we will have a secure business for the future and will look after people at the same time.

Q18 **Sarah Atherton:** How much more would it cost the UK Government and/or Tata to implement your plan?

Alasdair McDiarmid: At the moment, £1.25 billion has been committed to invest in Tata's solution, which includes £500 million of public money. Our strategy demands a total of £1.9 billion of investment, which is £683 million above what has already been committed by Tata and the Government—so, yes, we would certainly be looking for Government to make a significant contribution to that.

Overall, the total figure would be along the lines of £800 million to £1 billion, up from £500 million, which would be much more in line with the support provided by other European countries but still significantly less. At the moment, the German Government are putting in four times as much money into ThyssenKrupp as the UK Government are putting into Tata Steel.

Q19 **Sarah Atherton:** Nick, can I ask you the same question? Your plan proposes zero job losses—is that correct?

Nick Kardahji: We think that there is a way forward that can avoid job losses, yes.

Q20 **Sarah Atherton:** Could you briefly explain the difference and say why you think that that is achievable? What would the UK Government and Tata Steel have to add to their investment to achieve it?

Nick Kardahji: We think that there is an opportunity to be more ambitious than Tata is being. At the moment, as was touched on earlier, there is a bottleneck in the plant in terms of what the hot mill can deliver, and that has constrained capacity and the level of production that can be achieved. That was a decision by Tata to run down that capacity.

Where I would disagree with what others have said is that I do not think that Tata has been as good an owner as it could have been. I think it has under-invested in the plant; it has allowed plant and equipment to deteriorate over time. We think that under-investment in the plant is part of the reason why Tata has experienced financial difficulties. They have had repeated production problems because of that legacy of under-investment.

We think it is possible to think more ambitiously in order to remove the bottlenecks and expand the level of production. We think that there should be a DRI facility on the site. We should retain that capacity to make those metallics that, as Alasdair said, are vital for producing the full range of steel products.

Yes, that would involve more spending. We are not shying away from the fact that this requires a much greater level of investment. It would bring us back to a level of investment that is much closer in line with what other European countries, like Germany and other major industrial countries, are doing, as Alasdair touched on.

We think that we should be thinking bigger and bolder about that, and we do not shy away from putting forward a different type of solution that is not just rubber-stamping decades of under-investment.

Sarah Atherton: Before the Chair chastises me—

Chair: You will have to be super-quick, please, Sarah.

Q21 **Sarah Atherton:** Can you just give me your costs?

Nick Kardahji: In total, we think that we're looking at somewhere over £3 billion to completely decarbonise and to expand production on the site, but in the short term the difference in the first stage of what we have put forward is only a couple of hundred million more than is on the table for that first stage of the plan. And Tata is already talking about putting aside significant amounts for redundancy payments and things like that, which should be put into productive investment instead.

Q22 **Virginia Crosbie:** Croeso—welcome. Thank you for coming today. I also thank all the audience who have come today. I am sure many of you have come a long way, so it's very much appreciated.

There has been quite a lot of talk today about technology options, ambitious plans and the UK Government taking a stake. My question is this: what more can the UK Government practically do to make the steel sector more competitive, more attractive and more viable? We will start with Alasdair.

Alasdair McDiarmid: That is a very good question. We have campaigned long and hard as an industry—all the unions and all the employers working together—for what we call a level playing field for UK steelmaking. For decades, we have been forced to compete with one hand behind our back. In 2015, when the original steel crisis kicked off and we lost 5,000 jobs in a month, we laid out our five priorities for the industry, which were

competitive energy prices, fair procurement, fair trade, support for decarbonisation, and a business rates regime that rewards investment and doesn't penalise it.

As we sit here today, those five priorities are exactly the same as they were in 2015. Yes, there have been some small changes around the fringes, but there have been no game-changing interventions that give us the level playing field that we need to compete on the same terms as our European counterparts. Those five areas remain the priorities for the industry. I don't think we have time to go into detail on all five of them, but we need to have a comparative cost base and level of Government support, as do all our European competitors. We are not asking for handouts. It is the chance to compete fairly, on the same terms as other European producers do.

Virginia Crosbie: Charlotte?

Charlotte Brumpton-Childs: Alasdair has covered it in broad strokes. As trade unions, we have found it incredibly frustrating that there has been no dialogue from the UK Government with the trade unions and, by extension, the workforce, on what this plan looks like. The first phone call I got after I had finished having a conversation with Tata was from Vaughan Gething's office to discuss what the Welsh Government could do to support their constituents and the industry. We used to meet Minister Ghani on a semi-regular basis in a steel industry call. It brought employers and trade unions together with the Minister for an hour-long phone call to discuss the issues of the day. That meeting has not been convened since May. There seems to be a lack of engagement from the UK Government with the people on the ground to talk about the impact of this and what intervention needs to happen.

Q23 **Virginia Crosbie:** But practically, what do you want or need from Government?

Charlotte Brumpton-Childs: Practically, we need to be using the procurement rules and legislation that we can to ensure that, where it fits within the WTO rules, we are procuring UK steel for UK infrastructure projects. There is a huge opportunity to increase the amount of steel we procure for our defence and shipbuilding sector—this fits within all the current legal frameworks around procurement—to ensure that we are supporting the industry.

We need more action more quickly on energy costs, especially for high energy users. I represent members in the brick industry and in the ceramics sector. It's something that, across the piece, is causing major issues and major job losses that should be completely avoidable. Again, we need investment, at proper proportion and scale, in decarbonising the industry to ensure that we are a leader and an innovator rather than lagging behind the curve and filling a small gap in the market.

As Alasdair said, our plan costs a bit more than is currently being committed, but we wouldn't need to spend £100 million on a transition

board if people were not losing their jobs in the numbers proposed. Our plan spreads the spend, to make it more manageable and more affordable over a longer time. Intervention in energy costs, the carbon border adjustment mechanisms and the procurement of UK steel are all things within the Government's grasp that they could do today.

Chair: I am very sorry. We are running out of time, so it will have to be the quickest of answers, Nick.

Q24 **Virginia Crosbie:** Nick, you mentioned the UK Government, the taxpayer, taking a stake. What else would you recommend?

Nick Kardahji: I echo what others have said. We are the only major country in Europe that does not provide significant energy cost support to its industrial base. That needs to change. We need to see a more comprehensive solution on energy costs. There has been some move from Government on that, but it is not nearly adequate to meet the challenges of energy prices for big industrial producers. Obviously, if we move to a world where we are producing steel in a more electricity-intensive way, that is only going to become more of challenge, so we need to see a comprehensive solution on energy costs.

Chair: We will now bring this part of the session to an end. Thank you, Mr McDiarmid, Ms Brumpton-Childs and Mr Kardahji, for the evidence you have given us. We will suspend the sitting for two minutes while we invite the representatives of Tata Steel to take their seats at the witness table.

Examination of witnesses

Witnesses: T. V. Narendran and Rajesh Nair.

Q25 **Chair:** We are now reconvening for the second part of our morning session looking at the future of the steel industry in Wales. We are very grateful for being joined by Mr T. V. Narendran, global CEO and managing director of Tata Steel, and Mr Rajesh Nair, chief executive of Tata Steel UK. Thank you for giving us your time and agreeing to do this at short notice.

You were following the first evidence session from another room, so you heard the unions say it very bluntly: your plan is the lowest-cost, bargain-basement way of doing decarbonisation, it is not the best plan on the table, and you are not willing to consider viable alternatives. How do you respond to that?

T. V. Narendran: Thank you for the opportunity to share our thoughts and views. Tata Steel has tried very hard over the last 15 years to keep this business going, and we have invested significantly. Just to give you a sense, we have invested more than £2 billion of capex, and then in loss funding we have spent about £5 billion of over the last 15 years to keep this business going.

We have reached a stage where, for multiple reasons, we have to take some calls. First, a lot of the assets are reaching end-of-life, despite us spending all the capex that we have. Secondly, it is financially unaffordable—in the last quarter we have lost £160 million. Thirdly, Europe is shifting to new process routes, and Governments across Europe are incentivising a shift to a greener process route.

The electric arc furnace is the way of the future because the carbon footprint is 20% of the carbon footprint when you make steel using blast furnaces—so that is a technology for the future. We believe that it is important at this point in time for the UK to shift to technologies that are more relevant for the future. Our plan is not the lowest cost, but I think it is viable. We need to create a business that is sustainable at the other end of the transition.

Q26 **Chair:** What is the primary driver for this plan, and for the timing of it right now? Is it because of pressures around decarbonisation and UK targets and ambitions there, or is it about the financial circumstances of the Port Talbot site and the financial pressures on the business? What is the thing that is really focusing your minds on this plan?

T. V. Narendran: I think there are multiple things, and first is surely the financial situation. We are a listed company; 67% of Tata Steel is owned by institutional investors, pension funds and retail investors, so we are answerable to everyone when they say, "What is your plan for the UK? Because we have not had any returns on the investments we have made over 15 years." There is obviously a financial pressure, and it is unaffordable.

Secondly, the assets are reaching end-of-life, so some day we have to take a call. If you do not do anything, at least some of the assets will reach end-of-life. That will put the site at even greater risk.

Thirdly, now there is a conversation around reducing the carbon footprint in the UK and Europe. Hence, there is an option for us to get support and invest in a new process route that is greener and, more importantly, at the end of the transition you have a plant that is sustainable, and which is not always fragile. That is why we felt that that is the best way for us to secure steelmaking in Port Talbot. Otherwise, steelmaking in Port Talbot was at risk, because the plant was financially and physically coming to an end.

Q27 **Chair:** In the past, during the lifetime of your ownership of the site, there have been difficult decisions, rounds of job losses and times when the company has come to us in Government with specific requests. I was a Minister in the Government when you came to us in 2016, putting considerable pressure on us to offload the British Steel pension scheme.

The rationale at the time was that that would be the thing that would safeguard blast furnaces, steelmaking and jobs in Port Talbot. That line about safeguarding the future of Port Talbot appears regularly in statements that Tata have made over the years. We have a plan now that does not save blast furnaces, does not save jobs in Port Talbot, and you

have managed to get the UK Government to give £500 million for it. That must be the deal of the century for you.

T. V. Narendran: First, when we looked at protecting the pension funds, it was making sure that the pension funds are secure, and not impacted by the financial situation of the company. I think we are happy to say that that has been done. The pension funds are secure and insured, and totally delinked from the financial situation of the company.

Secondly, yes, over 15 years we have tried multiple ways forward and that has not worked. Right? Although we have not been able to save all the jobs in Port Talbot, we have been able to save 5,000 jobs in Tata Steel UK, because of the proposal. Even that was at risk. That was where we were.

Even in the past five years, the steel industry has changed significantly. We are a global industry and open to global forces. Even in the past three years, we have been impacted by high gas prices, high energy costs, shipments from China. It is a very dynamic industry. What was valid five or 10 years in the past may not be valid today, but we believe that, if we invest in this process route, we will change the cost structure in the UK.

We are using locally available scrap. Earlier, we were importing iron ore and coal. That makes us more vulnerable, because we are dependent on shipments from across the world. Today, we are going to use locally available scrap. The UK is one of the few countries in the world that exports scrap. Why should we be exporting scrap and importing steel? I think this gives us an opportunity to create a future. Obviously, it is a dynamic world, but we believe this is the best way forward.

Q28 **Beth Winter:** I want to probe a bit further on unaffordability, because at a global level, you have been making billions of pounds of profit. Where you have invested in steel in Europe, those companies have become profitable, whereas you have invested less in the UK.

We have just heard from trade unions, who represent the workers, who have set out plans—as the Chair said—whereby, if the development money was invested, like what has happened in Europe, it could and would become a profitable company. Given the vast profits you have, why are you not investing here, so that we can become a global company once again?

T. V. Narendran: We have invested £5 billion over the past 15 years. We have invested £2.2 billion in capital expenditure in the past 15 years. We have invested a significant amount of money, and it has not helped so far. That is the challenge. We are able to invest that money is because we are profitable in India.

The question we are being asked is how much more money we will put into a business that is not giving us any returns. We have done it because, along with our colleagues, we have tried hard to make it work. I am not saying that it is just us. Our colleagues have also tried hard and made sacrifices to try to make it work. But somewhere we have to make a call, because this level of losses is not sustainable, even this year.

Q29 **Beth Winter:** But we have just heard plans from the trade unions, which have been presented to you, that would turn this around, and make the steel industry profitable once again.

T. V. Narendran: We have engaged on the multi-union plan, which was presented to us on 17 November. We have looked at parts of it that we could take on board, which we have done. For instance, the suggestion to keep the hot strip mill running was a good one. We evaluated it and took it on. But some of the other suggestions do not work out for us, for multiple reasons. For instance, keeping the blast furnace running means another £600 million of loss funding, because running the blast furnace without coke ovens adds to the losses going forward. It also means another £200 million-plus on the capex that we need to spend, so that is already £800 million.

Then, more importantly, as you get into the detail of it, running a steel melt shop while trying to build an electric arc furnace in that steel melt shop creates a lot of risk, because you are looking at moving liquid metal at a very high temperature and trying to construct something. So there are safety concerns as well. We have looked at the detailed engineering of it over the last two months, and have seen that, operationally, there are complexities. The project may get delayed by another 10 months. So for multiple reasons, we are finding that, while the plan has some good parts, it cannot all be executed.

Q30 **Beth Winter:** If the funding were available, would you reconsider your decision? There are other options that have been put on the table.

T. V. Narendran: There are two elements to the funding. One is the capex funding. If somebody were to give us money for more capex, fine: we can look at other options going forward. But the question is the losses, even today, to Tata Steel's account. I do not think that any Government are going to do the loss funding for us. That is what also makes some of the plans unaffordable, because even this year our loss funding is in excess of £100 million.

Q31 **Beth Winter:** We have just heard from the unions that the Labour party would commit £3 billion if it came to power.

T. V. Narendran: We would like to see the details of that. We have not—

Beth Winter: So you would consider—

T. V. Narendran: It's like this: I think what we have said is that the electric arc furnace need not be the end. It is a beginning. I have heard the argument about DRI. Tomorrow, there is plenty of gas available in Port Talbot—you need gas or hydrogen to make DRI—and if there is some funding available to invest in a DRI unit, we can always set up a DRI unit and use that to charge the electric arc furnace. The electric arc furnace is not the end. It is the beginning of a new way of steelmaking that is competitive and greener.

Q32 **Stephen Kinnock:** Good morning, gentlemen. You mentioned this engineering report, which you say is the basis for why you cannot

maintain a blast furnace during the transition. Have you made that engineering report available to the trade unions?

T. V. Narendran: We have, but I think that this is what we want to discuss over the next few weeks.

Q33 **Stephen Kinnock:** There may be a misunderstanding, because every person from the trade unions I have spoken with said they have not seen that engineering report.

Rajesh Nair: Yes, Mr Kinnock, we offered the full report to the UK steel committee at the last meeting, and it has access to the reports. We have also agreed to engage on the detailed consultation on that report with the multi-union experts.

Q34 **Stephen Kinnock:** Okay. Whether it is possible to have the blast furnace operating during the transition is absolutely crucial in terms of the discussion, so I am a little surprised that this vital element of the discussion has not been included already, or that it has only been in the last week that that information has been available. But thank you for confirming that you have made it available; I am sure the trade unions will be studying it very closely.

Another important aspect of your plan is the move to electric arc furnaces. People accept that electric arc furnaces absolutely have to be a part of this solution, but to deliver the current order book and embrace the opportunities of the future, you need to have versatility and the ability to make, particularly, complex flat products, such as tin can and large parts for the automotive sector. We all agree on that. To do that, you need to sweeten the mix in the electric arc furnace so that it is not just scrap; large amounts of direct reduced pellets are required.

Colleagues from the trade unions, who were just on with you, have confirmed that only 3% of the global reserve of iron ore is suitable for direct reduced pellets. Basically, there is no global market for direct reduced pellets. So how is your model going to work in terms of sweetening the mix in your 3 million-tonne electric arc furnace, when you do not have access to pellets with high ferrous content, which are a vital part of being able to deliver those products?

T. V. Narendran: We must understand that the electric arc furnace technology has been evolving over the last few years, mostly because more and more big steelmakers like us are shipping to electric arc furnaces in Europe and here in the UK. Even today, 70% of the steel produced in the US is through electric arc furnaces, so it is not that they are a new technology and not that they are not used to make high-end steels. The most valuable steel company in the world, Nucor, makes pretty much all of its steels through electric arc furnaces.

The fact that you need to do a lot more work to make the highest end of steels using electric arc furnaces is valid, but we do believe that this technology is evolving. To go to your point, yes, DRI is required. You need to find the right charge mix. We are a big global player. We have access to the metallics that we need. You said that 3% is DRI. Today a lot of work

on that is going on because the demand was not so great for that in the past. It was more for blast furnace grade pellets.

I think there is a lot of work going on in this area. We believe that in the next three or four years, as we set up the electric arc furnace, we will address all of these problems. There will be some residual problems, but I think we can address them over the next few years.

Q35 **Stephen Kinnock:** It just feels like a hugely risky move to dismiss having a blast furnace that could produce the material that you need to sweeten the mix in your electric arc furnace on the basis that there might be, at some point in the future, enough supply of direct reduced pellets from somewhere in the world to be able to do that. Do you agree that that is a pretty extraordinary basis for the proposal that you are making?

T. V. Narendran: No, I think the point is that even if you have a blast furnace running, you cannot, in the same steel melt shop, have an electric arc furnace and a basic oxygen furnace, which is required to melt the hot metal that comes out of the blast furnace. There is an even bigger risk of the operational challenge of running a blast furnace and an electric arc furnace-based operation in the same shop. There are risks in all the plans, but we believe that, in our plan, the risk is something that can be addressed, because around the world companies are doing that. Even in Europe, most of the large steel companies are shifting to electric arc furnaces—the high-end producers of steel also.

Q36 **Stephen Kinnock:** Turning to another aspect of your plan, which is to ship millions of tonnes of coil from India and the Netherlands during the transition period, could you confirm that steelmaking in India is somewhere between 20% and 30% more carbon intensive than it is in the UK; that the steel that will be shipped in from India will be produced through a blast furnace in India; and that it all depends on timing? What will you do if you are still supposed to be shipping millions of tonnes in from India, the electric arc furnace has not yet been constructed and is online, and the carbon border adjustment mechanism comes in, so all of your steel coming in from India will get whacked by the sea ban? What is the scenario if that comes to pass?

T. V. Narendran: One of the reasons we want to build the electric arc furnace sooner rather than later is that any plan that delays the construction of the electric arc furnace brings in all of these risks. Secondly, the reason why we are bringing steel not just from India, from Netherlands or anywhere else—it is not just from other Tata Steel plants—is so that we can run our downstream units during the interim. We can keep our customers serviced during the interim. The last thing we want during this interim period is to create uncertainty in the minds of the customers that they will not get the products, or in our downstream units, where there are 4,000 people working, to have some uncertainty about the feed. That is why we are bringing this in. It is temporary. Honestly, we do not export much from India. There is enough domestic demand in India to take care of.

The carbon footprint for the Netherlands plant is about 10% lower than it is in the UK. It is 1.8, one of the best-run blast furnaces in the world as far as CO_2 is concerned. In India, the Chandrapur plant is at 2.1, so it is not very different from what it is here. But that is not the solution. It is more a temporary solution to take care of our downstream units and our customers in India. We do not plan to keep shipping steel from all over the world because that is not practical. I do not think that is a viable option.

Stephen Kinnock: There are so many more questions that I would like to ask, Chair, but I am conscious of time.

Q37 **Chair:** Just on the Netherlands plant, if you say that electric arc furnace is the way of the future in terms of steelmaking, why are you not putting on the table a plan for the IJmuiden plant that is similar to what you are saying for Port Talbot, if that is really the future?

T. V. Narendran: That is exactly what we are putting in there.

Q38 **Chair:** It is not, though. You are investing in hydrogen capability at IJmuiden.

T. V. Narendran: No, let me explain. The proposal that we submitted to the Government in the Netherlands is for an electric arc furnace, supported with a DRI unit. The DRI unit will use gas because gas is available in the Netherlands. The Government of the Netherlands has said that hydrogen may be available later and that, when hydrogen is available, we can substitute the gas with hydrogen. That doesn't stop us from doing that in Port Talbot. We are just saying, "Build an electric arc furnace now," because that is what is workable.

Q39 **Chair:** Is the Dutch Government giving you more money to do the work at IJmuiden than the UK Government is giving you for Port Talbot?

T. V. Narendran: We have not yet concluded the discussions; those discussions are ongoing. But the plan is for an electric arc furnace at a later stage.

I also heard discussions around having reducing electric furnaces. Yes, that is also part of the future but, as of today, there are no REFs planned in the world for making steel on this scale. Do we want to be the first to spend all of this taxpayers' money to build a type of plant that nobody else has used yet? Even in the Netherlands, we had thought we would build an REF, but we said, "Let's wait for somebody else to build it". Thyssen say they are going to build it. If they build it and it works, we will be happy to be the second ones to build it.

We are just being a bit more prudent because there is a lot of capital involved and, in this particular case, a lot of taxpayers' money as well. We do not want to rush into a technology that has not been—

Q40 **Chair:** But there is no plan on the table to cut 2,500 jobs at IJmuiden, is there?

T. V. Narendran: We have not reached that stage yet. We have just announced a restructuring for 800 jobs, even without reaching that stage.

Q41 **Sarah Atherton:** I would like to concentrate on redundancy support. Tata has proposed to commit £130 million to support any redundancies. Can you give me some idea what that will look like on the ground for those workers? Are you looking at skills or redeployment? What will it look like? How long will it last for? And when will it start?

T. V. Narendran: It will include all that, but to be fair, we would like to discuss that with the unions, go through the consultation process and then share the details.

That is the minimum amount we said we would set aside. In addition, we are putting £20 million into the transition fund. The Government is putting £80 million into that fund, so that is £100 million that will be more for reskilling, etc. The £130 million is more for the redundancies. We will consult with the unions on that; we will get into the details with them.

Q42 **Sarah Atherton:** Have you started those discussions?

Rajesh Nair: Not yet. We are not at that stage. We are at the stage where we are discussing the redundancy packages, and the skilling and other packages that we have decided to construct within the £130 million that we have earmarked. That will happen as we progress the consultations.

Q43 **Sarah Atherton:** So you have committed £130 million, as well as the further £20 million that you have committed to the transition board to match the £80 million that the UK Government are giving. What discussions are you going to have about those two funds working together to support redundant workers?

T. V. Narendran: I think the £130 million is to be considered more in conversation with the unions—it will be curated for the individual people impacted—whereas the £20 million is part of a more broad-based plan, along with the Government. Obviously, all of us—the unions and us—are part of the transition board. We have a meeting tomorrow. We will see how we can leverage those multiple streams.

Rajesh Nair: As you know, Ms Atherton, the transition board is chaired by the Secretary of State for Wales and co-chaired by the Minister for Economy in Wales. It has two workstreams: one is people and skills etc. That workstream will work on how we manage the people and the communities affected. The other is on place and regeneration, which will take care of the larger ecosystem.

That is the remit of the transition board. We hope to use all our skills and our people to enable that to happen. That is besides what Mr Narendran said about how we manage the £130 million for the people that—hard as it may be—will be affected from Port Talbot and the other sites.

Q44 **Ben Lake:** Gentlemen, you mentioned that, as part of your plan for the electric arc furnace, there will need to be a new connection to the

national grid. How advanced are the discussions with National Grid with regards to that proposed connection? Have you been offered a timeline for when you will be able to connect to the grid?

T. V. Narendran: Absolutely. When we started this work, we saw that as a bottleneck, because we saw that that the upgradation would take longer than it would take us to build the electric arc furnace. The latest update I have is that it should be ready by early '27, which is in line with when we want to start the electric arc furnace. I think that we are aligned on that and that it need not delay us. When we want to build the electric arc furnace is now in our hands.

Q45 **Ben Lake:** That is a very impressive commitment that you have had from National Grid, because other grid connections take a lot longer. Is that a formal commitment from National Grid? Many others are talking about a decade or more before being connected.

Rajesh Nair: Yes, Mr Lake, it is a formal commitment from National Grid to make everything happen by 2027. So it is well within our plans for executing and commissioning the EAF—as per the current plans that we have on the table.

Q46 **Virginia Crosbie:** You mentioned the commitment from National Grid by 2027, but what are your plans, next year and in 2026, for the three sites impacted?

T. V. Narendran: On the overall project, like I said, once we go through the consultation and we have reached that stage, we would like to start the work immediately—place the orders, get the equipment and start the construction, which will start happening by the end of this year or early next year.

Q47 **Virginia Crosbie:** Is this specifically in Shotton and the individual sites?

T. V. Narendran: Mainly in Port Talbot—most of this work will happen in Port Talbot. We want to start it quickly for two or three reasons. One is so that we can get the electric arc furnace in place very fast. Two, we believe that local economic activity—because you are spending a lot of money building something—will also help to soften the blow to some extent. So there is more economic activity, and we can also see how to redeploy some of our people, and so on. We want to get it started as soon as possible. We have a detailed schedule that we have worked out, which we will also discuss as part of the consultation. Rajesh, is there anything you want to add?

Rajesh Nair: Besides, as you will have seen in the announcement, the proposals that we have placed before the multi-unions, we have a larger restructuring proposal to make the UK business, at the end of the transition and transformation, a more successful and reliable business. While one part of it is building and delivering the EAF and moving out of the blast furnace-based steelmaking, the other part is an overall restructuring. Those restructuring proposals are currently part of the consultation process, so I would like to refrain from saying anything on that now until we go through the consultation process.

Q48 **Virginia Crosbie:** In terms of constructing the new electric arc furnace, how transferable are existing skills, and how are you investing to ensure that you have the skills to actually construct that?

T. V. Narendran: The construction part, obviously, will be done by a lot of people who are experts in construction. What we will and can do is work with them to see how they can use some of the people who are impacted by this transition, and to see how we can use them best and play a role in reskilling them so that they can be redeployed.

But it is very clear that there will be activity that has not been seen there for a very long time, because a £1.2 billion project is a huge project, and, having some experience in building steel plants, we know that that creates a lot of activity there. You need fabricators, welders, piping guys and electrical guys, so you need a whole bunch of people out there in that construction—civil people, and so on. That is an area where we will work closely, as part of the plan, to see how we can use that to reduce the impact of this transition.

Q49 **Stephen Kinnock:** You have mentioned, and we have heard this from the British Government, that the plan that you are proposing is actually saving jobs. You are saying that you are saving 5,000 jobs—I think that is what you have stated. Am I right in understanding that that means that, when you went to the British Government and had the negotiations, you were essentially saying to them, "Either you do this or we're going to close the entire business down in Port Talbot and across the UK"? Is that the choice that you presented to the British Government?

T. V. Narendran: I think that we actually stated publicly last year that we have reached a stage where the assets are coming to the end of life. We have reached a stage where we are bleeding a lot of money. The coke oven, which has some 88 ovens, is truly operating with 33 ovens. So either you need to build a new coke oven or you need to close it. One of the blast furnaces is in very bad shape. The business was not generating any money at all for us to reinvest, and we had already put in a lot of money, so we basically communicated that, if nothing happens, we will have to take a call on Port Talbot, because it is not sustainable.

Q50 **Stephen Kinnock:** What would you estimate are the costs of closing down a steelworks that is, I think, almost 7 km end to end, with vast numbers of assets there? There are the remediation costs and the dismantling costs. Do you have an estimate of what the total cost would be?

T. V. Narendran: We knew it would be significant. Honestly, that is not where we wanted to be, but we knew that we were heading there if we didn't do anything.

Q51 **Stephen Kinnock:** I have seen estimates of it being well in excess of £1 billion to dismantle, decommission and remediate a site like that. When you had the conversations with the British Government about the deal you did with them, were you effectively saying to them, "We are prepared to absorb in excess of £1 billion of costs of remediation and

closure. The choice you have therefore is between doing this deal with us, or we close"?

T. V. Narendran: That is a hypothetical situation because it could also be declared bankrupt because of the way the business was—the money it was bleeding. You could say the business is bankrupt.

Q52 **Stephen Kinnock:** If you had declared the business bankrupt, which entity would then be on the hook for the in excess of £1 billion cost of decommissioning and dismantling?

T. V. Narendran: My understanding is that once a company is bankrupt, it goes on to the Government.

Q53 **Stephen Kinnock:** So the British taxpayer would then have been on the hook for more than £1 billion of decommissioning costs.

T. V. Narendran: I would assume so.

Q54 **Stephen Kinnock:** Is Tata a company that would have been prepared to not only shut down the entire business, but leave the British taxpayer with a cost in excess of £1 billion?

T. V. Narendran: You know, we did not do it for 15 years, and it would have been a pity for us to end up there after spending £5 billion. That is why we felt that if there is a plan where we need to put in more money, which we are doing, to preserve the site, we should do that. For many others, the easy option, when you are losing so much money is just to say, "I can't run this business any more." That totally demonstrates how we have tried very hard to find a solution, even if it means putting more money into a business that has not given us any returns. That is the way we came at it. While those options were available, we were always looking to try to find a solution that would preserve steelmaking in Port Talbot.

Q55 **Stephen Kinnock:** I put it to you, Mr Narendran, that that was a bluff. I genuinely believe that Tata Steel, as my colleague Alasdair has just said, is a good employer and that the company is founded on an ethical perspective. Your founder Jamsetji Tata said himself that the primary stakeholder for any company is the community. I genuinely believe that you are a company that believes that. I put it to you that when you threatened the British Government, which it sounds like you did, that you would close completely, I don't actually believe that that was the case. If my supposition is correct, it was not a choice between total closure and 8,000 job losses; it was a choice between your plan and the multi-union plan, which would have saved 2,500 jobs. Is my supposition correct?

T. V. Narendran: The reason why we take the community seriously is the reason why we have done all that we have done for 15 years, but you must appreciate that Tata Steel is a listed company. Tata Group owns 33%, and 67% of Tata Steel is owned by pension funds, institutional investors and financial investors, who are asking us, "How much longer will you keep supporting a business that is not viable just because you are invested in the community and the people?" We have said, "Give us some more time, give us some more time."

This has gone on for a very long time, but we know that it cannot go on forever, because we are also answerable to more than 3 million shareholders. We want to be as reasonable as possible to all stakeholders, but we do not want to be seen as irresponsible to some stakeholders at the cost of the others. I think that is where we were.

We were reaching the stage where, when you are losing more than £1 million a day, to say that you don't have a plan, and that you will continue to fund those losses on an ongoing basis, puts us under pressure from other stakeholders. We knew we would have to come up with a plan, and we believed that this plan, even if it meant putting in more money, is about creating a business that is sustainable from not only a CO_2 point of view, but a financial point of view. At least we have a better chance, or rather a good chance, to create a future for it.

Q56 **Chair:** If I may, I will go back to 2016, because that line, "We are losing £1 million a day," was exactly the line that was used, when I was in David Cameron's Government, to justify doing the deal on the pensions. The argument from Tata then, as I said right at the start, was "If we do this, if we are released from the obligations to the old British Steel legacy pension scheme, that will secure the future." I get the sense that it is just a line that the company deploys at convenient moments when it wants something from the UK Government.

T. V. Narendran: In 2016, that was the case, and our numbers are out there. It is not something hidden; it is in published documents. What happened after that was that in 2018 or 2019, things improved. Tata Steel in the UK—

Q57 **Chair:** You were making money out of Port Talbot.

T. V. Narendran: Yes: in between, for a year, we made money, so everyone thought, "Okay, now the worst is behind us." We also thought, "Okay, maybe things are better." But it slipped back again to where it was. In the last 13 or 15 years, we made money—or not even money, but positive EBITDA—only twice. Every time we make a positive EBITDA, we think, "Okay, maybe the business has turned around." We were losing £1 million a day in 2016. We are losing £1 million a day now. That is a fact. It's not an opinion; it's a fact. We have also been optimistic and saying that maybe things will improve, but it has not, so somewhere we have to take that call.

Q58 **Chair:** On the terms of the deal with the UK Government for the £500 million, there is an important piece of information that I think we need to hear. What is your understanding of the deal? Is it that the money gets paid to you from the UK Government once the electric arc furnace is built, or in stages, or up front? How is it structured?

T. V. Narendran: The grant agreement is still being negotiated and should get finalised, but basically what we have seen and heard and what we expect is that it will be milestone-based funding, which will only come when we show progress on the ground towards this plan.

Chair: We will have the opportunity to question UK Ministers about that this afternoon. Tonia, you have been very patient.

Q59 **Tonia Antoniazzi:** That's fine, Chair—not a problem.

Hello. My colleague Mr Kinnock has asked about the cost of decommissioning, but are you planning to sell off some of the land at Port Talbot when you build the electric arc furnace?

T. V. Narendran: Eventually, once we restructure the business and have an electric arc furnace operation, you will need less land than you need today, because you don't have a sinter plant, the coke ovens and so on, so the question is whether there is value for the Welsh Government. If there is some opportunity to unlock value there, that is something we can explore.

Q60 **Tonia Antoniazzi:** Would you be decommissioning that land that you would be selling off? Have you planned that into your costs? Will you ensure that it's not contaminated land as well?

Rajesh Nair: That is one of the other points that we are looking at: how to manage the land. We are working closely with the port development re: the announcements that have happened between Milford Haven and Port Talbot. We are working with them to see how we can collaborate to make best use of the land that we have and to be able to come to that port development in a more efficient manner. That's one aspect that we are working with.

Obviously, the land that will need to be made available for that will need to be remediated in an appropriate manner so that it is fit for purpose. Those are all at early stages now, because all the plans that we have are subject to consultation and final approvals, after which we can move forward—but these are some of the choices and options that we are looking at.

Q61 **Tonia Antoniazzi:** So you have no idea of how much you are going to make from the sale of any land?

Rajesh Nair: It is still not a sale of land, but it is to see how we can use the land effectively for the general purpose in that area, which includes the ports or the development in the ports that is happening.

Q62 **Chair:** This is interesting, Mr Nair. This is about the vision around the Celtic freeport, floating offshore wind, opening up the Celtic sea to green energy. Stephen Kinnock and I have been working very closely with the local ports on this plan. So nothing in the plan that you have agreed with the UK Government shuts down any options about how that new industry might evolve and how it might synchronise with ongoing activities at the steelworks?

Rajesh Nair: As Mr Narendran said, parts of all this grant funding agreement are still under consultation and negotiation, but to my understanding there is nothing in that which prevents it from doing all this.

T. V. Narendran: I do believe that this can create an ecosystem around there, once we have green steel and other industries that can come around that. Probably it is an opportunity to create a new ecosystem there.

Q63 **Chair:** Could steel from a future electric arc furnace go into building new turbines? Does the electric arc furnace give you the right kind of steel to make 100 metre-high wind turbines?

T. V. Narendran: A plate is required in a turbine, and also a tube. As for the rest of it, the blades are not steel, as far as I know. Then you have the housing for the motor, which is probably a casting. That is certainly a possibility that we can explore, however, depending on the requirement of steel and the grades required.

Rajesh Nair: We are working with people like RWE to explore opportunities for utilising electric arc furnace steel, particularly for floating offshore wind turbines, although not so much for onshore wind turbines. As we heard in the previous session, and as Mr Narendran mentioned, a good example of electric arc steel making is in the US; 70% of all the steel they make, which goes into all these applications, is from electric arc steel making, all of it using scrap. Steels of very high quality, for which there is very high demand in terms of product quality and integrity, can be manufactured today with 100% scrap-based steel making. We are working with partners to make sure that that happens—and the technology is constantly evolving, Chair.

Chair: Thank you. We have just been joined by Mark Tami. Do you want to jump in with a question, Mark?

Q64 **Mark Tami:** Straight away? That has thrown me slightly. Sorry for my late arrival. I was here earlier, but I had to pop out.

I have the pleasure of having Shotton steelworks in my constituency. The quality of steel, whether it is imported or produced by an arc furnace, is fine, but my concern is about the time needed to construct the arc furnace and even that it will be built. How confident are you that it will be built, and of the timescale? As I understand it, it will be very large, and there are all the other factors around producing steel from it for that 2027 deadline.

T. V. Narendran: Obviously we want to build it as fast as we can. That is why we have set ourselves the timeline of 2027, subject to the consultation and everything else finishing on time. The sooner we build it, the better for all of us.

To answer your question, yes, we are committed to building an electric arc furnace. In the interim, we want to make sure that all the downstream units and our customers are taken care of, and that is where we bring in steel from outside.

Q65 **Mark Tami:** Sorry to cut across you, but that is why I think that from a quality point of view, the issue is a green one. On a short-term basis, you can probably cope with importing steel from halfway around the world,

rolling it and then shipping it out again, but it is not a green footprint in the longer term. It is very important that that target is met as well.

T. V. Narendran: Absolutely. The plan is temporary, while we construct the electric arc furnace. Our plan is eventually to make in the UK the steel that we need in the UK.

Rajesh Nair: We are bringing steel from outside from our sister companies in the Netherlands, India and other suppliers. We are already studying the impact of that on the carbon footprint in the short term. We are looking at the EPDs—environmental product declarations—and comparing ourselves to see how the EPDs to our customers will change as we bring in steel.

One thing we must realise in this picture is that, as a company, we import practically 80% of the materials that we need from across the globe to get 3 million tonnes of steel. In the interim, we will only be importing part of the 3 million tonnes of steel from India and European suppliers, which means that the load on shipping will be significantly lower than the shipping loads on carbon that we currently incur. Therefore, as we run the analysis based on different suppliers and geographies that we need to go to, and making sure that the quality and delivery levels can be met for our customers, the EPDs are more or less in the same ballpark as the EPDs that we currently deliver to our customers. That is the conversation that we are having with our customers: we are saying, "Look, you are not going to be widely or significantly off, despite what we all talk about in terms of the carbon footprint of the steel being made in different geographies."

Q66 **Ben Lake:** Mr Nair, could we go back to the land that might become available, which you might be looking to sell or transfer? I heard what you said to my colleague Tonia Antoniazzi—that nothing has yet been decided—but do you anticipate, with any sale or transfer, that you would do so having remediated the land first?

Rajesh Nair: I would like to reserve my comments on that. A lot of what we can make available or not make available will be dependent on the consultation and the transition programmes we put in place. Once that is clear, we will then have a clear view on how the land will play out. We also talked about the Celtic freeport and so on.

To my mind, it is an opportunity for all of us to come together, not to see whether it is Tata's land or somebody else's land, but to ensure that, with the electric arc furnace in place, we have a far more thriving industrial estate in that place, which can leverage each other's competences and capabilities. That is what my view is, given that we are still in consultation.

Q67 **Ben Lake:** That is very useful. I appreciate the sensitivities, but can I ask another question? What is your understanding of the condition of the land? Specifically, do you think it would be in need of remediation? Whoever does it is another matter entirely, but at the moment, what is your understanding of the condition of the land?

Rajesh Nair: There will be several parts of the land that require minimum remediation because there are no plants or structures on them. Other places will need remediation simply because there are plants and structures on them, which we will need to raze to the ground to make the plant available.

Q68 **Ben Lake:** Has there yet been any analysis or understanding as to the condition of the land itself? By that, I mean the soil and any contamination, or otherwise, that may have taken place over the years.

Rajesh Nair: Yes. We do that on a consistent basis, because it is a requirement for us from a regulatory point of view. We need to furnish that to MRW. That is work that we keep doing. Yes, there is some work going on, but as I said, we would like to wait for how it unfolds.

Q69 **Chair:** Of course, how it will unfold is that you will not want to spend the money on remediation, ABP will not want to spend the money on remediation, and the ask will come to the taxpayer to help out, won't it?

Rajesh Nair: The way we have looked at our proposals is to make a viable steelmaking business in that place. Once we have done that, we have the opportunity to look at all of this through a different lens, rather than the current lens.

Q70 **Beth Winter:** Thank you for your contributions this morning. I have been listening very carefully, and what has come across strongly is that the company has clearly made a decision not to invest sufficient money to secure a viable future for all of the workforce in Port Talbot. Contrary to what you have said about £1 million being lost per day, it is evident from all the information that we have received from the trade union and others that, at a global level, you are an extremely profitable company, but it is quite clear you have made that decision.

Can I push you on the point that my colleague raised earlier? If the UK Government decided to cover the shortfall that is required in order for either the Syndex or the Unite proposal to become reality, would you reconsider your current plans? We will have an election this year. Would you consider delaying any decisions until the election, to hear what the Government that is elected will propose for steel manufacturing?

The two questions are as follows. Would you reconsider if the UK Government offered substantially more money? Would you consider delaying? We have Government Ministers coming to this afternoon's session, so it would be interesting to hear your take on that.

T. V. Narendran: Our understanding is that any support from the Government will not be there for loss funding. If we are losing money as a business, I do not think any support will come from the Government, because that becomes a subsidy, and I guess you will have different issues. If any support at all comes from the Government, it is for constructing or building something new.

We made this plan based on what is available and what we think is viable. As I said, at a later stage, if more money, gas and so on are available, we

can always consider a DRI unit to support the EAF, so I do not think that the direction we are moving in is the wrong one. You can make it stronger with more investment, but I think that is for running a blast furnace on an ongoing basis not just in the UK, but in Europe, because you also have carbon taxes going up. Once the carbon border adjustment mechanism comes in, I think we will be paying something like £400 million a year just in carbon taxes if we do not do anything else and keep running the blast furnaces.

The regulatory environment in Europe is such that it is encouraging everyone to shift to greener process routes, and that is why moving to an EAF is probably the best way for us to sustain a future. We can always look at further investment if more money is available, but I do not think that loss funding is something that any Government will offer us, because it will come into subsidy issues.

Q71 **Stephen Kinnock:** A key point with the electric arc furnace is the feedstock—the scrap that goes into it. The quality of that scrap is absolutely vital. As far as I understand it, it is universally recognised that to have that high-quality scrap you need a shredder on site that can do the job that is required in preparing the scrap feedstock. Does your plan include any commitment to having a shredder?

T. V. Narendran: We will invest in the scrap supply chain. We will have to plan for that. We are doing a study on the scrap availability, and we know that the UK exports about 7 million tonnes of scrap. We are talking to people who are in the scrap business already, so we will explore all options. However, clearly a scrap processing value chain needs to be in place.

Q72 **Stephen Kinnock:** But as things stand, you have no commitment to building a shredder in Port Talbot.

T. V. Narendran: It is a bit early yet. We are still looking at the ecosystem, because we want to do it step by step once we are clear that we will have the EAF by 2027, and then we will be ready to move on to other elements of the plan. I think that in the next three years we will do that very quickly.

Q73 **Stephen Kinnock:** The plan, as I understand it, is to use semi-finished products from the Netherlands to feed into Trostre, because once you have closed down both blast furnaces in Port Talbot it will no longer be possible to feed Trostre from Port Talbot. My understanding is that that will depend on work that you are doing in IJmuiden in the Netherlands plant, particularly around blast furnace 6, but that work is hugely behind schedule, so it looks highly unlikely that you will be able to have the feedstock for Trostre. What are the implications for Trostre if that all goes wrong?

T. V. Narendran: That blast furnace did get delayed. I was in the Netherlands yesterday. It is starting this week, so that is behind us. The problem that we had with the blast furnace was basically a relining of blast furnace 6. That is now complete, so we should have the feed. We are

ensuring that if required, we can feed the Netherlands from India so that the Netherlands can support the UK from there. We will work that out so that Trostre does not suffer.

Q74 **Stephen Kinnock:** Can you just explain why you are investing in building a DRI plant in the Netherlands and are not prepared to invest in building a DRI plant in the United Kingdom?

T. V. Narendran: The starting point is that there needs to be a lot of gas available, because DRI is made using either coal or gas. The thinking is eventually that DRI will be made using hydrogen, but today wherever gas is available you can look at setting up a DRI plant, if the economics works, because you cannot set up a DRI plant and not have gas. At a later stage, if there is an availability of a lot of gas in Port Talbot, at whatever price—we need to discuss all that—we can certainly look at setting up a DRI plant in Port Talbot. It is there in the Netherlands—gas is available in the Netherlands. Basically, in the Netherlands the expectation of the Government is that you set up a gas-based DRI, then eventually, when hydrogen is available, they will make hydrogen available to us. These plans are not ruled out for Port Talbot.

Q75 **Stephen Kinnock:** Why is the gas not available in Port Talbot?

T. V. Narendran: As far as I know, we do not have the gas infrastructure.

Q76 **Chair:** There is a high-pressure gas line that runs through south Wales from Milford Haven—imported liquified natural gas from Qatar and the United States. Has any work been done to look at the feasibility of running a feed into Port Talbot from the high-pressure gas line that exists?

Rajesh Nair: One of the other things—just to add to your point, Mr Kinnock—that works for the Netherlands is that they have a pellet plant already installed. The pellets then become a natural substrate for the DRI and HBI. That is a huge advantage for the Netherlands. The kind of gas volumes we are talking about to run a DRI are massive compared with the current gas that we use in Port Talbot today at the right prices. Ultimately, if you want to go green, that gas has to become hydrogen in the required volumes and at the required prices.

T. V. Narendran: That is something we can certainly explore for the future. It is not ruled out. An EAF does not rule out that option.

Q77 **Stephen Kinnock:** No, but a 3 million-tonne electric arc furnace makes it much more difficult to construct the DRI capability.

T. V. Narendran: A typical DRI unit can range from 1 million to 2.5 million, so you can decide. A minimum 1 million is what one would look at for a gas-based DRI.

Q78 **Stephen Kinnock:** So with a 3 million-tonne electric arc furnace, there are no operational constraints to having a DRI on site.

T. V. Narendran: No.

Q79 **Sarah Atherton:** Have you had any discussions with the Welsh Government or UK Government on DRI and hydrogen and on the Port Talbot site?

T. V. Narendran: Not yet, but the first step, I would say, is gas. On hydrogen, honestly, while globally everyone talks of hydrogen, the question is whether you have green hydrogen available. You need it at about $1.5 a kilo to really make it viable. Honestly, today, nobody is really committing huge volumes. In the Netherlands, we did the analysis. If we were to make 7 million tonnes of steel, we would need 300,000 tonnes of hydrogen. That is a lot of green hydrogen to be made available. I think I would always start with gas. Then, eventually, if hydrogen is there, we can always explore hydrogen.

Q80 **Sarah Atherton:** You have not spoken to the Welsh Government yet?

T. V. Narendran: Not yet.

Q81 **Ben Lake:** Gentlemen, this point about gas and then hydrogen is very interesting. As Mr Kinnock and the Chair have already outlined, we have this high-pressure gas line running across South Wales. I think it would be worth your while to look at and explore those options. Further down the field, much like in the Netherlands, they do not have this hydrogen for you now, but in future there are very big developments for the Celtic sea in terms of offshore wind and offshore floating wind.

It has been suggested in previous sessions of this Committee that those energy developments could provide the energy for hydrogen production in future. We have a situation here, gentlemen, where you have the gas, potentially, and there is as much promise in south Wales as there is in the Netherlands for hydrogen in the future. I think it would be worth your while exploring these things with the Government.

T. V. Narendran: Definitely.

Q82 **Chair:** We are coming to the end of this session, but I have two quick questions to wrap up with. First, at what point do we reach the point of no return with the plan that you are putting forward and that you have been discussing with UK Government? At what point does it become a done deal that that is what you are moving to—or are we already there, in your mind?

T. V. Narendran: Given our financial situation today and given the situation of the quality of assets, I think we are pretty much there. My view is that the sooner we move towards building that EAF, the better we can solve a lot of these issues. There are challenges; I fully understand that. I empathise with my colleagues. We need to work with the unions to see how best to deal with this transition. I am not underestimating that. However, the sooner we move towards a future like this, the better we are.

Q83 **Chair:** You will be aware that there is enormous interest in the discussions we have been having this morning; indeed, there is a significant group of workers from Port Talbot in the room with us right

now. What would your message be to the workers at the plant and the community in Port Talbot today, given what you have just said about reaching that point of no return with this difficult path that you envisage for the community?

T. V. Narendran: We fully appreciate what all of us have gone through. We have done a lot of restructuring, as you said, in the UK over the last 15 years. It is not that the workers and our colleagues have not put in their bit. It is not that we have not put in our bit as shareholders. I think everyone has tried; it is not for want of trying, but this is a global business and there are global issues that impact us, so for us it is more about how we preserve steelmaking in Port Talbot. That has been a common ask of everyone. Maybe the outcome is not what all of us wanted, but at least we are preserving steelmaking in Port Talbot. I feel that that is something that has been worth the effort. But yes, the transition is not easy—I fully understand that.

Chair: Thank you very much, Mr Narendran and Mr Nair. We appreciate your time and the frankness with which you have sought to answer the questions.

We will bring the session to a close now and reconvene at 2.05 pm, when we will be taking evidence from the Welsh Government's Economy Minister, Vaughan Gething, followed by evidence from the Secretary of State for Wales, David T. C. Davies. In the meantime, there are Wales questions at 11.35 am in the main Chamber. It is a packed programme.