

Business and Trade Committee

Oral evidence: Industrial strategy, HC 727

Tuesday 18 March 2025

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Watch the meeting

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard; Gregor Poynton; Mr Joshua Reynolds; Matt Western.

Defence Committee member present: Mr Calvin Bailey.

Northern Ireland Affairs Committee member present: Gavin Robinson.

Questions 203 - 256

Witnesses

[I](#): Rajesh Nair, Chief Executive, Tata Steel UK; Jon Bolton, Chair, Material Processing Institute and Co-Chair, Steel Council; Allan Bell, Chief Commercial Officer, British Steel; and Alasdair McDiarmid, Assistant General Secretary, Community.

Examination of witnesses

Witnesses: Rajesh Nair, Jon Bolton, Allan Bell and Alasdair McDiarmid.

Q203 **Chair:** Welcome to today's session of the Business and Trade Committee on the industrial strategy, looking at the foundational entities and some of the growth-enhancing sectors earmarked by the Government for further investment. I am absolutely delighted that colleagues from across the steel industry have been able to join us today. Mr Nair, I will start with you. President Trump has just slapped tariffs of 25% on UK exports of steel and aluminium. Tell us how this will hurt your business and how you want the UK Government to respond.

Rajesh Nair: Thank you, Chair, and good afternoon to you and the rest of the Committee. Yes, we have heard, and we have seen President Trump slap on those tariffs. There are two ways in which it will affect not just us but the industry in general in the UK. One is that we have our interests in steel supplying into the UK; specifically, for Tata Steel, it is close to about \$100 million worth of exports into the UK. Products that are specifically not made in the US, for which for the last so many years we have had exclusions and exemptions, are basically in packaging steels and tubular products for oil and gas. That is basically where we are, so that is one aspect of the impact of the tariffs for us.

The other more significant impact is because of the tariffs and the counter-tariffs that are being put up. We have a huge amount of diversion for other parts of the steel industry, which is flowing into the UK, and that has had a far more detrimental impact in the UK than our business in what we are supplying into the US.

Q204 **Chair:** To be clear, is it your view that your US business will be hurt by these tariffs?

Rajesh Nair: We think so because it has spooked the customers. Customers have no clarity on whether these exemptions will continue, although there are indications that they will but it is not clear. The customers are spooked and want to go to other suppliers to make sure that they do not get caught in the tariff warfare. Customers are already talking to us and wanting to cancel orders and in some cases are asking us for compensation for potential orders. Besides the \$100 million, there is also the impact of compensation for lost business for them.

Q205 **Chair:** Your customers are already considering cancelling orders?

Rajesh Nair: Yes, they are.

Q206 **Chair:** Let me come back to you on responses. Mr Bell, what is the impact on your business?

Allan Bell: Thank you, Chair. It is similar to Rajesh, there are two aspects to it. First is the direct impact. We supply around 50,000 tonnes of steel into the US markets. Some of that is product that cannot be made anywhere else and we are sole suppliers to those customers.



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Others are products where there is an exemption in place in the short term, until June 2025, and for some of our other products there are domestic producers. If I take those in turn, for the products where there are domestic producers we have had to exit that business immediately. Similarly, we have customers who are concerned about the impact of the tariff and at the moment are considering order cancellation.

Q207 **Chair:** Let me clarify that. You, too, have customers who are considering the cancellation of orders?

Allan Bell: Correct.

Q208 **Chair:** Have any cancelled orders yet?

Allan Bell: Not as yet, no.

Q209 **Chair:** They are considering still?

Allan Bell: Correct. Then we have some customers where, as I say, we are the only supplier with sole supplier status into them. They have told us that they will now start making moves to purchase that steel elsewhere. It will take them nine months to develop tooling capability with domestic producers, so it will not hurt us immediately, but we anticipate that there will be damage done in approximately nine months' time. We supply six products to one customer in particular and they have told us they have already started tooling development with new suppliers for three of those products.

As Rajesh said, there is the indirect impact of the potential diversion. As we see the European Union take action, we would like to see the UK Government take similar action to ensure that for any steel that was destined for the US that could now be diverted into other open markets, we take measures to protect that potential diversion.

Q210 **Chair:** Mr Bell, as with the Tata perspective, do you think that the bigger damage will be done through diverted steel coming into the UK?

Allan Bell: That is our biggest concern at the moment, yes.

Q211 **Chair:** Mr Nair, do you have a sense of how bad the impact will be on sales, let's say in the next 12 months? Do you have a sense of how big the damage will be to both sales and profits?

Rajesh Nair: Yes. It will be significant, Chair, very significant, simply because two things are happening. One is, like Allan said, we have the European Union looking to impose safeguard measures. Therefore, what has happened is that prices in the European Union have started to move up and the UK prices are at a discount now even to the European prices. Besides the tariff, in the last year we have seen prices in the UK decline, especially for flat products, by over £200 a tonne through the year. This is further worsened where European Union prices are now at least £60 more than the UK prices, besides the impact of the large volumes that



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some of our customers are looking to book out of geographies that are now diverting steel that was potentially destined for the US.

It will be a huge impact on the overall business, the top line, and it is also a massive impact on the profitability of the business, which is far more damaging than just the volume loss.

Q212 **Chair:** Mr Bell, what is your damage assessment?

Allan Bell: It is similar. We have not put a number to it at this point but we expect the potential for diversion will do significant harm to potential sales from British Steel.

Q213 **Chair:** You must be quite angry about this.

Allan Bell: Disappointed. We would suggest that we are disappointed with the approach that has been taken.

Q214 **Chair:** How do you think the UK Government should react? Do you think that the Government have reacted well? Have they been too slow? Would you have preferred them to have avoided this in the first place?

Allan Bell: We see the efforts from the Department to try to get exemptions for the UK into the US market and we are seeing positive action. On the response on the potential for diversion, absolutely we would like to see swift action being taken. We are seeing swifter action being taken across the EU to review existing safeguarding measures and look at opportunities to tighten safeguarding measures to protect the European Union from the potential diversions that we have talked about. Absolutely we would like to see the Government move faster on reviewing at least the existing safeguarding measures that are in place for the UK.

Q215 **Chair:** What is your confidence in the Trade Remedies Authority moving at the right speed and producing the right answer?

Allan Bell: We work closely with UK Steel and the Trade Remedies Authority to continue to identify opportunities. I have to say, and I think we are always going to say, that we would prefer things to move faster. Absolutely we would like to see the pace increase.

Q216 **Chair:** Mr Nair, what is your perspective on how the UK Government should respond?

Rajesh Nair: It is very similar, Chair. We are disappointed but, to be fair, we have had some very good conversations with the DBT and Ministers. We have explained to them the situation and the need for speed in their actions. I think the Government are aware, cognisant of what is required to be done, but in these kind of things you have to find the right balance between a quick remedy and long-term implications. I suppose that is the place where the Government are, but I hope that very soon we will have some short-term measures in place to prevent the damage or to arrest the damage that is currently happening.



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Q217 **Chair:** Do you think that we should be slapping retaliatory tariffs on United States products?

Rajesh Nair: I am not sure that that is the way to go. As we have been talking about, it is more the impact of the diversions into the country that are happening that we need to take care of. The UK steel industry over a period has declined to a very small value. We are not a big steel consuming country, so we have to act in a manner to protect and safeguard the industry so that the incumbent players can continue to do business and also the customers get a fair deal at the end of it all. It has to be the right balance for them. There have to be some short-term measures to protect what we have in the country rather than retaliatory measures.

Q218 **Chair:** Alasdair, how are your members feeling about what happened last week?

Alasdair McDiarmid: I think they are very concerned. We are worried about what this means for jobs and for the sustainability of the industry. This is a terrible idea and it is a terrible idea for the US just as much as it is for us, there is no doubt about that.

Q219 **Chair:** Are your members angry about what President Trump has done?

Alasdair McDiarmid: Yes, they are angry—of course they are angry. They are worried about their livelihoods and the future of their plant and their communities as well. It is not a situation we want to be in. I think that the Government are working extremely hard to try to secure exemptions. The Business Secretary met my union immediately after the announcement and gave us some reassurances that that was the case but, like my colleagues to the right, our biggest concern is trade diversion and all the steel that was going to the US now floating around the world looking for a home.

We are concerned that we may be more at risk and open than other markets, in particular the EU. We know that the EU is likely to publish the EU steel action plan this week and as part of that they are likely to announce that they are tightening safeguards from the start of April, so we need to move extremely quickly and decisively to make sure that our trade defences are at least strong as the EU's. That is really important. I certainly echo the concerns about the pace of the TRA.

Q220 **Chair:** The test is that it needs to be as strong as the EU's defences and it needs to be in place by April?

Alasdair McDiarmid: Yes.

Q221 **Chair:** Mr Bolton, what is your sense of how the industry as a whole is feeling?

Jon Bolton: As my colleagues have said, they are extremely disappointed. I think there is a concern that we are not exactly sure at the moment how this will pan out and that will lead to a lot of uncertainty



with various customers not knowing where to jump and how to jump. There is history of the 232 application in recent years when the same thing happened and maybe the scale of the impact was not as great as people were expecting. For companies not represented here today, for example Liberty and its aerospace products that can't be made anywhere else, essentially the price was passed on, which will happen in a lot of the cases where the material is not in the USA. There is clearly a balancing act to be taken here politically and how to position the UK vis-à-vis future trade agreements that may come in place.

Q222 **Chair:** Would you recommend retaliatory tariffs against the United States now?

Jon Bolton: I don't think I would at this moment. I think I would just wait, given it is very difficult to predict where President Trump will go with this, but we need to negotiate as good a position as we possibly can.

Q223 **Chair:** What is your confidence level in the Trade Remedies Authority coming up with the right answer at the right speed?

Jon Bolton: Low on the speed.

Q224 **Chair:** It is a problem, is it?

Jon Bolton: It is a problem and we have been here before. The protection that can be put in place needs to be in step with Europe, as my colleagues here have said. You have not asked about CBAM, but that will probably be announced at the same time. At the moment that will come into place in 2026. We are tabled to bring it in 2027 and that would provide some additional protection in the current circumstances.

Q225 **Chair:** Should we be trying to introduce the carbon border adjustment mechanism at the same time as Europe?

Jon Bolton: Absolutely.

Chair: That is very useful. Thank you.

Q226 **Charlie Maynard:** Thank you all. Mr Bolton, you chair the Steel Council. What do you see as the competitive advantage of the steel sector in the UK today? Where do you think we have particular advantages? What would you recommend for growing those advantages and making our steel sector more competitive?

Jon Bolton: That is a good question. It is almost easier to answer the alternative to say where there are certain issues that we are uncompetitive in, particularly energy costs and things like that. However, the strength is that we have a strong market. If we look at the work that was done, and it is being updated at the moment, as part of the strategy back in 2017-18, we foresaw a market of about 11 million tonnes in the UK. If you measure that against the capacity we have installed, that presents opportunities. With the transformation that is taking place at the moment, there is an opportunity to reduce our costs. It obviously has to



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go hand in hand with reduced energy costs, particularly, but then we should be in a good position to displace imports into the UK. It should be sustainable for the long run with that stronger market.

Q227 Charlie Maynard: Can you say a bit more about how those costs can be reduced? Also, in what kind of particular market sectors do you think we are most competitive?

Jon Bolton: It comes back to all market sectors being competitive basically around costs. As we move to electric arc furnace, electricity costs—and I am sure my colleagues will make the same point—are absolutely critical. We need to be in step with European competitors in that respect. If you look at the demand and where there is consistent demand in the UK, it is for infrastructure projects, particularly public-funded projects, and there should be a significant demand there that the incumbent steelmakers are able to take advantage of. As well as energy costs, the biggest problem at the moment for the incumbent steelmakers is that they don't have the volumes to cover their fixed costs. They are losing money because they are not producing at the high levels that they should be able to produce at.

Q228 Charlie Maynard: Mr Nair and Mr Bell, would you like to add anything on where you see particular advantages or competitive advantages of the UK versus the global field, whether inside your companies or more broadly?

Rajesh Nair: We have the opportunity to make ourselves competitive. I think one of the reasons why we have found ourselves in this situation is because we lost the competitiveness for the steel industry as well as for the manufacturing industry in general. The market segments in which we could potentially create competitiveness are, for example, construction. The UK has been very strong in construction and has been in the forefront in using advanced products in construction. Similarly, there is a great opportunity that could continue in packaging steels for cans and stuff like that. We have lost some of our competitiveness in automotive but with the new investments that are coming in and the drive to electric vehicles and the new gigafactories and so on that are being set up, we potentially have an opportunity to create a competitive position in automotive.

Having said that, we need to put that back into the competitiveness for the rest of the industry. The single biggest element of lack of competitiveness is energy costs. That outstrips every other element or factor of production. The UK grid from an electricity point of view is fortunately greener than a number of other grids that you can find. You can argue that the French grid or the Nordic grids might be better but given the situation, it is fairly green. The problem is the wholesale costs of electrical energy and the network costs in delivering that energy to the consumers of large volumes of electrical energy. We need to fix that very quickly.

Q229 Charlie Maynard: We left the European single day-ahead coupling



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energy trading system. Would rejoining the European energy market be a help in bringing down costs?

Rajesh Nair: I think more than joining the energy thing, it is about creating the infrastructure to be utilising the excess energy in the European Union. I think our biggest problem is the interconnection between low-cost grids. We need to find a way to manage these grids well. If we can make the right investments in these interconnections, naturally the markets will work to give us the right cost of electrical energy.

Allan Bell: On competitiveness and products, repeating what Jon and Rajesh have said about construction, we should be able to be competitive in the construction market. At the moment, we believe that British Steel supplies three of every four major construction projects in the UK. However, that is coming under significant pressure from customers that now require low carbon steel products, which we are unable to supply as an integrated steelmaker at the moment. There are some short-term challenges while we move to decarbonise.

In addition to construction, rail is an area. British Steel supplies 95% of the UK rail infrastructure and believes that to be of strategic importance to the UK and a sector where we should be and are competitive. We supply rail up to 260 metres in length direct to trackside, so it is very difficult for anybody to come into the UK and be able to supply.

However, the challenges, as my colleagues have said, are primarily around industrial energy prices where we are paying 50% more for our wholesale electricity than our neighbours in France and Germany.

Q230 **Charlie Maynard:** We were in a shipyard yesterday in Govan in Glasgow and certainly there was lots of steel, mainly imported from Sweden. I am slightly nervous about blowing in the wind as defence is hot right now, so people are saying, "Let's build defence steels". For anybody who would like to comment, is that a wise thing to be investing in now or not so wise? I am curious.

Jon Bolton: I will have a go at that. Clearly the plate mill would be central to supplying to that. I think you would have to look in the wider context because if you are supplying plate into that market, you can supply plate into a wider market as well, so you have to take the whole plate market together. I will answer your question: yes, I think it is worth investing in that because there is a long-term market for plate in the UK. There is an underlying market of about 500,000 tonnes a year and that is before you add in the renewable offshore demand. Alasdair and UK Steel have done work to show that and I am sure that that will be one of the things that will probably come out of the work we are doing on the steel strategy.

Yes, if you are going to put plate capacity in place and it is not just a plate mill, but a slab capacity to support the plate, you put as much



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additionality as you possibly can into that and make sure you can supply the steel required for the defence sector.

- Q231 **John Cooper:** Thank you all for being here today. My grandfather was a steel mill worker in Corby in Northamptonshire, so I perhaps have a nostalgic view of that, but my knowledge of it is not that great and I think a lot of people in the public are a bit like that. One of the questions that keeps coming up all the time is that with the closure in Scunthorpe, Britain loses its ability to create virgin steel. This seems to be kind of holy grail, but how much does that matter? Is it important that we no longer make virgin steel? That is probably one for you, Mr Bolton.

Jon Bolton: The short answer to that is, yes, it does matter that we keep that supply for a number of reasons. If we allow the blast furnaces to close—to run down at Scunthorpe—essentially we are cutting off that customer base. If we are serious about wanting to maintain steelmaking in the UK, particularly for critical applications such as infrastructure construction, we need to try to maintain that supply chain, keep that supply chain in place. I do not think it would be a good idea to change the source of steel, an important source of steel, while we are going through that transformation.

The question I get asked the most is can you make all the products at an arc electric furnace that you make at a blast furnace and theoretically you can but there is a cost implication to doing that. Development work needs to take place to make that happen, but in the short term while that happens, you have to maintain the supply all the way through that supply chain. I would argue that it is really important to maintain the two blast furnaces. The reason I say two blast furnace operations, having run that site in the past, with one blast furnace economically from a business perspective you are not covering the fixed costs. You need the volume from the two blast furnaces.

- Q232 **John Cooper:** You touched a bit on specialist products and obviously defence, as we are hearing, is really important at the moment. I was interested to see that the Americans seem to make the barrels for their Abrams tanks and use electric arc furnaces for that. You are saying that it is possible but perhaps it is an expensive way of doing it.

Jon Bolton: It depends what the application is. Forgemasters already produces those kinds of steel from electric arc furnace application in Sheffield. It produces those specialist steels, so it can be done. My colleagues will attest to some of the more challenging flat works—deep-drawn products that might be more difficult. Not impossible, but it might be more difficult.

- Q233 **Matt Western:** Obviously you will be familiar with the Government's industrial strategy—the sectors that the UK Government are looking for growth from and investment in. In the Budget, they announced £2.5 billion for the steel sector. In your view, Mr Bolton, in what way should that money be spent, in what form and where? What sort of investment



should we be expecting from the sector?

Jon Bolton: I don't want to pre-empt the work that is taking place in developing the strategy, but the way I see this strategy being developed is that we are putting together a business plan that supports investment in the UK and the UK steel sector. That £2.5 billion, therefore, should be to support and encourage further investment. It should not be standalone to go all out just to spend on specific projects in isolation. I see that being a way of contributing to investment by incumbents or third parties in the UK.

The kind of things I see it being invested in—without wanting to pre-empt and we have already covered some of them—there are gaps in capability and capacity in the UK. If I look at finished products first, plate obviously comes into that and seamless tube might come into that category as well, but this work will come out of the strategy, the report that is being undertaken at the moment. Then you have to look at what raw steel makes and need to support that and how you want to supply that, whether that is with incumbent steel supply. I believe we should have domestic steel supply. Therefore, how do you best supply that and support the infrastructure around that? Much has been said about investment in iron, something called direct reduced iron, which is like a raw iron product, and whether we should spend our money on that. I think the jury is still out on that. We need to assess that through the strategy.

To answer your question, it is to support investment from third parties I see that £2.5 billion being applied.

Q234 **Matt Western:** Mr Nair and Mr Bell, do you have any additional brief comments?

Rajesh Nair: I think it is important to have a better view of where the industrial strategy is going and the sectors it is looking to support. My company's thoughts are it is good to have a certain amount of money reserved for steel, because steel will play an important role in progressing the outcomes that we want to get out of the industrial strategy. It is about bringing industry and manufacturing, and steel will have to play a big role in it. Our thoughts on that are we should be looking at technologies that will help us deliver the products and goods of the future for our customers, as long as we are focused on making sure that our customers get the best in the products they want for their own manufacturing, their own industries and for their customers.

As long as we also address the issues that we have to deal with, which is primarily about decarbonisation, sustainability, net zero and recyclability or circularity, as long as we are investing this money in getting the products of the future, we will have done a good job. Whether that means investing in downstream manufacturing or upstream manufacturing is a choice we will need to make as we flesh out the industrial strategy. We decide as a country what industries we want to



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support and grow into the future that will serve the UK for the next generation. That is not yet clear and, therefore, to be looking at what you should be investing in and spending the £2.5 billion on is a little premature at this stage.

We made the first step as a company to turn the tide in the UK in moving away from blast furnace steelmaking to electric arc steelmaking because it will help us bring that competitiveness back as long as we can get the energy price right. We have seen how the products out of electric arc steelmaking can deliver all the promises for the future. There is a set of products that you can't but most of the products that the world uses today can be produced by electric arc. For the UK, it is for us to put everything in place to make sure that we adapt to this technology quickly, we fast-track it and make sure that our customers get the benefit of the new technology. This is an opportunity for us to make steel and manufacturing work for the country.

Allan Bell: We were pleased to see the £2.5 billion manifesto pledged to the steel sector. I think that is the first time that we have seen a government make that commitment. From a British Steel perspective, we would clearly like to see some of that £2.5 billion go towards the decarbonisation project at British Steel. The company cannot and will not survive without decarbonising, from a financial sustainability point of view but equally from the pressure that we face from the market to be able to deliver low carbon steel products.

As Jon and Rajesh have said, there is no viable business case for British Steel to undertake that investment with purely 100% private sector investment, so that will require support from Government to enable that. As we look broader outside of the UK, every single decarbonisation project that is taking place today is supported and co-funded by their respective governments.

Q235 **Matt Western:** Mr McDiarmid, briefly.

Alasdair McDiarmid: Very briefly, from our perspective the most immediate and pressing priority for Government to deploy the £2.5 billion towards is to securing the future of British Steel. They have been in talks for a long time and they have not delivered what we need it to deliver. It is absolutely crucial that a future is secured for steelmaking at Scunthorpe and to not do so would be a massive failure of Government. We need a responsible and just transition plan towards low-carbon steelmaking at British Steel and that needs to happen. We welcome Labour's ambition. The £2.5 billion is fantastic, we campaigned very hard for it, but it is time to start getting that money out the door before it becomes too late.

Q236 **Chair:** Let me just nail one thing, which goes round and round in circles in this place, which is whether we need a sovereign capability to produce virgin steel made only by a blast furnace. Is this something that is uniquely required because of defence capability? Mr Nair, what is your



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perspective?

Rajesh Nair: The short answer, if you ask me, Chair, is it is not necessary.

Chair: Interesting.

Rajesh Nair: Technology has moved on and I think we should look at the EAF technology and work towards making the technology work for us. When you talk about sovereignty the UK because of its industrialisation has huge amounts of scrap. It is the second-largest scrap exporter in the world. When people take the scrap out 80% of it is exported. People take the scrap, convert it into steel and bring it back into the UK. We must get together to ensure that we utilise it ourselves to make the right steel. We have the opportunity to work on technology development and adaptation to make sure that as the UK has done in the past—steel was developed in the UK to a very large extent—we just need to get our act together to make sure EAF steel works for all the applications that we want.

Yes, there will be specific areas where the quality of steel requirement will need us to adapt the EAF steelmaking appropriately and that does not mean that you need to make virgin steel. You can get the required amount of iron that comes into the EAF steelmaking to give us the products that we want.

Q237 **Chair:** That is nice and clear. Mr Bell, what is your perspective on that question?

Allan Bell: Absolutely aligned with Rajesh, that we believe that the products that we make today through the integrated steelmaking route we can make in the future through the electric arc furnace route. There will be again a requirement for other oil-based metallics, most likely HBI into our product mix but we believe that we can buy that and import that HBI requirement rather than having the need for domestic capability to produce that.

Q238 **Mr Joshua Reynolds:** Mr Nair, to date Tata Steel exports most of its scrap steel. That could obviously be used by your new arc furnace. What are you going to do as an organisation to ensure that you have enough of that scrap steel to have your demand met?

Rajesh Nair: Tata Steel does not export scrap. As a company we do not export scrap. The scrap is exported by the scrap processors and the scrap companies in the UK. In the UK today we generate anywhere between 11 million to 12 million tonnes of scrap, of which about 80% is just put into containers and exported out. These go into primarily countries such as Turkey, part of it to India, Bangladesh and so on. They get converted into steel. To be fair the Turkish have good EAF steelmaking and they export high-end products that compete with our products in the UK market. We need to find a way to incentivise that scrap that is going out to be value-added within the country and utilised for the steelmaking in this country. We are working with scrap companies to make that happen.



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Q239 **Mr Reynolds:** How do we incentivise? What would you do to incentivise these scrap companies to sell to you rather than selling overseas?

Rajesh Nair: There are two ways of doing it. One is incentivising in the way they get a fair return off the value-add that we are creating. Nobody is going to partner with us if they do not get a fair share of the value that we create, so that is the work that we as a steel supplier need to work with our scrap processors to ensure that the value pool is shared between the two companies. That is the one bit that we need to do, which means they need to make the necessary investments in processing the scrap, beneficiating the scrap for use in the electric arc furnace for high-end steel such as what we are going to do for packaging steel and for construction steel, automotive steel. On the other hand we also need to be able to disincentivise them from sending the scrap out to markets that are just taking the scrap and converting. There are these two parts, one from a policy point of view and one from a partnership point of view, that we need to work through with our scrap partners.

Q240 **Mr Reynolds:** What would you say would be the Government's role in assisting that process?

Rajesh Nair: The Government's role should be in creating the disincentivisation piece or rather making the scrap processors incentivised to work with the steelmakers in the country. Things such as the waste policies that we have, making sure that you cannot export waste from the country. It is about waste directives and ensuring that these people, the scrap processors, do not put this iron scrap into other markets.

Jon Bolton: It is just worth adding that I totally agree with what is said there but again, as Alasdair mentioned earlier, the EU will be putting in place regulations shortly. We expect them to announce it in April, Alasdair, I believe. Essentially they are going to put duties, export duties, in place on scrap particularly when it is shown that it is going to be exported to countries with lower environmental standards. Keeping in step with the EU again is something we ought to look at and be in step at the same time.

Q241 **Mr Reynolds:** Mr Bolton, looking ahead, what other technologies do you think are coming down the pipeline that the UK could have a competitive edge in if we push and have that government involvement a little bit more?

Jon Bolton: Just linked to that, I want to come back to the question the Chair asked about sovereign iron capability. I think the answers you received were from a blast furnace perspective, but just to re-emphasise that we should go as far back up the supply chain as we competitively can, so that means iron units to support the electric arc furnaces as well. I am not sure whether there is a business case there yet for that. At some point you are going to have to import some part of the supply chain, whether it be iron ore, pellets or whatever but we should try to do



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as much as we possibly can because that iron ore potentially can come from at risk regions of the world. We need to look at how we do that.

On further technologies, I would guard against investing in brand new technologies in the fundamental steelmaking because that is a long process and can be quite a painful process. Having been recently involved in the foundation industries' challenge we do have and it is often said a world-class R&D capability when it all comes together in the UK. Some of the things that we are looking at, particularly crossover technologies between foundation sectors, from an industrial strategy I would strongly recommend you look at these. For example, the cement industry, another huge carbon emitter, there are big synergies with electric arc furnace capability that could be looked at and supported by Government for investment. Some of those synergies that support the business case for investment in steel would be worth looking at.

Q242 **Chair:** Mr Bell, do you have any observations on that?

Allan Bell: No, I think the points are well made about scrap ultimately becoming a critical raw material.

Q243 **Chair:** Alasdair, anything to add?

Alasdair McDiarmid: No, other than we absolutely believe that primary steelmaking is a crucial sovereign capability. We also do not accept that our blast furnaces must close. Our members look around Europe and see blast furnaces staying open into the next decade and possibly the 2040s. This rush to close our blast furnaces and cut thousands of jobs in the UK is very difficult for our members to see. Blast furnaces can have a future in the short and medium term as part of a responsible transition plan, we believe.

Q244 **Sarah Edwards:** Following on from that piece, Mr Bell, could you perhaps provide a bit more information on where you might be in regard to securing a deal with the Government over the future of Scunthorpe and if there are any issues outstanding that you can share with the Committee?

Allan Bell: As I said, the company is under significant pressure to decarbonise, both from our customers and from a financial sustainability perspective. We have gone through an extensive process of reviewing technologies, from carbon capture and storage in our existing blast furnace through to DRI production that we have talked about, or HBI production and ultimately electric arc furnace. We have concluded that the only viable option for British Steel moving forward to decarbonise is to move to 100% electric arc furnace steelmaking. We believe that will deliver an 82% reduction in our scope 1 emissions, so will support that net zero agenda. As I talked about this is a £2 billion project we estimate so it is not a project that the private sector is going to be able to implement without government support.



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The point has been mentioned we have been in extensive negotiations bilaterally with the current Government and the previous Government. I would say that those negotiations are commercially sensitive at this particular point in time and the timescales of an outcome are unknown at the moment, unfortunately. I am unable to share with the Committee today what those timescales are because I genuinely do not know them myself, but it is something that we are under an enormous amount of pressure with. The Government are working with us and we are working with our partners in the trade unions to accelerate that and get an outcome as soon as we possibly can.

Q245 Sarah Edwards: One of the areas that we have also heard about, if we cannot go into some of that detail, was the challenges around securing a grid connection for the furnaces. One of the things that Jon Bolton mentioned earlier was that you need two to make it commercially viable. Mr Bell, could you comment on that situation alongside the grid, whether there have been any discussions around that prioritisation because I think time is quite critical for both of these, and then whether there is a crossover in perspective about whether one is going to be enough and what that future looks like for the steelworks.

Allan Bell: There was a lot reported around some of the grid constraints in particular into Scunthorpe and at that point in time we had received an offer to connect the site by 2034, which was clearly too late for us. Since I guess those media reports there has been a huge amount of effort put in by the company but equally supported by the Department for Business and Trade and the Department for Energy Security and Net Zero to find solutions to that problem. I am pleased to say that there is now a solution that would enable the Scunthorpe site to be connected within three years, which fits within our timeframe and gives us the option to put two electric arc furnaces in Scunthorpe, to Jon's earlier point.

Q246 Sarah Edwards: Can you just about cope with three years, or do you need greater certainty? If you could have greater certainty what would be your preferred time limit to get some clarity for the business?

Allan Bell: Three years ultimately. It will take us three years to build the electric arc furnace so the two timescales dovetail now quite neatly to meet that future project.

Q247 Chair: Is there a realistic scenario in which the blast furnaces stay open?

Allan Bell: I think the longevity of the blast furnaces is probably one of those very commercially sensitive points at the moment and not something that we particularly can share at this moment in time.

Alasdair McDiarmid: Perhaps I can answer that from our perspective. Our experts, the unions' experts, Syndex, have been working inside British Steel, working with British Steel's experts, reviewing the company's decarbonisation plans. There is a high degree of alignment. The unions agree with the company on the end state of the low carbon steelmaking technology footprint for Scunthorpe but we believe that



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there is a very strong case for keeping the blast furnaces going throughout the transition.

There is a problem with carbon pricing. There is about £450 million of carbon costs that would have to be borne for the three years of the transition and to bridge the gap between our plan and the carbon costs involved and the company's plan would cost about £200 million. That is why we have presented that to government and we are asking government to mitigate the carbon impacts of our plan with an additional £200 million of support to protect thousands of jobs over the transition period.

Q248 **Chair:** I do not want to compromise Mr Bell's negotiations but your view is that there is a commercially viable solution that keeps the blast furnaces open?

Alasdair McDiarmid: If the Government mitigates the carbon costs over the transition period.

Q249 **Chair:** Do you think that cost can be fitted within the £2.5 billion that the Government have earmarked for steel investment?

Alasdair McDiarmid: Yes, absolutely but it is relief from carbon costs, so it is relieving the company of an obligation, which they would not otherwise pay in any event if the blast furnaces were to close. We think it is something that certainly the Government could and should support.

Q250 **Sonia Kumar:** This is to Mr Nair. The Government have said that the electric arc furnace will reduce entire carbon emissions by 1.5%. Are you on course for the new furnace to open and be operational by 2028?

Rajesh Nair: Absolutely. By 2027. By the end of 2027 is our target to get the EAF operational.

Q251 **Sonia Kumar:** Has National Grid agreed a solid date for the connection?

Rajesh Nair: Yes. We have been working with National Grid way in advance of our announcement of the technological change. To be fair to the National Grid they have put it on a fast track and in a high priority and we have engaged with them. We are hoping they will deliver it in time for us to commission the EAF at the end of 2027. We are working hard and we are hoping it will get delivered.

Q252 **Sonia Kumar:** You told the Welsh Affairs Committee that you were losing over £1 million per day. How will the electric furnace change this?

Rajesh Nair: The electric furnace will bring the competitiveness. There are two parts to it. First, it will help us manage the raw materials that we were getting in from the rest of the globe. For every tonne nearly two tonnes of raw materials were being used. A lot of the change that we are looking to bring about in the new paradigm is about bringing competitiveness to the steelmaking in Port Talbot. By the support that we are looking to get from the Government on energy support, on energy



prices, and the fact that we are working with our partners to secure and source the key raw material, which is the scrap, within the UK, which you do not have to cart across the globe, it gives us that opportunity to become more competitive from a cost perspective. The fact that you are going to be working with a completely new technology that brings in efficiencies of production gives us that opportunity to make steel competitively vis-à-vis the earlier blast furnace production.

Q253 Antonia Bance: My question is to Mr McDiarmid. What do you think is needed for the company and the workforce to make the electric arc furnace project at Port Talbot a success and what would be your comments on the transition thus far?

Alasdair McDiarmid: That is perhaps more a question for Rajesh rather than myself. Clearly energy prices are the No. 1 concern for all of us. The asks of the industry are the same now as they were 10 years ago. Energy prices are at the top of the list.

On how the transition is going, I think it is fair to say that we are not where we wanted to be. We do not believe the right strategy was followed for Port Talbot. We believe that ultimately the Government and Tata went for the quickest and cheapest plan, rather than the best plan, and our experts put together, and a wide range of stakeholders from across the spectrum supported, an alternative strategy for decarbonisation based on a gradual and phased transition, which would have avoided any compulsory redundancies and kept open the door for other forms of steelmaking technology to be introduced. It was not to be. We are where we are and it is vital now that the business succeeds. We want to see this electric arc furnace built and absolutely energy prices is the top of the list.

I will not speak for Rajesh as I am sure he will come in next but making sure that we have a robust scrap supply chain and we work out how we are going to keep more of this 80% within our borders and make sure it is the right quality and is sorted in the right way and there is enough to go around. If everyone is transitioning to electric arc furnaces there is going to be massive pressure on a supply chain that does not even exist yet.

Rajesh Nair: While Alasdair has said what he has said, I just want to make sure that the record is made straight. We have through the part of negotiation and the part of discussions with Syndex and all their consultants made it very clear that running the blast furnace in the way it was going to be run was not viable operationally. It was completely unviable operationally and we discovered that when we shut down the assets because we were getting too close to end of life, which would have jeopardised the operations in general. Secondly, it was as we heard earlier in a comment, completely financially unviable. There was no Government who in their right mind would put money on loss-making and use taxpayers' money to fund losses. That was the clear approach we took, or the clear indication and I think to the unions and their



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consultants it was made clear that the gap between what they were talking about and what we had shown and I think it is all there in the discussions, the gap was too huge for any corporate to support, for any shareholder to support and for any Government to put money into losses. So I just want to make the record straight over that.

As far as the transition is concerned, you would have heard we have offered the best support that has been done so far in any industry for the people unfortunately who had to leave. We have done everything possible to ensure that the departure of these people who have been affected is as painless as possible, both from the point of view of the transition—we have acceded to several requests of delaying the notice period and so on just to give them sufficient time. The compensation and the support package have been the best ever. We also put in training programmes to enable people to bridge their skill gaps for future jobs. We have offered a number of other supports for the people.

I am pleased to say that the way people have left the business could not have been better than what we had proposed. We have over 1,800 people who have left the business so far since we made the announcement, of which people who have left compulsorily is only about 160. We have offered a huge amount of job matches across the South Wales sites where we have gone out of the way to make sure that people are given the right opportunities and we have left it to them to take those opportunities. I would like to say that people have gone with the best.

Q254 Antonia Bance: I wanted to come back to Mr McDiarmid on that point. What would the former steelworkers say and what would the unions say to the point that this has been very well-managed, apparently?

Chair: Just briefly, Mr McDiarmid.

Alasdair McDiarmid: We have probably slightly different views on that. I would recognise that we did negotiate together a very high quality package of redundancy support, skills and training and the union as well has invested heavily along with the Welsh Government and the UK Government in a support centre in the middle of Port Talbot, bringing together a range of employment agencies to support them to reskill and find new employment and we have had more than 1,000 people come through our doors so far. A lot of people have worked very hard to support the steelworkers that are coming out of the works but it is difficult because they are extremely good, well-paid jobs that Port Talbot relies on. They are irreplaceable and what we need longer term is more investment in that area. There is no question about that. We have the freeport coming in but that is some years away. Each of those jobs supports another two jobs in the local community and they are irreplaceable and it is devastating what has happened to Port Talbot and the surrounding community.

Q255 Chair: This Committee has to drop its advice for Government in response to its steel consultation very shortly and your session today has really



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helped us with our thinking on this. You have told us there has been deep disappointment with President Trump's tariffs. I have not heard anybody calling for retaliatory tariffs against the United State but a real concern that we align quickly our safeguards with Europe. You have told us energy costs are the number one problem. There are a lot of steps that we need to take to keep scrap onshore. There have been some different views about the capabilities that we need in the industry here, £2.5 billion has been flagged as a good amount of money. What are the other things that you think this Committee should say to Government in response to the steel consultation? Just give me your headline or two as the last question. Mr McDiarmid.

Alasdair McDiarmid: As an overarching priority speed is what we need. We have had consultation after consultation for many years over successive Governments and as I have said before the priorities for the industry are the same now as they were in 2015 when the Steel Council was first set up following the collapse of SSI. We need action on procurement, we need action on trade, we need action on energy costs, we need support for low carbon investment, we need a CBAM, we need all of these things and we needed them 10 years ago. We just need to get on with it now before it becomes too late.

Chair: That is a really helpful, punchy answer. Mr Bell?

Allan Bell: I think Alasdair has beaten me to it, unfortunately. I think pace absolutely. The Steel Council and the Government understand the challenges of the steel industry. We now need to start making progress with addressing those challenges.

Jon Bolton: Ditto what Alasdair and Allan have said. Speed. Managing the transition carefully. I understand we might want to invest in an ideal state going forward but managing the next 12 months, if not two or three months, is critical. I would strongly advise you to try to influence the decisions around Scunthorpe to keep the two blast furnaces operating. It is not just about the carbon cost. It is also about making sure that other assets in the UK that do not belong to the two businesses that are here today are utilised more efficiently and effectively to support the business case.

Rajesh Nair: Very similar, Chair. Very simply put I think it is important for the Government to clearly set out a vision on what they want to do with the industrial strategy, what businesses, what industries they want to support and follow it up with some critical policy decisions and policies and ensure that these policies are demonstrably long enough to make a difference.

Q256 **Chair:** How long is long?

Rajesh Nair: At least for the next 10, 15 years. It will take that much time for the investments to come in, and make sure that this then drives the inward investment into the industry that we so desperately need. The



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investors need to see that the UK is a place to bring investment in industry and manufacturing and unless we do that I think we are missing an opportunity.

Chair: We do not always end on a note of consensus but we have today. That has been extremely helpful. Thank you very much to our witnesses. The Committee is very grateful to you. That concludes this panel.