

Business, Energy and Industrial Strategy Committee

Oral evidence: Liberty Steel and the Future of the UK Steel Industry, HC 118

Tuesday 25 May 2021

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Members present: Darren Jones (Chair); Alan Brown; Judith Cummins; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Charlotte Nichols; Mark Pawsey; Alexander Stafford.

Questions 1 - 60

Witnesses

I: Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy.

II: Edwin Basson, Director General, World Steel Association; Roz Bulleid, Head of Policy, Green Alliance; Chris McDonald, Chief Executive Officer, Materials Processing Institute; Roy Rickhuss, General Secretary, Community Trade Union; Gareth Stace, Director General, UK Steel and Co-Chair of the Steel Procurement Taskforce.

Written evidence from witnesses:

– Green Alliance ([LS0003](#)); Department for Business, Energy and Industrial Strategy ([LS0004](#)); UK Steel ([LS0006](#)).



Examination of Witness

Witness: Kwasi Kwarteng.

Q1 Chair: Welcome to this morning's session of the Business, Energy and Industrial Strategy Select Committee for the first hearing in our new inquiry on Liberty Steel and the Future of the UK Steel Industry. Evidently, steel is a foundational industry in the UK, underpinning lots of important British manufacturing companies, and an important component of our industrial decarbonisation plans as we seek to reach net zero by 2050.

This new inquiry will seek to do two things: first, to understand why we tend to move from steel crisis to steel crisis in this country and how we provide some stability to the sector, not least in the context of decarbonisation plans; and secondly, to understand the Liberty Steel crisis around how GFG Alliance has structured, financed and audited itself, and the role of supply-chain finance—namely Greensill Capital in this circumstance—and how that is linked to potential issues in the running of these important companies. We, therefore, want to understand whether that is an appropriate way to run companies like steel companies in the future and whether there are any regulatory changes that we may wish to recommend to the Government.

The first session today is a scene-setter around the state of the UK steel industry today and some of the challenges that is facing, before we dig into some of those issues that I just mentioned in more detail in later hearings. I am delighted, rather unusually, to welcome the Secretary of State to the start of this inquiry, as well as, probably, to the end of it, which recognises his personal commitment to trying to deal with the issues we are facing in the industry. We will hear from the Secretary of State for the first half an hour, before hearing from industry representatives.

Secretary of State, I will come to you first with some topical questions, before bringing in colleagues. First, we received a letter last night from GFG Alliance confirming reports of their intention to sell Liberty Steel assets in Yorkshire and the West Midlands. We are conscious, as a Committee, that some of these sites have been sold on numerous occasions, including by previous companies that have gone bankrupt. If these sites are sold, how can we ensure that any future owner does not follow the same cycle of buying them and then having to close and sell them again?

Kwasi Kwarteng: You are absolutely right, Mr Jones, when you point out that these assets have had multiple owners over the years. What I am trying to do as Secretary of State, which is why I brought back the Steel Council, which had not sat for a year, is to come up, as you say, with a much tighter framework and a stabler and more sustainable basis on which to have an industry. A key part of that is having a decarbonisation strategy. Therefore, once these companies are



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committed to decarbonisation, we can work together, as Government and the industry, in trying to create a more sustainable sector.

What happened before was before we even had a decarbonisation strategy and before we had legislated for net zero, and the assets did tend to get flipped around in terms of sales, often to private equity, financial-engineering-type companies that had very little knowledge or experience of managing steel assets. We need to have a stabler structure, and decarbonisation and having a strategy for that can help stabilise the situation.

Q2 Chair: I understand that this week the Governor of the Bank of England noted to the Treasury Select Committee that Wyelands Bank, which was the bank that Mr Gupta had set up, was under investigation by the Bank of England, the Prudential Regulation Authority, the National Crime Agency and the Serious Fraud Office, and yet £46 million of taxpayer-backed loans during the Covid crisis were provided to GFG Alliance. In the context of all of those investigations, how did that happen?

Kwasi Kwarteng: The Bank of England has had an interest in what Wyelands Bank was doing. At the time that the Covid loans were being disbursed by the British Business Bank, there were not, as I understand it, concerns about the particular bank. If I may say so, Mr Jones, that is exactly the reason: it was concerns about GFG Alliance. They asked me, as you remember, for £170 million, and I dare say that a number of people on the Committee will ask me why I was not committed to giving £170 million. It was this sort of opacity about their corporate governance and this difficulty to understand the full nature of their businesses that prevented me and my officials from giving them taxpayers' money. We were, dare I say it, vindicated in our approach.

Q3 Chair: The British Business Bank, albeit an arm's-length body, is part of your Department.

Kwasi Kwarteng: Yes, I have mentioned that.

Q4 Chair: Are there any lessons to be learned, though, from this issue?

Kwasi Kwarteng: Yes, absolutely. The British Business Bank was under a lot of pressure to disburse loans. Let us get this straight: the British Business Bank gave bank certification, and it was the banking system that provided the loans at the shop window, as it were. We had to keep liquidity and businesses going. Once banks were accredited in this way, they were allowed to disburse money. What subsequently occurred is that the Bank of England now has concerns about Wyelands Bank that it did not have last year when the decisions about the CBILS and the CLBILS were being made.

Q5 Richard Fuller: Let us stick with this important point about opacity and the press release that Liberty Steel very kindly sent out the day before our meeting, where it says that it intends to repay Credit Suisse in full, which will "complete the restructuring and refinancing of its UK



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operations”, which sounds very promising. Secretary of State, at its height Credit Suisse’s exposure to GFG was £1.2 billion. We know that, in 2019, the Swiss asset manager GAM had a £600 million exposure to GFG, which GFG had to buy back. We learnt yesterday that, in 2020, with Wyelands Bank, which is another part of GFG, GFG had successfully paid back £194 million. That is £600 million, £194 million and now £1.2 billion. Secretary of State, do you know where the money is coming from?

Kwasi Kwarteng: My job is not to be the finance manager of GFG. We had to give them some credit. Mr Gupta said that he would look to refinance the assets. It would appear that he is succeeding in doing that, but as a quid pro quo or compromise, he has to divest some of the UK assets. I am not privy to the financial dealings, the gearing or the leverage of the business, which are matters for the creditors, but the creditors are at the moment willing to extend him and his group more finance, and that is a matter for them.

Q6 **Richard Fuller:** That is quite right, Secretary of State, but if I could just tease you a little further on it, in terms of the £1.2 billion and the assets that have been presented for sale, is it the opinion of the Department that they would account for the full amount of that £1.2 billion?

Kwasi Kwarteng: In terms of the £1.2 billion that is due, you will appreciate, Mr Fuller, that we have to see what the term of the loan is. I am not quite sure that this £1.2 billion is due immediately. In any case, even if it were due immediately, creditors can reschedule the debt, so they could come to an agreement where he could pay it off over two, three or four years. We do not know the terms of the refinancing, but this is a situation that we are monitoring very closely.

Q7 **Richard Fuller:** White Oak is a company that has been associated with the GFG group, providing financing particularly in Australia. Is White Oak a specialist in supply-chain financing and, therefore, akin to Greensill?

Kwasi Kwarteng: I am not privy to White Oak’s workings; I have not met any of the officials who work there. My understanding is that it is a San Francisco, private-equity-type firm that invests particularly in distressed debt and high-leverage finance. That is my understanding of what the business does. They are specialists in this and have had a long working relationship with the GFG group. They will have terms of refinancing that we are not privy to at the moment.

Q8 **Richard Fuller:** Yesterday, the Governor of the Bank of England said that the PRA identified problems in late 2018 with Wyelands Bank and that it started its first investigation in Q1 of 2019, Wyelands Bank being part of the GFG group. The GFG group bought the UK arm of the Nigerian bank, Diamond Bank, in April 2019. Do you understand why it was permitted to purchase that bank?

Kwasi Kwarteng: If the investigation starts off as a secret one, the concerns about the bank will not be widely known. You will understand that, when these investigations are happening, often not in public, the



bank can operate normally and can acquire assets in a normal fashion, and that is what has happened. Now it would appear that the result of those investigations has given the Bank cause to look more widely, and it has publicised the fact that it has looked into this bank. It is easy with hindsight, Mr Fuller, to say, "Why didn't we do this? Why didn't we do that?" but, at the time, none of these concerns were made public.

Q9 **Richard Fuller:** Absolutely, Secretary of State. It is just that, if the Bank of England had concerns about one bank, why did it permit it to purchase another bank?

If I can just add a broad question, you have taken a very clear stance on protecting taxpayers' money. Many of us would applaud that. I have been totting up some of the other political responses to GFG group: a £7 million Scottish Government loan in 2016 to help GFG acquire the mills in Scotland; a £575 million Scottish Government loan guarantee for Liberty's acquisition of the Lochaber works; a £600,000 Welsh Government grant for a plant in Wales, again in 2016; an €86 million Italian government guarantee for a Greensill loan to Liberty Magona s.r.l.; an €18 million French government loan guarantee to Liberty Aluminium Poitou; an £180,000 additional grant from the Welsh Government to Liberty's Welsh plant; a £95,000 grant from Innovate UK to Liberty Powder Metals; an investment of £12.1 million by Scottish Enterprise into MeyGen Holdings, which is 43% owned by Simec UK Energy Holdings, part of GFG Alliance; and AUS\$49.2 million to support Whyalla Steelworks in Australia.

Secretary of State, why do other politicians fall over themselves to give this man so much money?

Kwasi Kwarteng: That is a question that you could direct to them. I know that the Scottish Government are very exposed in this way, and they have given millions, as you have described, to Mr Gupta's group. The answers are fairly obvious. If someone comes and says that they have the magic formula to keep steel jobs and to keep steel assets operating, there is a temptation for Government involvement. As you were good enough to mention, I looked at this situation. The £170 million was a big ask on the British taxpayer. I had doubts and I expressed those to the Committee.

Just to go back, and just to be clear and reinforce my position, there were two reasons: one was that the GFG group was opaque and we did not know where the money was going; and secondly, related to that, if the UK Government gave them money, it was not clear to me, as Secretary of State, that this money would stay within the UK, and you have just mentioned a whole host of international assets that the company owns.

In retrospect, I am very pleased that you have been good enough to mention the fact that it was the right call and a good judgment. Many



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politicians, not just in the UK, would do well to learn those lessons. They have to learn to be good, responsible custodians of public money.

Q10 Alexander Stafford: Thank you, Secretary of State, for coming. As you know, although there are no Liberty Steel plants in my constituency, a lot of my constituents work in the plants in Rotherham, Brinsworth or Stocksbridge, and it is worrying news. What is the Government's view on the viability of Liberty Steel's sites in the UK? I want to dwell briefly on the Rotherham site in particular, because, despite other closures, it has made it clear that it is going to reinvest in Rotherham. It is going to turn the electric-arc furnaces into a two-million-tonne recycled green steel plant. It has a lot of promises. In your view and that of the Government, how realistic is it that this will continue and create jobs?

Kwasi Kwarteng: My own view, and that of my officials, with whom I have discussed this almost on a daily basis, is that the assets are good ones. That is why, after all, the American financiers, White Oak, are putting the assets up for sale. They would not be doing that if they did not think there were buyers in the market, and I think that there are. The assets are fundamentally good ones. The workforce is skilled and dedicated. The managers of the plant are very experienced, and I have spoken to them very frequently.

The issue that Liberty had in particular—and maybe we will go on to this—was to do with financial engineering: the opaque bit of GFG, the leverage, the finance and the debt that it had incurred. All of that was what put a lot of pressure on those businesses. Without that, there is a healthy interest in the assets and they have a viable future, for the reasons you have said. It is decarbonised and clean, and there is a demand for their product.

Q11 Charlotte Nichols: Secretary of State, I wanted to ask what measures the UK Government are currently considering in terms of support for Liberty Steel, and particularly whether, as a strategic sector, the nationalisation of the UK steel industry is a viable business option in your view.

Kwasi Kwarteng: As I have said before, I look at all options, and nationalisation is an extreme occurrence that is unlikely to happen, frankly. My view has been vindicated by the fact that the assets are for sale. There is considerable interest in the assets. Mr Gupta, contrary to a lot of people's beliefs, got the thing refinanced. As I said at the time, if you remember, Ms Nichols, we have to take him at his word. We have to see if he can refinance the assets, and I am glad to say that he is doing that. At the time, you will remember that there was a plea to nationalise, to intervene and to sign taxpayers' money over to him, and I resisted that. I wanted to see it play out, and it is playing out.

In terms of your broader question, I have always said that there is a strategic case for UK-produced steel. It had to be on the condition of heading towards decarbonisation. That is why I helped publish the



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Industrial Decarbonisation Strategy and resuscitated the Steel Council. We are working together with the industry and the unions to work out a sustainable path for the industry here in the UK.

Q12 **Charlotte Nichols:** Has nationalisation been ruled out completely on that basis?

Kwasi Kwarteng: As I have said many times, I do not rule anything in or out, but, of all the options, nationalisation is the least likely.

Q13 **Charlotte Nichols:** What assessment have the Government undertaken of the risks facing other steel companies? What measures do the Government have in place to mitigate against these risks?

Kwasi Kwarteng: That is a great question, but you have to take the global steel market as a whole. The fact is that something like 2 billion tonnes are produced every year, and there is a global glut. Lots of steel is being produced, and the real danger is that, somehow, we are exposed to dumping and to people overproducing and, essentially, undercutting our own producers.

This is a problem that is faced by all steel producers. The US has Section 232 tariffs. The EU, of which we were a member, as you know, had its own safeguards and tariff protections. That is something that we are looking at here in the UK. We have to try to work out how we navigate this global glut of steel.

I will declare my interest: I was a steel analyst 20 years ago. In those days, in about 2000, it was a billion-tonne industry, so the capacity has doubled in that time. Gluts and overproduction were an issue even then. This is something that has been dogging steel for years.

Q14 **Charlotte Nichols:** Following the abolition of the Industrial Strategy, do the Government have or plan to develop a strategy for the steel industry? You spoke in your previous answer about the fact that it has doubled over the course of the last 20 years in terms of output. A lot of the infrastructure projects that we are seeking to deliver, whether they are part of levelling-up or transport, or even the refurbishment of Parliament, are all going to require steel, so the need is there but is the strategy there that goes alongside that?

Kwasi Kwarteng: You raise an excellent point. Directly to the point you raise, I would like to refer to the fact that we are currently reviewing our public-procurement rules. Those rules are, thankfully, as far as I am concerned, no longer determined by our EU membership. We have the opportunity to design our own public-procurement rules, which can, in fact, support the sector.

We established a new joint industry/BEIS Steel Procurement Taskforce, which is headed by my ministerial colleague Lord Grimstone. As you say, there is potentially a huge amount of steel demand, and we are looking at how Government procurement can source most of that demand in the



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UK. In 2019-20, 108 million tonnes of the reported 148 million tonnes of steel purchased by the UK Government was sourced from UK producers, so there is clearly a role for the UK Government as procurers of steel to help the industry.

Q15 Ms Nusrat Ghani: Good morning, Minister. I would like to draw your attention to the oversupply of steel to the market and, in particular, reference the report from the Global Forum on Steel Excess Capacity, which talks about oversupply and how “It depresses prices, [...] generates damaging trade distortions, [...] creates regional imbalances, undermines the fight against environmental challenges, and dangerously destabilizes world trading relations”. Considering that that is the impact of oversupply, what steps are being taken in collaboration with other states to push for a resolution on global overcapacity?

Kwasi Kwarteng: Ms Ghani, this is a fundamental question about the whole sector. As I have said, it has been something that has been dogging the industry ever since I have been following it, probably for the last 20 years and probably even before that, so it is a chronic issue. When we were in the EU, we worked with EU partners to protect EU steelmakers. There was also lots of multilateral action, not just with EU friends and partners but with the US and other countries to try to bring some sort of order to what is an overproduced commodity.

Q16 Ms Nusrat Ghani: There are also concerns around stockpiling by some countries and what that might do to oversupply as well as to the UK industry. In particular, can I draw your attention to the coverage of the possibility of a surge in imports from China and other countries that have been stockpiling during the Covid-19 pandemic? What are you and your Department doing to protect the UK industry?

Kwasi Kwarteng: Not just China—there are Turkish companies that are stockpiling. The point is that this glut and the potential for dumping steel in the UK comes from lots of different sources. As we go into the summer, you will know that we have a subsidy control Bill, which will set up a framework that can give us the levers to act against sorts of thing such as steel-dumping. There are other issues as well. The fact that we have been talking about clean steel or green steel is an opportunity for the Government to reach some sort of accommodation with the industry. That is exactly the kind of work that we are pursuing in the Steel Council, which met only last week.

Q17 Ms Nusrat Ghani: Is this an issue that will be raised at G7?

Kwasi Kwarteng: I am not sure about where it will be on the agenda in G7. It is an issue that our G7 partners are very focused on. It raises Chinese trade as well as employment. There are strategic interests involved in terms of defence interests. There is a whole range of issues and it is a very important part of international diplomacy, but I am not sure where it will come in the G7 agenda.

Q18 Ms Nusrat Ghani: Steel production and processing is a highly energy-



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intensive process. Do the Government have any plans to look at broader reforms or cost exemptions to alleviate the burden of high energy costs on the industry?

Kwasi Kwarteng: We look at this all the time. I hope that I am not sounding like a broken record but, again, this is exactly the kind of work that the Steel Council, which I resuscitated in March and has already had two meetings, is looking at: how can we come up with an energy and electricity offer that can help the steel industry? It is common knowledge that the kinds of prices that steel companies pay in France and Germany for their energy to operate their works are much lower than those in the UK, and we have to address that. This has been a problem that has been highlighted for some years, and we are trying to find solutions to it.

Q19 **Paul Howell:** I would like to move on to state aid. We have different options post Brexit. When it comes to foundation industries like the steel industry, their impact is massive, not only for the industry itself but also for the extended supply chain. I do not have a steel company in my patch but I have many suppliers to the motor industry and things like that that would use steel but then export it worldwide. It is a very complex matrix that sits there. How do the Government look at trying to use state aid to make sure that those foundation industries are resilient for us?

Kwasi Kwarteng: We have mentioned a couple of things in this short session that can deal with the problem that you have described, Mr Howell. The first issue is in terms of public procurement. When we were in the EU, we were subject to all sorts of government-procurement rules in terms of how the Government could spend money, and what industries they could or could not support in spending money on procurement. Now that we are out of the EU, we can make those rules ourselves. As I have said, we have a procurement taskforce, led by Lord Grimstone, looking at this exact issue. In 2018-19, we spent a lot of money on our steel purchases here in the UK, so you are absolutely right.

Your wider point about it being a foundational sector with lots of highly paid jobs in areas of historical relative deprivation, although that position is changing, is absolutely right. That is one of the reasons, as well as the national-security reasons, why, in my view, we are backing the industry. Government support for the industry—and I cannot stress this enough—has to be allied with a commitment on the part of the industry towards decarbonisation and producing clean steel.

Q20 **Paul Howell:** I do not disagree, Minister, in terms of the link with decarbonisation, but there clearly is a risk that we just export the carbon problem if we do not look after the industry ourselves and make sure we have that, so we need to make sure that we square that circle.

Kwasi Kwarteng: The risk is there. If we rely on blast-furnace, basic, traditional oxidation processes, then you are right, but there is a real opportunity to decarbonise the industry. All the companies that operate



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steelworks here in the UK are very interested in pursuing that line and I speak to them regularly about how we can do that.

Q21 Richard Fuller: In the February 2021 document, *Subsidy control: designing a new approach for the UK*, from your Department, it said, "Subsidies should not be used to prevent unsustainable businesses or declining industries from failing. Allowing these businesses to persist can hamper the emergence of more productive firms and prevent resources from being redistributed to more competitive areas of the economy". How do you square that with your comments about the Steel Council looking at issues to do with steel-dumping—

Kwasi Kwarteng: There are two things there, Mr Fuller. That was a broad statement about subsidies in general. It is true that subsidies should not be used generally to support unsustainable businesses. However, I have said repeatedly, not only to this Committee but in every public forum, that we have a strategic interest in maintaining steel, as every other G7 country does, by the way. Every G7 country has steel production. In fact, we produce probably less than most of the others. Once you are strategically committed to the industry, you have to provide some measure of support. It does not make sense to say that we are strategically committed to this industry and then not support it when the market turns against it.

Q22 Richard Fuller: If steel is strategic, what else is?

Kwasi Kwarteng: We will have to have another conversation about that. This is a conversation about steel.

Richard Fuller: I should not say "with the greatest respect", because that has always been regarded as an insult in politics, but Secretary of State—

Kwasi Kwarteng: I am not going to give you a list of what is strategic and what is not.

Q23 Richard Fuller: Unfortunately, Secretary of State, you are going to start with steel, and they are claiming they are strategic. Then you are going to have industry two, industry three, industry four and industry five all saying that they are strategic. At some point, you are going to have to draw the line, are you not?

Kwasi Kwarteng: To govern is to choose. You are absolutely right. You and I share a similar view about—

Q24 Richard Fuller: So it is open season for every industry to come to your Department's door and say, "We are strategic. Give us some subsidies".

Kwasi Kwarteng: It is not open season. You have to make a choice. You know the facts as well as anyone: there is a global glut in steel and there has been for 20 years. No country in the world produces steel on the basis of laissez-faire and the free market. Let us be frank about that. I



have said repeatedly that there is a strategic case for steel in the UK and, as Secretary of State, I am supporting that.

Richard Fuller: You have been clear. Thank you.

Q25 **Mark Pawsey:** The majority of us on this Committee are very happy that steel is strategic and that you have very clearly said that there is a strategic case for UK-produced steel, because we need that to support our manufacturing industry. I want to ask you about the future and decarbonisation. The Climate Change Committee has recommended that the target for ore-based steelmaking should be near zero. Is that inconsistent with continuing to produce ore-based steel?

Kwasi Kwarteng: The target that we set ourselves and which I recall very clearly is an 80% reduction in carbon emissions in the industry by 2035. You will appreciate that 2035 is in 14 years' time, and so, over those 14 years, I would expect the basic oxygen, blast-furnace process to be phased out, but that is not something that is going to happen next week or next month. It is part of a conversation that we are having. That is why I resuscitated the Steel Council, why we have discussions and are producing papers, and why we have the Industrial Decarbonisation Strategy. We are very clear about the long-term goal, and that is something that is going to happen over time.

Q26 **Mark Pawsey:** From what you just said, the long-term goal is that basic oxygen steelmaking will be phased out.

Kwasi Kwarteng: It will be phased out to the point that we will have an 80% reduction. That is clearly set out in the strategy. The whole point of decarbonisation, Mr Pawsey, is that we reduce carbon emissions. The process that you have mentioned is a carbon-emitting one, so the logic of decarbonisation is that we are going to try to come up with steel production that is less carbon-emitting. It is not that complicated.

Q27 **Mark Pawsey:** What you are saying is that we will reduce emissions. We will not get to absolute zero in steel manufacturing. We are talking about a net-zero economy, not an absolute-zero economy. Some of us want to see steel manufacturing continue and believe that there continues to be a role for basic oxygen steelmaking.

Kwasi Kwarteng: Mr Pawsey, nobody has ever spoken about absolute zero. Even in the legislation that you and I passed and voted for in 2019, it was a net-zero target. Nobody has talked about absolute zero. Let us be clearheaded about the facts. When I refer to the Industrial Decarbonisation Strategy, the number in there is an 80% reduction by 2035. That happens to be in 14 years' time and is an 80% reduction. It is not a 100% reduction and it is not an absolute-zero target, so let us be very clear about what we are talking about. We are not saying that we are going to slam the door shut on BOC manufacture of steel. We are saying that we want to move towards a cleaner and less-carbon-emitting process.



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Q28 **Mark Pawsey:** Secretary of State, I am happy to hear that. I just wondered if you could tell us more about the processes that will be available to enable that to happen.

Kwasi Kwarteng: There is a lot of investment in electric arc. Two of the biggest steelmakers—Jingye up in Scunthorpe at the old British Steel works, and Tata Steel in South Wales—have both embraced the agenda. They both operate BOC-type steel production and both have said that they are looking to move over to cleaner steel production, either through electric arc or the potential use of hydrogen.

You will also know, Mr Pawsey, that, in Scunthorpe, we are very near the Endurance site, which is a site for potential carbon capture. A lot of the industrial clusters that we deal with are looking at carbon-capture options, which addresses your earlier point about the net-zero target. If we can reduce emissions, we can capture the residual carbon that is emitted and net it off. That is the whole point of the net-zero target, and carbon capture and storage is a key technology that can help us achieve that.

Q29 **Mark Pawsey:** Does a strategy for the industry involve greater use of the scrap material? I understand that something like 60% of scrap in this country is exported. Should we be making greater use of that? Should we increase our recycling rate through the electric-arc furnace, which can be a green process?

Kwasi Kwarteng: That is a huge opportunity, you are right. We are exporting a whole lot of scrap to Turkey and then reimporting it, essentially, as steel. That does not make sense to me and we have to look at ways in which we can retain and recycle more of the steel scrappage that we produce.

Q30 **Mark Pawsey:** How are you going to motivate and incentivise the industry to effect that change?

Kwasi Kwarteng: We have things like the Clean Steel Fund, which I am surprised people did not bring up. That is something that is going to promote decarbonisation. We have the Industrial Energy Transformation Fund, which is precisely looking at how we can be more energy-efficient and less carbon-emitting in these industrial processes. We also have the Industrial Decarbonisation Strategy, so there is a whole range of things. There is also money that has been earmarked to be deployed to pursue this.

Chair: Secretary of State, I have two very quick supplementary questions, because I know you need to get to the House.

Kwasi Kwarteng: I have to do a BEIS oral, so one form of Parliamentary scrutiny is keeping me from another.

Q31 **Chair:** In that case, we will get quickly to the questions. On the issue of decarbonisation, the Energy and Climate Intelligence Unit reported today



that, in Europe, there are 23 hydrogen steel projects either planned or underway, with plans for hundreds of thousands of tonnes of green steel to be exported from next year. I assume we have not made any progress in the UK on hydrogen in relation to steel projects. The Clean Steel Fund, which you mentioned, does not start paying out until 2023. Are we behind the curve on hydrogen?

Kwasi Kwarteng: I do not think that we are. This is a classic oppositional play to bash the Government and say, "Aren't the French marvellous? Aren't the Germans brilliant?" In fact, we have a hydrogen strategy coming out. I read the EU hydrogen strategy when I was the Energy Minister, as well as the German strategy. Both were 100% focused on the production of green and electrolyser-produced hydrogen.

Our strategy, I am pleased to say, looks at both. It looks at green hydrogen production and at blue hydrogen production, which we are doing through carbon capture. We are in a position where we have a twin track on hydrogen, as we did with the offshore-wind sector. I always point this out to opposition politicians when they say it is about Government spending. The success we had in offshore wind was because we managed to come up with an investible proposition and an auction process that managed to attract private capital. I am sure that the success in hydrogen production that this country has will also reflect private investment much more than Government spending.

Chair: Just to be clear, that was not me making that point.

Kwasi Kwarteng: I know it was not you, but voices from that side of the House regularly make the point.

Q32 **Chair:** Sure, but the ECIU is an independent body outside of Parliament. I do not want to keep you, so this is the last question. We talked about quotas and tariffs today. There is some concern around the Trade Remedies Investigations Directorate's recommendation to cut quotas and tariffs for steel. What is your view on that?

Kwasi Kwarteng: It is perhaps unfortunate for you that you have asked me this question, because the consultation is still open. My understanding is that it closes tomorrow afternoon at five or six o'clock. I would urge all interested parties to participate in and contribute to that consultation. Once the TRID looks at the consultation, it will come to a final decision. That is all that I can say about that.

Chair: Maybe we will ask you again in the future. Secretary of State, thank you for your time this morning.

Examination of Witnesses

Witnesses: Edwin Basson, Roz Bulleid, Chris McDonald, Roy Rickhuss and Gareth Stace.



Chair: We are now moving on to the second part of our panel this morning with industry representatives. We are delighted to welcome Edwin Basson, Director General of the World Steel Association; Roz Bulleid, Head of Policy at Green Alliance; Chris McDonald, Chief Executive Officer of the Materials Processing Institute; Roy Rickhuss, General Secretary of Community trade union; and Gareth Stace, Director General of UK Steel and Co-Chair of the Steel Procurement Taskforce. It is a busy panel and I would encourage witnesses to give direct answers; otherwise, we will run out of time for the many questions that we have to ask you.

Q33 **Charlotte Nichols:** What are the unique strengths of the UK steel industry? Can the industry carve a specialist niche for itself in a crowded global market?

Chris McDonald: Good morning. The UK steel industry has some real expertise in terms of innovation. My own institute, which is a world-leading one that works with the industry globally, is a good example of that. We have historically been fast adopters of technology as well. There are a couple of things worth mentioning in the framing of that question.

One is that it is quite difficult to be just a niche producer. I used to be a product-development manager for a big steel company. Every 15 years, we generally turned over about two-thirds of our product portfolio. Steel companies need to be innovating on new products all the time, but those products rapidly become commoditised as well.

A second point I would make is that you should not assume that the UK cannot compete on commodity. We talk a lot about China and India, but we need to be competitive against our major importers into the UK, which are Germany, France, Spain and Italy. In fact, some of the lower-cost steels, such as rebar, can be produced very successfully in the UK. Celsa Steel in South Wales produces it successfully there, because the margin for transport costs is quite high compared with the price of the steel. There are some real opportunities for the UK steel industry with things that we are good at, but it would not be correct that we cannot compete in commodity as well. We absolutely can.

Gareth Stace: I support what Chris has just said; I am not going to repeat that. In terms of the strengths, if we look at the Government's agenda at the moment, steel either addresses or supports the ambition that the Government have on self-sufficiency, the circular economy, building back better and, in particular, levelling up and the net-zero-carbon agenda.

The steel sector feeds straight into those, so it is very frustrating to me that, whilst, as Chris said, we are a very strong sector that can compete globally, we cannot compete globally because Government policy means that we are uncompetitive on electricity prices and business rates, the Government are buying foreign steel when procuring it and, as was touched on in the last session and is something that I hope we get into, we have two Government arm's-length bodies at the moment aiming to



do more damage to the steel sector. One is Ofgem, which wants to increase electricity prices by a further 40%; and the Trade Remedies Investigations Directorate, which wants to unilaterally drop any protection, which would then encourage loads of imports into the country.

As a steel sector in the UK, we can supply the UK market, and we could do so even more in terms of steel. We need to produce it here in the UK, so that we can address net-zero carbon and environmental concerns. We employ tens of thousands of workers in the UK who are highly skilled and well-paid. We train lots of apprentices. These people sit in the areas where Government are focused on the levelling-up agenda.

Q34 Paul Howell: My question follows on in terms of international competitiveness. As you have already touched on, the position on China and India is clear. There is also a lot of European competition and different nuances that exist in the steel marketplace. It is a very complex situation in terms of the economic impact on the UK. Could you try to enlighten us as to that the UK's competitors can do that the UK industry cannot? Is it all about Government and electricity prices, or is there more to it in terms of the capabilities of the different states in terms of what they can and cannot produce?

Edwin Basson: I am not going to make any statements around the UK position, which I will leave to my colleagues. What we do know about the steel industry on a global basis is that it is very competitive. Secondly, you and a few others in the first panel mentioned the fact that steel plays a role as an enabling industry or, as you called it, a foundation industry, so policies should always try to strive for a balance. Even today, if look at the data, we know that Europe as a whole is a net importing region of steel and of steel-produced goods; in other words, goods containing steel.

In that way, whatever the policy is, it should not be focusing on steel production only, but we should also be looking at what the knock-on effects would be on those industries using steel to make products that are either exported or imported. From that perspective, as Mr Stace said, making sure that the full input range of products, services and energy utilised in the production of steel is competitive on a global basis seems to me to be the key.

Gareth Stace: There are no steel products that we cannot make in the UK. There might not be a market for them in the UK and, therefore, we do not produce them. The steel sector, as Mr Basson said, is highly global. Prices are set globally. It is highly cyclical. These days, the ups and downs are concertinaed. The ups are not very high and the downs are very low, and they happen very quickly. At the moment, globally, the price of steel is very high. The prices of raw materials are also high. Steel companies are doing very well at the moment, but how long will that last?



It is all based on what China does. China produces 900 million tonnes of steel a year; we produce 7 million. If China sneezes now and does not need as much steel, it is going to export it. It is not at the moment, but that could happen within six months. That is the global steel sector. We are bastions of free trade, in the sense that there are no tariffs on steel traded across borders. It is something that was agreed 30 years ago, and that is why, coming back to your question, Mr Howell, we in the steel sector need the safeguards or trade remedies as a safety valve to ensure that free and fair trade happens globally in the steel sector.

Q35 Paul Howell: I know that you have touched on a couple of places, but to finally wrap this one up, what should the Government do in this space in terms of trying to make sure that we have a sustainable and resilient capacity for steel in the future?

Gareth Stace: I have already touched on it. It is just giving us a competitive business landscape in the UK. Government policy—not just this Government but many governments historically, of different colours—has always seemed to want to tie our hands behind our backs. It really is a competitive business landscape of electricity prices, business rates and public procurement of steel, as well as Government just wanting to support their steel sector.

I was really encouraged by the Secretary of State earlier. This administration is more engaged with our sector than many previous administrations and I feel very confident that we can work with the Secretary of State—and, I hope, with Number 10—on a green steel deal through the Steel Council, where we are totally focused on net-zero carbon.

That is where we have to go, but we cannot do that on our own. We have to work in partnership between the industry, Government, trades union and academics. It is a very exciting opportunity. Would it not be great if the UK was the first steel sector in the world to get to net-zero carbon? As we have already pointed out, we might already be behind the curve, so we need to have a firm plan to get to 80% of emissions by 2035 and 0% by 2040 or 2050.

Paul Howell: I would endorse that. It is just the complications of the different agendas and making sure that they align.

Roy Rickhuss: I just wanted to supplement something that Gareth said. If you go back a couple of years, when we first put together the asks of Government at that time, there were always going to be some immediate challenges and pressures, such as energy prices and procurement. One of the asks that we put forward at that time, which is still the same today, is about a long-term strategy and an industrial strategy for steel to play this role as a foundation industry. That is the bit that we have not quite grasped. We need to start that debate about what the strategy is for the steel industry in the UK.



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We and all trades union within steel work well with good employers, and we have a good relationship with UK Steel, but some of my frustration at times is that, when the proverbial really hits the fan, companies will do what is best for their companies, which we understand. They will take a view of what is best for Tata or Celsa or British Steel. Sometimes, what we miss is this coordination around asking, "What is best for the UK and its steel industry?" I do not know what the answer to that is, other than the fact that there is an opportunity, maybe through the Steel Council, to have that coordinated approach and to ask, "What is best for the UK steel industry?" That is what we need to get to.

Paul Howell: It is a dynamic that I have heard when talking to companies in the supply chain near to me. There is a need for long-term messaging and statements of intent as to where things go. Whether that is the creation of subsidies or just more high-level messaging from Government, I have heard before that there is a need to signal the direction of travel to try to get business to invest accordingly.

Q36 **Richard Fuller:** Mr Stace, you just mentioned the green steel deal. How much is that going to cost?

Gareth Stace: That is very much an unknown in the sense of, "Where are we going to go from now until 2035? Which technology would we use to get there?" As you talked about in the previous session, we have six steel producers in the sector: two using the blast-furnace route and four using the electric-arc-furnace route. Can some of that blast-furnace capacity move to electric-arc furnace? Some of it can and that is a tried and tested technology. It is probably cheaper than other technologies, but I doubt that we could remove all emissions in terms of net-zero emissions from the steel sector with just electric-arc furnaces, so there would be a need for carbon capture and storage and hydrogen.

Carbon capture and storage and hydrogen are largely untested at scale in the steel industry, and zero-carbon hydrogen is a long way off. Therefore, it is very difficult to think about how much this would cost, but we have not even taken that first step.

Q37 **Richard Fuller:** It sounds like you are very much at a very early stage of this green steel deal. If you are trying to put an investment proposal to normal investors, you say, "Here are what our goals are and this is how much we are going to need to achieve them". If you reach an agreement with the Government, will you commit that that will come with some statement of how much it is going to cost?

Gareth Stace: It will certainly have to. We would go to Government with a vision of what we want to achieve by 2035, and broadly how we are going to get there. There would also be bilateral discussions between the companies and the Government. There would be commercial confidentiality there.



From my point of view, it is not a question of if we would commit with Government to work with them and trades union to get to zero carbon, but of how we are going to do that. Why would we give over our responsibility to net zero to foreign producers and governments, for them to produce our steel and us to import it? We have to take responsibility here in the UK for our contribution to global net-zero carbon. To do that, we have to produce steel here in the UK. We are going to be using more, not less, steel as we transition to net zero.

Q38 Richard Fuller: What proportion of your members are subsidiaries of foreign-owned companies?

Gareth Stace: There are six steel producers. Five of them are, and one of them, Sheffield Forgemasters, is totally based in the UK.

Q39 Richard Fuller: Mr Rickhuss, what is the sentiment of steelworkers right now? We are talking a lot about money, subsidies, strategies, owners and question marks, but what is on steelworkers' minds? What are they looking for the Government to do?

Roy Rickhuss: It is important, because all we would say on behalf of the workforce is that we understand the need for net zero and decarbonisation, and we know that we have to. Nobody from the trade-union side is burying their head in the sand. What we want to see is a fair and just transition. We do not want to jump to the endpoint before we have had the debate and the discussion. The unions, working with people like Chris in terms of MPI, and Syndex, our experts, have something to bring to the table to contribute towards the debate around the green steel that you have referred to with Gareth.

Generally speaking, within the steel industry there is, as ever, a lot of uncertainty and concern, and a lot of worried steelworkers. We saw announcements yesterday from a major steel producer, Liberty, but it is not just Liberty. Members working in Tata will say to us, "We want to know what the plan is. What is the plan? What is going to happen?"

We have two big blast furnaces, one of which is going to be due for some refurbishment and relining. The plant constantly needs maintenance. We need to invest in things like coke ovens and sinter plants, so there is always a need there for investment. I do not want to use the word "dither", but when you see uncertainty and decisions not being taken, it causes worry. I do not know if that answers your question, but that is what is going on at the moment. People are worried about the future, because nobody seems to be doing anything.

Q40 Richard Fuller: That is very helpful. When you say people want a plan, are they looking primarily to the owners of their businesses or are they now just discarding them and saying, "This is an issue for Government"?

Roy Rickhuss: I will never subscribe to a view that this is not all the stakeholders all working together. Government have a massive role to play, as Gareth has said, and there are issues where Government can



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encourage and create an environment where people want to invest, to be innovative and to look at research and development. Government have a massive role, but so do employers. I do not want to use the term “let employers off the hook”, but we should not. Employers have to be engaged in this process and to be invested, and they have to be working with the trades union and with the workforce.

We have had massive change. This workforce is superb. It was fantastic to hear Kwasi Kwarteng recognise that in terms of a dedicated, skilled and committed workforce. Over the years, we have had so many challenges and changes that I believe that the workforce has more than played its part. It meets all these challenges. We need leadership. We need a Government and employers, and the unions will play their part.

Q41 Richard Fuller: Mr Basson, you said earlier that we need to be aware of the knock-on effects in the context of the UK steel industry declining further. Could you enumerate what those knock-on effects are and why they are important to consider?

Edwin Basson: We did a piece of work two or three years ago in terms of what the enabling size of the steel industry is on a global basis. We did this study of the 12 largest steel-producing regions, but we then also tested smaller producers and found very similar effects.

What we have seen is that, if you place the steel industry as an enabling industry in the middle of the value chain, the impacts forwards and backwards are about equal in size. For every \$1 that you spend on the steel industry, just over \$2 go upstream towards raw materials and another \$2 go forward to users of steel products. The same goes for employment. For every position in the steel industry, you enable another seven upstream and another seven downstream.

Therefore, it creates, in any strategy environment, a duty for those planning policies to look at what you can do not only for the steel industry. We want to protect the industry and, as someone who has made his life in this industry, I believe it is a very important part of not only historical but also future economic activity.

Q42 Richard Fuller: You just described it as being an important intermediate industry in the supply chain. What is specific about the steel industry that makes it such an important consideration?

Edwin Basson: Exactly this role that it is an enabling environment. It is enabling in two forms. It is a product that is extremely versatile and usable in a very large variety of final applications. We find the same product in construction, we find it in production environments in industry and we find it in extremely high-end businesses, such as medical equipment and so forth. Therefore, if you want to make policy, by just purely focusing on the steel industry and making the steel industry competitive, there is a knock-on effect in keeping a range of other industries competitive. I just want to finish this. Too often, we see almost



a one-sided focus on saying, "Let us just make steel competitive", then sometimes making the steel industry competitive reduces the competitiveness of the downstream industries. This is what I meant by having a balanced approach. We should be looking through the full value chain if we do evaluate policy. The same goes for employer training and all the other policy elements.

Q43 Chair: I said at the beginning of the session today that one of the things that I am keen to avoid is that we swing from steel crisis to steel crisis. In this inquiry we understand or try to put forward ideas about how we avoid that. Of course, the predecessor committee to this one, as well as APPG on steel and others, did a lot of work on the 2015-16 steel crisis. The conclusions that they drew, from my perspective, seem to still exist today. They are issues we have talked about, including the global supply, the pricing, quota tariff, and the domestic issues around energy pricing. Have I understood that correctly, or are there new factors at play now that were not in play in 2015-16 that we need to understand? I am going to come to Mr Stace about that first, from a UK perspective.

Gareth Stace: No, Mr Jones, I feel like a broken record. I have sat in front of this committee a number of times and I have said exactly the same thing. In 2015, when I first appeared in front of this committee, Roy and I in terms of the trades union and the employers had shared five asks. Roy mentioned it. Those five asks actually never got done. The Government have always said, "Yes, we've dealt with energy prices", but they have not. We as UK Steel, for the last five years, annually produce an electricity price disparity report. Every year it produces that France and Germany pay 80% less or we pay 80% more for electricity than they do. It has stayed the same.

Government say, "Yes, we must do something about this", and the Secretary of State also just said that. However, we have not ever seen where the Government have said, "We are going to do it", and we do it. Like I say, I am more hopeful now than I have ever been in the last six years, but still Government's attention only looks at us when there is a crisis, rather than understand that we are an enabling sector, as we have talked about, and we can compete globally. The fact of overcapacity globally is there, and I am sure Edwin can talk about it more than I can. I used to say 250 million tonnes. Now we are saying 500 million tonnes of overcapacity.

The problem is, and in the last session we talked about the Global Forum on Steel Excess Capacity, which sits alongside the OECD Steel Committee. It was a talking shop. China, which is the biggest culprit of overcapacity did not really get involved in that. Whilst it came up with and agreed with what the problems are, there really was not a move towards saying let us actually get rid of this overcapacity, but not in the UK. "We got rid of ours in the Dalian project years and years ago". We do not have excess capacity really in the EU. It is elsewhere in the world and it is always going to damage steel globally.



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We have seen more interest in protectionist measures, in addition in terms of China, but most notably in the US with its Section 232, which then led the EU to have its steel safeguards, and now we have the steel safeguards in the UK. Those will continue. They have to because if we unilaterally take them off then we will be flooded. It is easy to say and I have said it before: we will be flooded with cheap, under-priced steel coming into the UK that will swamp our market very, very quickly.

Q44 Chair: Roz, the decarbonisation agenda was live in 2015 and 2016, but it is much more alive today. Energy pricing is still a problem, yet we are talking a lot about increased power consumption with electric-arc furnaces. What are the dynamics around the decarbonisation requirement on steel that mean that it might contribute on a cyclical crisis basis versus a sustainable industry that we need to think about?

Roz Bulleid: Yes, the awareness of the need to align decarbonisation with a long-term sectoral strategy is higher and more pressing now. It is really welcome to hear the statements that everyone has made around that, but we need the urgency as well on that front. That is definitely welcome. We also have more options in terms of technology now. As Gareth says, despite still some uncertainty about hydrogen and CCUS routes, we are now gathering more evidence. There are quite a few trials going on. We are in the position that we would really want to see more funding and support for innovation, including a trial of hydrogen-produced steel in the UK so that we can make an informed decision on those points and we can really retain competitiveness.

You are right as well on the electricity prices. Some of those charges are the result of environmental policy, but that does not mean that we are happy to see a disparity in electricity prices in the UK and competitors either. It makes a huge amount of sense to maximise our recycling of steel in the UK rather than, as the Secretary of State said, to export scrap steel as much as we actually produce and then re-import high quality finished products ourselves. We are very keen to see that issue resolved as well. It is really important that the full suite of policies that could be used on that front are considered. There is a huge amount of compatibility between the electric-arc furnace recycling route and hydrogen production of steel. The hydrogen could be used to increase the range of products that recycling enables us to make. It is a batch process.

We are really keen for the Government to explore all of those options and then to create an enabling policy environment in other places as well. That includes looking at trade policy to ensure that we are maintaining a level playing field, maximising trade in low-carbon goods, and maximising that market for low-carbon steel, so not just levelling the playing field but really driving a reason for investment in decarbonisation and giving business confidence that there is a market here. Also to come back to the previous question on costs, there is a cost of action, but there is a huge cost of inaction.



Chris McDonald: I just want to go back on this overcapacity issue. The thing about overcapacity is it is never going to go away. The steel market is predicted to grow by 50% between now and 2050. We know that production will increase as well. Governments around the world will rightly invest in their domestic steel production. We need to separate out these Government actions from the industry competitiveness because, frankly, you do not need to worry about overcapacity if you are just the best in the world. The people who are the best in the business continue to make money.

To answer Richard's point about how much this is going to cost, people are putting an estimate of between £4 billion and £6 billion on the investment that is required for new assets in the UK steel industry to go green. I can tell you that an out-of-the-box steel plant, the same capacity as our biggest plant in Port Talbot, will cost £1.6 billion, which is about half what it would have cost 10 years ago. The major thing is it will also be five times more productive. That is the thing we need to get our heads around. You can hang onto your old assets and talk about decarbonising, but actually decarbonising means massively increasing productivity as well, becoming more competitive and then actually being sustainable because you make money.

Roy Rickhuss: I want to come in on this issue of scrap. It was something that was said that stimulated the thought. We have been talking about that the moment, yes, there is an abundance, for want of a better word, of scrap and we are exporting scrap. If we transition all of our blast furnaces to electric-arc furnaces, then presumably common sense would say that there is going to be some pressure at that point. Either the availability, the quality and the price of scrap is going to be impacted by supply and demand. I do not believe personally that a transition to totally electric-arc furnaces is the right answer.

I do believe that there is a way, whether it is through hydrogen or carbon capture, to green our blast furnace route without necessarily moving entirely to electric-arc furnace. It is also about the quality of the different grades of steel. Roz again touched on the fact that, at the moment, an electric-arc furnace could not produce all of the various qualities and grades that we need as an economy and as a country going forward. I am not sure what analysis has been done. Chris or Gareth maybe have the answer in terms of what the impact would be on the scrap position if we all suddenly transition to EAF.

Q45 **Chair:** Mr Basson, can I come to you? Feel free to answer a question on this, but I have another one for you as well. I am trying to understand how the UK is differentiating itself compared to other countries around the world. You will have seen that we have this consultation from the Trade Remedies Investigations Directorate around quotas and tariffs, and the reported recommendation that we want to get rid of them or reduce them. I am assuming that makes us unusual compared to other countries around the world, which may be taking a more protectionist approach



because of the global problems. Would that be correct?

Edwin Basson: Your assumption is a correct that it makes the UK unusual. I am not sure whether it is a correct assumption to say that it is necessarily bad to be unusual. Gareth mentioned earlier the UK produces 7 million tonnes of steel out of total of 1.8 billion that is produced globally. That makes the UK less than 1% of the global steel market. There is certainly a benefit in being small, because that allows you to do many things different to large players in the industry, hence my point about competitiveness.

If I look at the data that we gather on a regular basis on what we call the indirect demand of steel, the indirect import and export of steel on a global basis, and we do this by country and region as well, we find two trends. First, on a direct basis, one out of every three tonnes of steel that is produced globally crosses an international border. In fact, it crosses a continental border and goes on to open water. If you just take trade within the EU, between countries, 40% of all steel that is produced crosses the border of the country where it was produced.

Let us work on this intercontinental figure of about 30%. This is a long-standing figure that has been true ever since 1970. Sometimes it is a little bit higher than 30%, but it is never really lower than 30%. The steel industry is an open industry; you cannot do something in your own back yard, as it were, and not expect a reaction elsewhere, because the industry is so open. It is open on raw materials; it is open on trade of final product as well.

Secondly, on top of this one out of every three tonnes of steel that crosses a border, another 30-40% of steel crosses the country borders in the form of a finalised product. It is steel in the form of a car, steel in a piece of equipment and so forth. Just in terms of the UK, what struck me when I looked at the figures recently was that, for the last 15 years, the UK was a net exporter or produced-steel goods, in other words of goods containing steel. It has turned into a net importer, like the rest of Europe, like most of the USA, in the last four years or so. That certainly tells me that that reduces the demand for steel within the UK itself, other than for construction purposes and so forth.

Clearly, if one wants to have a unique strategy for one's steel industry, that is an element to look at. What has changed so that we have lost this competitive edge in our downstream producing industries consuming steel and exporting steel-containing goods? With that loss of that opportunity, certainly there has been a competitive loss but there is also a loss in terms of employment opportunities, and so on and so forth. That seems to me an area where there are some interesting opportunities for the UK to certainly look at, but it requires looking at something wider than just the steel industry in itself.

On top of that, I have just two comments quickly on the whole green steel debate, which is a very useful and important debate. In worldsteel,



we have looked at this and we see essentially three phases going forward. Phase one, which will apply mainly for the next number of years but could apply longer as well, is what we call efficiency. Chris mentioned this earlier. There is, in our view, between 15% and 20% CO2 reduction that can be done with current technology, just by looking at more efficient use of what is already installed. We have done work in worldsteel in various parts of the world. The efficiency benefit is not only available to old plants, large plants or new plants. It is available to everyone and every facility. It requires a focus on a number of things. It requires a focus on your raw material supply chain, an efficiency focus within the use of the factory, and certainly an energy focus.

Secondly, we see a phase two, which is more efficient use of scrap. We have also spoken about this earlier this morning. There is one clear point that the scrap we generate and use today actually comes from the steel that was used in the first round in 1970 and 1980. There is typically a 40-to-45-year lifecycle of steel in use. After 40 years, it becomes available as scrap. Generally speaking, your scrap availability curve runs behind the curve of steel demand. Just because of that, we will always, as Mr Rickhuss has said, require on a global basis roughly the amount of blast furnace capability that we have installed globally today in order to satisfy global steel demand all the way up until 2050.

Green does not per se mean going to electric-arc furnaces. It also means what you do with your blast furnaces and making those efficient. Certainly, then there is a range of technologies and that brings us to phase three, which is what we think breakthrough technology is all about. Hydrogen, biomass utilisation, and carbon capture and storage are part of that.

We have to recognise these three phases. Certainly phase one, the efficiency phase, is a phase that we have to look at both in production of steel but also in how we use steel as a product. Just to get to this point, if we can prolong the useful life of steel from 40-45 years before we require a remelting of that product into something else, then we delay our need to make new steel at expensive CO2 costs at some point in the future. Efficient use of steel is as important as efficient production of steel in the short term.

Q46 Chair: Mr Stace, you probably wanted to reply or respond to this issue about the UK taking a maybe unique position if it does deregulate on quota and tariffs. In your answer, could you just help me understand, from any future sector-deal perspective, the difference between domestic consumption and export competitiveness for the UK? We have seen the Secretary of State say this morning there is a strategic need at a domestic level. He mentioned national security and reforming public procurement rules. We understand that. If you are thinking about sector-deal development, in the context of everything we have just talked about, what are the opportunities for the UK for exporting as opposed to just shoring up domestic consumption that favours British-based



businesses?

Gareth Stace: Can I answer that point first while it is in my head? It is a very good point. 60% of the demand for steel in the UK is met by imports and we export 45% of our production. Our sector deal that we submitted to Government probably three years ago, which I do not think they ever really read, actually focused on just satisfying the UK domestic sector, because we believe that there is a real opportunity here at the moment to consume something like 10 million tonnes, and that will go up 1% year-on-year. We were trying to say, even the size of the prize, even if it was just supplying more of the UK sector, how much more investment that would bring into the UK. Therefore, as Mr Fuller pointed out, those companies who are actually international companies would say, "We will invest then in the UK". At the moment, if you are a steel company based somewhere else, why would you invest in the UK at the moment when it is so uncompetitive in terms of the business landscape? You would invest your money somewhere else. These companies need an excuse to invest in the UK. That is the fundamental problem of why we have lurched from crisis to crisis.

If I move on to the Trade Remedies Investigations Directorate, it is really interesting. You called it a consultation and so did the Secretary of State. My worry is that they have made up their minds already. If the Secretary of State for International Trade, Liz Truss, accepts their advice and the final advice comes out as, "Yes, get rid of half of these safeguard measures for half of the products that are listed", then the Government are really shooting themselves in the foot very significantly because, in the levelling-up agenda, all of the areas that will be affected in the UK by not continuing the UK steel safeguards are the levelling-up areas. Therefore, this would not look good on the UK Government at all, that we have Brexit, we come out of it, it is the master of its own destiny and yet it falls at that first hurdle in terms of levelling up.

It does seem crazy that you have an arm's-length Government body, which does its own calculations behind closed doors. We tried to say to them, "Can we have a better dialogue here, a two-way dialogue, so if you mis something we can see it already?" That did not really happen. They are very nice people, but that did not really happen. Therefore, we have this strange initial finding saying, "We are going to drop half of the products from safeguards". What they do not even fundamentally understand about the steel sector is you do not have one product. A site makes a number of products and they all hang on each other. Getting rid of half of them actually affects the other half that you keep the safeguards for. That is the real problem.

Formally, TRID was not asked to look at that. It only looks at the data, so it said, "If we do not make the product or if imports have not gone up in this period, then we do not even look at it any further". It then does not give the Secretary of State for trade any room. If TRID recommends that they do not continue the Secretary of State cannot overrule TRID on this



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one. We have a Government that was taking back control but has no control over this particular policy. It is the first major investigation by TRID. Do not let the steel sector be its initial failure while it was just getting into the job. That would be a disaster for our sector.

Q47 Richard Fuller: I would like to come to Roz, if I may. I have heard Mr Stace's frustrations over the years on the Committee and I understand the Chairman's up and down thing about cyclicalities. It seems like the answer is, if you stuff the word "green" before the words "steel deal", suddenly you change the whole rationale here for putting taxpayers' money in. What your thoughts are will be rather important here. You were encouraging about the issue of electric-arc furnaces, but Mr Rickhuss and others have talked about the fact that blast furnaces need to continue. How do you see that part moving across to fulfil the objectives in the green steel part?

You talked about creating markets. If there is not a market there, how are you going to create it? With these blast furnaces, it was Mr Basson that called them breakthrough technologies. That means to me that no one knows what they are doing here, so there is a risk associated with it. Can you help us here? Can Mr Stace finally get to where he wants to, with the Government putting up a big cheque of taxpayers' money to transform the industry?

Roz Bulleid: The green element is the future proofing. It is ensuring that the sector can withstand over the longer term. It is also giving us potentially an opportunity to get a lead in new emerging technologies. It is not going to be the entire solution to changing the future of the sector, as there are other issues as well, but it is a really critical thing to address alongside it. If we do not crack the decarbonisation element too, frankly it is another reason we will keep coming back to this whole situation again.

In terms of the role of blast furnaces, we will need some form of decarbonisation if we are going to keep primary steelmaking. We could just recycle steel but, as Edwin rightly said, there still will be global demand for primary steel. There is an argument for the UK continuing to produce that primary steel and doing it in a clean way, rather than just exporting that and expecting others elsewhere to do that, and potentially do it in a higher-carbon way. It is a little unclear, as Gareth said, which is going to be the best route, but that is why we would be really keen to see hydrogen trialled, but also innovation and research funding made available for other routes. Like I said, there is a real urgency now that we examine in detail the cases for all of these technologies to make sure that we have a good suite of options available.

Personally, I think hydrogen is quite promising. The ECIU report that Darren mentioned, which was published today, shows that there are 23 projects now in Europe involving hydrogen. 15 of those are involving direct reduced iron. That is when you use hydrogen, not just by adding it to a blast furnace but instead as the reductant. There are real moves in



that direction and China has a project with DRI at 70% of the fuel or the supply that is meant to be operational and producing six million tonnes of steel by the end of the year. There is a real opportunity here to at least keep level with others.

Q48 Richard Fuller: You would add your voice to say that we have to keep the blast furnaces. If we are going to a green deal, we should be transitioning to bring that into the mix but recognising that it is still early days in development of that technology.

Roz Bulleid: You could also have a hybrid. Hydrogen could be fed into the blast furnaces, you can put carbon capture on blast furnaces, or you can do hydrogen reduction, which is a whole different route. You could have a hybrid transition where you start to have the two technologies alongside each other for some time as well. That would allow potentially a more managed route than a one-off switch in technology, which should definitely be explored.

Just on the market, there is already interest from buyers on a voluntary basis in lower carbon steel. We have seen investments by BMW in Boston Metal in the US, which is producing low-carbon steel. Volvo and Mercedes had also invested. There are companies out there. The Climate Group has a responsible steel buyers' club effectively as well. There is interest, but you also have to bear in mind that steel is sold often not direct to consumers, so it is perhaps harder to have a voluntary steel purchase thing. We would be wary about relying on that for too long, so we would also want to see the Government create a more solid market, where possible, over the longer term.

Q49 Richard Fuller: Is this the sort of push that could come at COP26? Should the UK Government be trying to—

Roz Bulleid: It could be. There are efforts being suggested around procurement of steel. Obviously, the Government have a role in procuring steel too. They have plans to procure about 10% of UK-produced steel, so public procurement is not going to be the whole answer. Creating markets for private buyers as well is really important.

Yes, COP is a huge opportunity as well for the Government to make some kind of clear signals in this direction. While steel is 3% of UK emissions, it is a much higher percentage globally. Not only is this a potential test case for showing which way the steel industry could decarbonise and exporting our expertise, but we could also use the lessons from steel for other industries in the UK. If we can crack this, there are other hard to address industry sectors in the UK.

Q50 Richard Fuller: Chris, you came out with a £4 billion to £6 billion price tag and compared that to something else. Did that include the estimate of trying to get this hydrogen or whatever other variant of the blast furnace, or would that be on top of that?



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Chris McDonald: To be clear, I was talking about the plant and equipment cost for the steel producers. The steel producers themselves would then want to plug into a hydrogen network, a high voltage electricity grid, or possibly a carbon capture storage network. I have not included that infrastructure in that estimate. There is a point where theory meets the hard reality of business and what is happening in the world. We need to talk about that practical side of how we can make this transition as well.

All of our blast furnaces in the UK, Europe and around the world are on a timeline towards their end of life. A blast furnace investment is typically a 20-to-25-year investment. We know one of the two furnaces in South Wales needs to be replaced by the end of the 2020s, and the other one by the end of the 2030s. The question you have to ask is why would anyone invest in that technology again? It is carbon emitting and it is low productivity. There are three technologies that we can use to decarbonise the industry: carbon capture and storage, electric-arc furnaces, and hydrogen-reduced iron. Clearly, the electric-arc furnace is a mature, well-established technology. It will ultimately be the workhorse for the industry.

However, as Edwin and others have pointed out, you do not necessarily have to use 100% scrap to run that. Whilst we appear to have a lot of scrap in the UK, only 1 million tonnes that we generate is what we refer to as low residual, so essentially high-quality scrap. For the UK for the future, the most likely prospect is our steel is made using electric-arc furnaces, we melt as much scrap as we can, and the balance is made up for quality and volume reasons using hydrogen-reduced iron. Richard, you asked the question about really how mature that technology is. The first of these hydrogen-reduced iron furnaces will be producing in China this year. Over the course of this decade, we are going to see this big transition.

I submitted a paper in the evidence that Roy referred to that I prepared with a consultancy called Syndex. It shows how you can achieve this technologically, but also do it in a way that makes sure there is a proper transition for the communities because, as I have said, transitioning to this new technology means high productivity. It means considerably fewer jobs to produce the same amount of steel. It is possible if we start now; it is possible to do that over a period of a decade, so that we can enable people to transition out of the industry just as jobs are being created elsewhere in the economy.

We need to buy into the theory of the technology and all of that kind of stuff, but actually think really practically about how we implement it over time. Then the final point is these are good, investible opportunities. There is private money out there that is prepared to invest in new steel plants. My first port of call will be to make investible business cases and talk to investors, either the incumbents in the industry or new investors looking for opportunities to come in.



Q51 **Richard Fuller:** Can I finish with a question to Mr Stace? Let us say we put the green steel deal together and we made those investments, including the hydrogen plants. It is a mix of Government and the existing reliable steel owners that are doing that. We have heard from Mr McDonald that China is already doing it. Roz mentioned that too. I am sure other countries will. We get to the end point. We have now decarbonised our steel industry, but others have done the same. Do we end up in a different relative cost position to those competitors then, or do we actually just end up with it being an uneconomic business that is not polluting the environment?

Gareth Stace: If we had a competitive business landscape in the UK and we all had decarbonised globally, why would we have a different cost base and therefore potentially be uncompetitive?

Q52 **Richard Fuller:** Labour rates, the costs of bringing the raw materials to the country may be greater than in other countries—the United States and China, for example, have their own iron ore areas—and electricity prices. Those issues will stay there.

Gareth Stace: I hope not. In terms of the raw materials, we can use much more scrap. Chris was right then in terms of actually a lower percentage of it being good scrap. Therefore, we need to do a lot to that market to enable it to produce a higher percentage scrap that is collected that we as a steel sector can use, and change that market. The way I see it is, we need a Government that are supportive. When I say supportive, I do not mean subsidies; I mean just supportive. The words “state aid” were used in the last session. We are not looking for state aid, except in the journey to net zero carbon. That falls outside of commercial business at the moment.

Roz hit the nail on the head really here. We want to present to Government in September formally in terms of this green steel deal and what we want to commit to. One of the things that we actually have to work with the Government on and the Government have to commit to is very much like they have done with electric cars. They have to say, whatever the date is, “From this date, you cannot buy steel that has emissions attached to it. All the steel that us purchased in the UK has to be net-zero-carbon steel”. They create that market.

If there is no market in the UK, why would we be producing that steel? It is going to be more expensive in the short and medium terms, and potentially in the long term to produce it. Therefore, if we had the market here. we would have a lot more of the raw materials here and we would be importing less coking coal and importing less iron ore. Really, to answer your question very simply, Mr Fuller, if we cannot compete then, when all of the things I have just talked about are in place in the steel sector, we should pack up and go home. The problem that we have at the moment is we are not an inefficient sector here in the UK. It is just that we have a very poor business environment. When I go to Edwin’s Word Steel Association’s meetings, people pat me on the head and go, “It is



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really difficult for you guys, isn't it?" All the steel sector moans globally, but they recognise the steel sector in the UK has a very, very difficult time with a potentially historically unsupportive Government.

Roy Rickhuss: I just wanted to speak very briefly around the question that you asked, Mr Fuller, about competitiveness. The frustration for us is that net zero decarbonisation is not just a UK issue. Why would we charge ahead, make these decisions and then import 6 million tonnes of steel that is made through a route that is not as efficient and as regulated as we are. When we are talking about trade deals, for example, if this is a truly global issue around decarbonisation, there should be recognition in things like trade deals that any steel coming into the UK should meet our standards, qualities and so on, and should meet our decarbonisation targets. Otherwise, all we are doing is offshoring, we are passing it, we are doing more damage and we are abdicating all of our responsibilities.

Q53 Paul Howell: I would like to bring the discussion back, just for a second, into the space of public procurement and what the Government can do in that. We know that in recent years there has been revised procurement guidance, there has been a steel pipeline published. I am going to start with Mr Stace then go to Mr Rickhuss in terms of what you think on how successful these interventions have been, but also what the Government should take next. Should there be targets about the content of national infrastructure projects or what should carbon pricing policy be? What should be happening on that?

I was also intrigued by Mr Basson's comments earlier on the steel import-export balances and things. I know we have talked about the different types of steel products and things like that. I am also just intrigued as to whether you want to make any comment about whether there are particular sectors within the steel industry that the Government procurement approach could help to underpin as a core product within the sector. I know that you said that the steel is produced for all, but are there some core pieces that they should be really making sure get nailed in, in terms of where they have opportunities in the procurement process? Sorry, that is a bit long-winded, Mr Stace, but do your best with it.

Gareth Stace: Thank you, Mr Howell. For procurement, the Government are the single biggest purchaser of steel in the UK. Procurement is a win-win for Government, and I always say this to them in the sense of why would you spend taxpayers' money on steel that you purchase from abroad when you could purchase it in the UK and keep that pound of taxpayers' money in the UK?

Q54 Paul Howell: If I could just interrupt you, just one point I have to put in there that I did not was, surely, this is the ultimate form of state aid, just buying it from yourself as a Government.



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Gareth Stace: Yes, like I say, I agree, Mr Howell. I do not like the words 'state aid' because it appears that you are almost contravening WTO guidelines and so one, but it could be considered state aid. What it needs is a cultural shift. I will come onto literally five things that we need, but it is a cultural shift.

You see it in Japan. For Japanese infrastructure projects, they buy Japanese steel. They do not even consider going anywhere else. They will not be getting ripped off. In the UK, we are not saying, "Buy steel from the UK whatever the price of it". It has to be competitive. However, when you are buying steel in terms of UK Government-funded projects, taxpayer-funded projects, do not just look at the cost of steel. Look at the value of the whole purchase, where that steel is coming from, those transport emissions, and even human rights in the country you are buying it from. Look at it in the round.

Crucially, what we find is that sometimes steel companies do not even get a look in in the UK. They will find that the contract has been awarded because it is not the lead contractor; it is a couple down. They have dished out the project and they deal with whoever they deal with. It might always be a French steel supplier and that is who they deal with and that is who they will go with going forward. They do not get a look in. We have also had lots of examples of where they say, "We did not purchase it from the UK because the UK does not have that capability", and either we do or we could have had that capability and capacity to produce that particular type of steel, if only we had known about it, because it would be many years both in terms of the investment and being able to supply that product to the market.

We want to see the Government set targets for minimum content of steel made in the UK for major public projects. That could be started with HS2. We have even seen contracts go out for HS2 when HS2 management are saying, "Yes, we are going to buy steel from the UK", and actually we find the steel they are purchasing a few chains down comes in from France, Germany or elsewhere. It is establishing a preference for contractors to use steel from the UK and for those contractors to explain why they did not use steel from the UK. They do not have to but explain why they did not. Use UK norms in terms of standards, not EU norms. Change the procurement policy note so it is enshrined in the regulations or in the guidance, so it is there plain to see.

Roz mentioned it earlier when you were talking about private sector investment, but for Contracts for Difference, for offshore wind, that is indirect public money. Really, this should be the whole Government in terms of all Government departments. BEIS has done this by signing up to the UK Steel Charter. Even those things would shift the dial. We have seen data recently that came out and the Secretary of State referred to it. Whilst it is better news, there is still lots of steel where Government departments cannot tell you where that steel came from. You would have thought they would know where that steel comes from, in the sense that



they are paying for it. Surely Government departments should know what they are spending their money on.

Q55 Paul Howell: Thank you for that, Mr Stace. If I can just try and summarise part of what I have taken from your answer, then maybe Mr Rickhuss would like to comment on that. Basically, it is about looking at the supply chain holistically as to where the steel has actually been sourced from. That is not just the core order but coming down through the procurement process into the depths of the supply chain and making sure there is resilience in that part of the decision, but also incorporating social, environmental or other economic benefits into the decision-making process. That is what I have got from that. Mr Rickhuss, would you like to embellish or contrast with what I have said?

Roy Rickhuss: You have summed it up, Mr Howell, and Gareth, absolutely. Just briefly from our perspective, Community has campaigned for many years that contracting authorities should give proper weighting to social and environmental clauses in the tendering process to support domestic jobs and industry, just like they do in France and Germany. We are at a real crossroads here, because the Government are going to embark on this £600 billion infrastructure programme, so we really have to see some decisive, game-changing interventions in this area if we are not going to miss out.

I know that the Secretary of State mentioned that the Government have established a Steel Procurement Taskforce that is currently reviewing the position, and Community is representing the steel unions on that taskforce. We really, really need to see some action now. We cannot have the warm words that we have had in the past.

Paul Howell: All I would say is, as a red wall MP and being on an APPG on left-behind communities, I am right in your space in terms of getting that through.

Q56 Mark Pawsey: I have some questions on decarbonisation, which we have covered pretty extensively in our evidence so far. There is one issue that I just wanted to ask about. I wonder whether Mr Basson, looking in from the outside, might help me with this. If we were to decarbonise, it would seem to me that one of the easiest ways of doing that is by recycling the steel that we already have here, that we have manufactured ourselves, that has been imported and is available in the steel-produced goods we have here. However, we have heard that our capacity on electric-arc furnaces is relatively limited and we are shipping loads of scrap out to other countries for them to make into new steel.

I understand that we are not going to be able to make some of the high-quality products that this country has a reputation for, but is part of the problem the use of the term "scrap"? Scrap to me means something of relatively low or no value at all, and what we have is a pretty valuable resource in the material that is here. Should we change the use of the term "scrap"? Our witnesses have all used that term. Why are we not



recycling our own steel more effectively? Would Mr Basson care to comment?

Edwin Basson: Thank you, Mr Pawsey. Yes, certainly just to your first point, the UK as a mature economy, as a smaller steel-using economy surely has this opportunity to become self-contained in the way that you have described, in other words generating its own scrap or recycling its own scrap, melting in its own electric-arc furnaces and reusing it. There is the issue that came up earlier in terms of the quality of the scrap and whether that allows us to provide the full range of products that we would like to have in terms of the right quality spectrum, but certainly a big part of current UK steel use could be done in the way that you propose, as a kind of closed loop.

That would depend then clearly on the fact that we would need to look at going forward ensuring that there is an expansion in the electric-arc furnace capabilities within the UK itself, that there are some strong guidelines around the scrap recycling route, and clearly to make sure the scrap stays within the UK and is not exported to Turkey, as someone mentioned. Turkey, for many years, have built their steel economy essentially on this model: that they will be buying the scrap that nobody else wanted, making it into products and they will export the products, firstly into the Gulf region and later on into other regions.

Surely, yes, your plan could work. It could not be a 100% plan, because there are elements in the UK manufacturing chain that may want different steel qualities that may not necessarily be able to be made from scrap in the shorter term. Maybe in the future, yes, but not at the moment. That is an element that we will have to look at or that the Committee will have to look at going forward.

Just to your question on the term, why do we use "scrap"? Yes, it is an age-old debate. Is there a better word that we can use?

Mark Pawsey: Previously used steel.

Edwin Basson: Yes, previously used steel, disregarded steel or whatever you want to call it. The question is to get the whole world singing from the same song book in that perspective.

Q57 **Mark Pawsey:** Gareth, quickly, the plastics industry is being obliged to use a proportion of recycled material in the products that it manufactures. Why should steel not be the same?

Gareth Stace: I am glad you have asked me that, Mr Pawsey, because one thing that we have all forgotten to mention is that, even in the blast furnace route, they use up to 20% of scrap, or what we now call previously-loved steel. The blast furnaces even in the UK are using up to 2 million tonnes of scrap steel. I might be slightly wrong in those figures and Chris might correct me, but we have a market that has developed here in the UK where there was a lot of scrap that we did not want.



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Turkey wanted it. It was low grade, Turkey took it in and did whatever, along with other countries.

The infrastructure in the UK is deep-sea ports. You have these enormous ships. The scrap gets collected, comes together, does not get segregated and gets chucked in these huge ships. It goes off, gets made into steel and comes back here. We must not look to fix the market. What we must look to do is understand how the market can be changed and Government policy can be changed, and how scrap collectors and processors practices can be changed in order to provide a better-quality scrap at the right price. You can get any scrap you want. You just have to pay for it. Therefore, it has to be competitive.

The final thing I will say is that one of the things we need to consider is that it is a waste. It is scrap; it is a waste and we export it. There is a lot of talk in terms of the UK, in terms of exporting our waste and therefore exporting our problem. Perhaps actually the Government could think, "Look, we do not want to export waste. We want to use more of it there in the UK", and therefore change its policy there towards not exporting that waste scrap or something along those lines.

Q58 **Charlotte Nichols:** Before I ask my question, I would just like to declare my interest that my father is a member of the TUC's General Council, along with Mr Rickhuss, as my question will be to Roy.

My question is around the just transition, because certainly across the board I have some concerns that, while we are seeing a much bigger share of renewables in our energy mix, the number of green jobs is going down, according to the ONS. We are exporting some of our responsibilities. Obviously, global warming is something that is very much by definition a global issue, but if we take something out of our own country's carbon balance sheet and put it somewhere else that is taking us closer to net-zero as opposed to putting the problem on somebody else's door. In terms of a just transition, how do you think that the industry can ensure a just transition to net zero for steel employees and communities that helps us to decarbonise whilst looking out for the people who are employed in the sector?

Roy Rickhuss: That is a fantastic question. Obviously, we have been trying that have this discussion for some time now, particularly now that the Secretary of State has resurrected the Steel Council. We have had two meetings so far. At those meetings, the unions tried to put forward at every opportunity that this is about a fair and just transition. One of the key issues is, if the journey that we go on is to be successful, we have to take the workforce with us. The workforce has to have a seat at the table in terms of those discussions. The workers in the steel industry, who have sacrificed a lot over many years in terms of the challenges we have faced, should not be made to pay the price of net zero and decarbonisation.



There should be discussion around the different technologies that we have and how we can actually protect jobs and grow our industry. We should be looking at downstream capability and some of the employers that I talk to openly agree with that view that we should potentially be investing in more downstream capacity, which could create jobs and pick up some of the jobs that may be lost in terms of moving to net zero. It is about timescale. It is important that we get the timescale right and create some certainty in terms of the direction of travel.

We do not believe that greening our steel industry should cost thousands and thousands of jobs. These are jobs in areas that desperately need good, well-paid jobs. We believe there is a way, if we all work together and all stakeholders pull together, that we can decarbonise and make our steel industry green. I do not know whether Mr Fuller wants to use the green steel deal analogy, but there is a way it can be done where we protect jobs, we avoid redundancies, and we actually grow our industry and create employment in areas that desperately need it.

Q59 **Charlotte Nichols:** Thank you so much for that. You are exactly right about the fact that it is about how we do this, not whether or not we do it. Mr Stace, is there anything that you would like to add before I go back to the Chair?

Gareth Stace: Only what I said before, in the sense of I do not see it overnight shifting from blast furnace to electric-arc furnace. Chris said quite rightly, if you have these assets, you do not want them to be stranded assets where they have many years to go, and you just get rid of the blast furnaces for the sake of it. It is when you come to invest and have to make that next investment, what choice do you make? I believe that a good proportion of the capacity in the UK, when the investment is needed, can go over to electric-arc furnace, not all of it for all of the products, but some of the products.

Chris McDonald: Just transition is something I have written about and something that is really very personally important to me as well. Actually, there are some other ways we can look at this. Investing in the new green technology, as I have said, creates a big step-change in productivity. That does mean a reduction in jobs per tonne of steel produced. It also gives us an opportunity, because we would be more competitive, to displace some 50% of steel imports into the UK. We can create more jobs by doing that.

We have also seen the Prime Minister's Green Industrial Revolution Ten Point Plan. About half a dozen of those items require major investment in steel in the economy. In fact, my institute was set up by Sir Winston Churchill in 1944 to help rebuild the UK economy. The Government is investing £20 million in us right now to help with that rebuilding again through steel. We see big demand growth for steel between now and 2030 and then to 2050. Another consequence of that Green Industrial Revolution is the potential displacement of concrete and other less green materials by steel. Big growth in steel means big opportunity for jobs.



The second point I would make is the people being displaced potentially from the steel industry are highly skilled workers. We have new emerging industries: small modular reactors, hydrogen and offshore wind, which require highly skilled workers. If we are going to make a success of the green industrial revolution, we desperately need to incentivise and retrain people displaced from the steel industry to work in those areas as well. I would say it is essentially an inevitable consequence. There are opportunities. It is vitally important for the communities but, frankly, we will fail to achieve the new economy that we want and the growth in the Green Industrial Revolution unless we also commit to a just transition in these areas.

Q60 Chair: Chris, if you have not yet sent us that document yet that you have referred to, please do so, because we would be keen to look at it. Just very quickly, lastly, Roy, the skills transition piece is often best delivered in the workplace, where workers are briefed on new businesses opening in the area, the types of skills or training they need to access in order to transition from jobs that may no longer exist in the next five years or so. However, the trade union learning fund has been cut. Has there been any discussion about its replacement for issues such as this green skills agenda?

Roy Rickhuss: Not that I am aware of at this point, Darren. I am sure the TUC will be pursuing that. I will just say generally it was a terrible shame and decision by the Government to stop the Union Learning Fund. It was respected by workers and actually by industry and companies alike. They understood the benefit of what the Union Learning Fund could bring. Interestingly, through the Industrial Strategy Council, we have had this whole discussion about upskilling and life-long learning. In the annual report there, it was 80% of the workforce that is going to be there in 2030 are already in employment now.

Jobs are going to change, and we need to try to create a culture of life-long learning, of people upskilling. That is going to need a sea change in some ways from employers, because my experience from a trade union perspective has been that it is not difficult for employers to train people on job-specific roles. They do that and they invest in their employees. It is when you start talking about the skills and the training for potentially transferrable skills that you then start to get some resistance. That is where we need this culture change, that everyone sees the benefit of retraining, upskilling, so that people are ready.

It is no good waiting for a steel mill to close and having thousands of people thrown out into the job market. You only have to look at what happened to Teesside when the plant shut there. Chris will probably know this because that is where he is based. That local economy went from being one of the highest to one of the lowest economic areas practically overnight, because these people lost good, well-paid jobs and could not find equivalent employment. This whole issue of retraining upskilling is massive. In any industrial strategy, that has to be centre, in my opinion.



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Chair: Thank you. There have been concerns expressed in the past on the relations between the Department for Education and the business department on workplace training. How that is linked to skills demand could improve. This is one aspect as we think about the steel industry.

Thank you to all of you for your questions. That brings today's session to an end. Thank you to Edwin Basson, Roz Bulleid, Chris McDonald, Roy Rickhuss and Gareth Stace for your time and your answers today. We will be back soon with further sessions on the Liberty Steel and the Future of the UK Steel Industry inquiry over the coming months. We will have the Secretary of State back with us again towards the end as well. Thank you to all of you. Thank you to colleagues who took part. We will see you next time.