Business and Trade Committee
House of Commons, London SW1A 0AA
020 7219 4494 - Commonsbtc@parliament.uk - www.parliament.uk/CommonsBTC - @CommonsBTC

Rt Hon Jonathan Reynolds MP
Secretary of State for Business and Trade
Department of Business and Trade
[By email]

1 April 2025

Dear Secretary of State,

A Plan for Steel

Thank you for your letter on 14th February about the Government's plans to publish a new steel strategy in the Spring. The news from British Steel last week underlines the importance of finalising this strategy as quickly as possible and so we write today to table the advice of the Business & Trade Select Committee to help inform this important work.

Almost a decade ago, the UK's steel industry was in crisis. An abundance of cheap steel, fuelled partly by sustained subsidisation of steel manufacturing combined with slowing economic growth and falling demand in China, caused prices to fall and led to plant closures and job losses across the industry. In December 2015, our predecessors on the Business Innovation and Skills Committee pointed out within six months over five thousand jobs were lost during a "period of acute pressure" with knock on effects for "whole communities."[1]

Today, global pressures on the UK's industry are mounting.

- Global excess capacity is rising. The OECD has pointed out that China's exports are "approaching the peak levels witnessed in 2016."[2]
- Protectionist measures, such as the recent US tariffs, add to this immense pressure and further expose the UK to an influx of cheap imports.
- The UK's industry is also undergoing a difficult and costly transition to decarbonise.

[1] Business, Innovation and Skills Committee, The UK steel industry: Government response to the crisis, First Report of Session 2015–16, 21 December 2015
[2] OECD, Steel Market developments: Q2 2024, June 2024

While essential, we fully recognise the uncertainty this transition has created not only for steelworkers, but for the communities that have relied on these industries for so long. As we heard from Alasdair McDiarmid, Assistant Secretary General, Community, steelmaking supports thousands of jobs—not just in plants, but in supply chains and communities.[3]

For these reasons, we welcome the Government's intention to bring forward a new steel strategy and its decision to reassemble a Steel Council. The new strategy must be a timely response to the pressures our industry faces.

We look forward to seeing this strategy set an ambitious 25-30 year vision that helps secure the future of the UK steel industry. However, as Jon Bolton, Co-Chair of the Steel Council, made clear, "managing the next 12 months, if not two or three months, is critical"[4], not least because of the imperative of keeping the blast furnaces at Scunthorpe in operation.

Beyond this, we believe the Steel Strategy should meet five tests. These are the tests, the Committee will use to scrutinise both content and delivery of the Government's strategy when it is published and implemented:

- Test 1: a clear statement of the Government's 25-30 year vision for steel, with a clear definition of the sovereign capabilities the UK needs and a clear specification of the target markets of the future

- Test 2: immediate safeguards to protect UK steelmakers from the rise of protectionism and its consequences, matching as closely as possible the timeframe for safeguards in the European Union

- Test 3: maximum support for the UK steel makers from taxpayer-funded procurement

[3] Q254 [Alasdair McDiarmid], Q247 [Alasdair McDiarmid]
[4] Q255 [Jon Bolton]

- Test 4: reductions in energy costs for the steel industry, so they are in line with the UK's closet European competitors

- Test 5: steps to secure a sufficient and stable supply of scrap steel

More detail on each of these tests is set out below.

The Government must act swiftly. Industry and unions all impressed upon us the need for Government to deliver at pace.[5] In the immediate days ahead that means maximising pressure on British Steel's owners to come to a deal that keeps open the critical blast furnaces at Scunthorpe. Thereafter, it is critical that the steel strategy is published soon and includes an implementation plan, with clear metrics and milestones so industry, Parliament and the public can track progress. To help us fulfil our role, we request the Committee is kept informed of any significant development as they occur and your progress against the steel strategy on a three-monthly basis over the course of this Parliament.

Kind regards,

Liam Byrne

Chair of the Business and Trade Committee

[5] Q255

Test 1: A clear statement of the Government's 25-30 year vision for steel, with a clear definition of the sovereign capabilities the UK needs and a clear specification of the target markets of the future

The Government needs to provide a clear statement of the steel capabilities that the UK needs onshore, along with a roadmap for delivering them, plus a clear assessment of the target markets where UK steelmakers should aim to secure a competitive advantage. This statement should explain the Government's rationale for why specific capabilities are needed or not. This should take explicit account of the threat assessment produced for the Strategic Defence Review and any consequential updates to the Government's Supply Chain Security Strategy.

Virgin steelmaking

Successive governments have not provided clarity about whether the UK needs to retain primary steelmaking capability and the best means of doing so. The Minister of State, Sarah Jones MP, heavily intimated that there is an argument about whether the UK needs primary steelmaking capability.[6] The steel strategy must provide a clear direction either way. Our view is that primary steelmaking should be retained as a key pillar of UK industrial sovereignty. We heard that blast furnaces still play a critical role in strategic and high-grade steel production. Electric arc furnaces are not yet a full substitute for them. Jon Bolton, Co-Chair of the Steel Council, told us:

> If we allow the blast furnaces to close—to run down at Scunthorpe—essentially we are cutting off that customer base. If we are serious about wanting to maintain steelmaking in the UK, particularly for critical applications such as infrastructure construction, we need to try to maintain that supply chain, keep that supply chain in place.[7]

The Government has yet to conclude its negotiations with British Steel on the future of the UK's only operational blast furnaces in Scunthorpe. We urge ministers to maximise pressure on British Steel to come to a deal that keeps the blast furnaces in operation.

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[6] Qq386-389
[7] Q231

Furthermore, we would like to see a clear statement in the steel strategy that the UK needs primary steelmaking in the long-term, with a plan for how that will be achieved, even if the blast furnaces at Scunthorpe close. Our preference would be for these blast furnaces to be retained as part of a responsible transition to green steelmaking. But if the decision is taken to close them, the Government should clearly set out any risks or consequences the temporary loss of this capacity could have on the UK, including on other parts of the supply chain.

Priority markets

Despite the industry's struggles, we heard from Tata Steel that there are opportunities for the UK to improve its competitiveness in some markets, including construction and automotive sector.

- The CEO of Tata Steel UK told us, for example, that the UK "has been in the forefront in using advanced products in construction."[8]
- Similarly, Jon Bolton, Co-Chair of the Steel Council, mentioned that infrastructure projects provide a consistent demand that "incumbent steelmakers are able to take advantage of."
- The automotive sector is another potential area of competitiveness, especially with the transition to green steel.[9]
- In the last Parliament, our predecessors on this Committee, for example, found that automotive manufacturers are increasingly concerned about the carbon-intensity of their finished electric vehicles.[10]
- We were pleased to hear from the Minister of State for Industry that the Department is undertaking work to assess the future demand for steel.[11] The steel strategy should set out how the funding allocated for steel over this Parliament will be used to build competitiveness in key markets.

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[8] Q228
[9] Q228
[10] Business and Trade Committee, First Report of Session 2023-24, Batteries for electric vehicle manufacturing, HC 196
[11] Q390

National resilience and defence

We believe it is critical that steel strategy includes actions to bolster our national resilience and sovereignty of supply.

- For these reasons it is important that the steel strategy takes account of, and is aligned with, the Strategic Defence Review, the Defence Industrial Strategy and any consequential updates to the supply chain security strategy.
- The steel strategy should include a clear statement on the role of steel in supporting the UK's defence, security and national resilience and how this will be enhanced by the steel strategy.

Long-term vision for the whole industry

Investments in steel need to be made over a long timeframe. Assets in this sector last for a long time and the upfront costs of new capital investments are high. Technological developments need to be planned in a way that aligns with the industry's investment cycles. For this reason, we recommend that the steel strategy provides a 25-30 year vision for the steel sector. The vision needs to reflect the needs of the whole steel industry, not just the largest steelmakers.

Test 2: Immediate safeguards to protect UK steelmakers from the rise of protectionism and its consequences, matching as closely as possible the timeframe for safeguards in the European Union

Global excess capacity and trade protectionism

Without urgent action, we are concerned that the UK's industry will struggle to stay competitive in a distorted, and increasingly volatile, global market.

- A global oversupply of steel, fuelled by weakening demand and an excess of global capacity,[12] continues to put pressure on prices and damages the UK industry's profitability.[13]

[12] Steel trade beyond 2026
[13] Steel trade beyond 2026

- The OECD Steel Committee, in November 2024, expected that global excess capacity will "increase significantly in 2025 and 2026," which is expected to "add further pressure on oversupply conditions" and "deepen the economic challenges facing the steel industry."[14]

By 2026, UK Steel has pointed out that excess steelmaking capacity is projected to rise to 630 million tonnes, around 100 times the UK's level of production.[15]

- To protect the US steel industry from unfair trading practices and global excess of capacity the US administration reintroduced a 25% tariff on steel imports.[16]
- These tariffs, which came into effect on 12th March, are already adding to the immense pressures the UK's industry faces. Tata Steel and British Steel told us that their US customers are considering cancelling orders or are seeking alternative suppliers.[17]
- However, the greater concern, is that cheap steel destined for the US is diverted to the UK market.[18]

Steel safeguards

The UK and the EU have steel safeguards in place. In response to the US tariffs, the EU Commission has proposed adjustments to its safeguards to provide "short-term relief" to steel producers.[19] Under World Trade Organisation rules, steel safeguards are designed to be temporary measures that allow time for domestic industries to adapt to changed market conditions.

The UK and EU safeguards are due to expire on 30 June 2026. However, the European Commission has recently said that it will bring forward "appropriate and effective

[14] 96th Session of the Steel Committee: Statement by the Chair | OECD
[15] EU raises the bar on steel support – UK must act now - UK Steel
[16] Fact Sheet: President Donald J. Trump Restores Section 232 Tariffs – The White House
[17] Qq205-206
[18] Q210
[19] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A European Steel and Metals Action Plan, Brussels, 19 March 2025

protective measures" that preserve a "competitive and sustainable EU steel industry" after the steel safeguards expire.[20] The European Commission stated that:

> it is unreasonable to assume that the structural global overcapacities and their negative trade-related impact on the EU's steel industry, which triggered the use of the safeguard, will disappear on 1 July 2026. On the contrary, the negative trade-related effects are likely to be exacerbated, as an increasing number of third countries are adopting measures aimed at limiting imports into their markets, resulting in the EU market becoming the main receiving ground of global excess capacities.[21]

At this point, we do not think it is in the UK's best interest for the Government to retaliate against the US steel tariffs. However, the UK Government must act swiftly to put in place measures that protect the UK from the risk of trade diversion. We strongly recommend that the Government follow the European Commission's approach and commit to provide further protective measures once the steel safeguards expire next year.

Carbon border adjustment mechanism (CBAM)

The UK is closing blast furnaces as other countries are building them. The OECD, for example, has pointed out that just over 40% of the global growth in capacity between 2024 to 2026 will come from basic oxygen furnaces (e.g. blast furnaces).[22] The UK, therefore, risks offshoring emissions if domestically produced steel is replaced by cheaper imported steel, made to lower emission regulations. The introduction of the EU Carbon Border Adjustment Mechanism (CBAM) from January 2026 risks exposing the UK market to a surge of steel that is no longer eligible for sale in the EU. For these reasons, we recommend that the Government bring forward the introduction of the UK CBAM from 2027 to 2026 to align with the EU's mechanism.

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[20] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A European Steel and Metals Action Plan, Brussels, 19 March 2025

[21] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A European Steel and Metals Action Plan, Brussels, 19 March 2025

[22] https://www.oecd.org/en/topics/sub-issues/steel.html

Test 3: Maximum support for the UK steel makers from taxpayer-funded procurement

The Chancellor has substantially increased spending on capital investment. The Spring Statement provided an £13 billion for capital spending over the Parliament, in addition to the £100billion announced in last year's Autumn Statement.[23]

- This includes additional, growth-enhancing, spending for infrastructure, housing and defence. All of these sectors require lots of steel.
- However, as yet, we see no plan that translates taxpayer backed capital investment into a clear demand curve of steel, with long term continuity. Part of this requires the UK to bolster capability to produce different types of steel, but there are also steps the Government and public bodies can do to use procurement to stimulate domestic demand and ensure resilience for defence and other industries.
- We recognise that successive governments have taken a series of steps to use public procurement to incentivise the uptake of steel made in the UK (e.g. by regularly updating a steel procurement pipeline).[24]
- However, UK Steel pointed out that in recent years only two-thirds of the government-purchased steel is made in the UK. In November 2024, UK Steel added the "public procurement steel order book is incomplete, with no detailed mentions of steel requirements for offshore wind, solar, carbon capture & storage, or hydrogen." [25]
- It is critical that the Government does not miss the opportunity afforded by the increasing in capital spending to help incentivise domestic demand that will help the steel industry to grow.
- The steel strategy should include a series of actions that maximise, within World Trade Organisation rules, the use of taxpayer funded procurement to drive domestic demand for steel.
- As a minimum, public bodies and developers of publicly-funded infrastructure projects should be required to justify their reasons for not using domestically produced steel when it is available.[26]

[23] Autumn Budget 2024, Fixing the foundations to deliver change, 30 October 2024; Spring Statement 2025, 26 March 2025
[24] House of Commons Library, UK Steel Industry: Statistics and Policy, 11 March 2025
[25] UK Steel, Public Procurement of Steel: Time for new thinking for a thriving industry
[26] UK Steel, Public Procurement of Steel: Time for new thinking for a thriving industry

Test 4: Reductions in energy costs for the steel industry, so they are in line with the UK's closet European competitors

Producing steel uses large amounts of energy. Energy costs, for example, account for between 20-40% of the total cost of production.[27]

- Tata Steel described electricity costs as the "the single biggest element" of the UK's "lack of competitiveness", which "outstrips every other element or factor of production."[28]
- UK Steel recently indicated that "uncompetitive electricity prices since the early 2010s have contributed to the steady decline in UK steel production."
- Blast furnace production and electric arc furnace production have both declined. However, UK Steel pointed out that UK's electric arc furnaces are producing "less than half of what was produced in 2010."[29]
- Successive governments have used a range of schemes to support steel and other energy-intensive industries with their energy costs. Despite this, electricity costs for energy-intensive industries in the UK, such as steel, have been persistently higher than key competitors in France and Germany.[30]
- The Co-Chair of the Steel Council, Jon Bolton, told us that the UK needs "to be in step with European competitors" on energy prices.[31]
- Rajesh Nair, CEO of Tata Steel UK explained that the problem is due to both the high wholesale cost of electricity and the extent of network charges. He stressed that there is a need to address these costs "very quickly."[32]
- The Government has said it is committed to "minimising" energy costs "as far as possible" and we welcome the steps the Government has already taken to further ease the burden these costs place on industry.[33]
- However, over the long-term, the UK cannot continue to sustain a position where the costs of such a central cost of production is remains international uncompetitive.
- The steel strategy should, therefore, include a target for bringing electricity costs into line with our close international competitors.

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[27] Fact-sheet-energy-in-the-steel-industry-2021-1.pdf
[28] Q228
[29] UK Steel, Industrial Electricity Prices – Barrier to growth and competitiveness
[30] House of Commons Library, UK Steel Industry: Statistics and Policy, 11 March 2025
[31] Q227
[32] Q228
[33] The steel strategy: the plan for steel - GOV.UK

Test 5: Steps to secure a sufficient and stable supply of scrap steel

The steel strategy needs to create a competitive business environment that supports the transition to green steel.

- The transition to low-carbon steelmaking should be to realistic timelines and with sustained support for the industry from the Government.
- The Government is providing £500m to support Tata Steel's transition to an electric arc furnace at Port Talbot. Similar sums of public money are expected to be needed for British Steel's decarbonisation plans.[34]
- In addition to attracting further investment, we are concerned that these investments risk being undermined without complementary reforms to lower electricity prices, secure a sufficient and stable supply of scrap steel and incentivise domestic demand.
- We recommend that the Government that the steel strategy should set out how the Government intends to ensure electric arc furnaces will be able to rely on a secure and sufficient supply of scrap steel.

[34] British Steel today unveils £1.25 billion proposal to decarbonise its operations