
# Tata Steel UK

## Challenges and Opportunities for Decarbonising

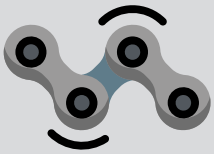
# WHO WE ARE AND WHAT WE DO

Tata Steel UK is the UK's largest integrated steel maker, producing over 3.2 million tonnes of 100% recyclable steel each year – approximately 9,000 tonnes every 24 hours.

As part of Tata Steel UK's commitment to reducing its impact on the environment, in September 2023 we announced an investment of £1.25 billion, inclusive of £500 million of support from UK Government, to transition to electric arc furnace steelmaking in Port Talbot. We believe this investment will bolster the UK's steel security and would be the first major step towards decarbonisation of the country's steel industry, reducing direct emissions by 50 million tonnes over a decade whilst maintaining our annual output of three million tons of steel a year.

Our steel is integral for production in the automotive, construction, engineering and packaging sectors, with customers including BMW, Heinz, Jaguar Land Rover and JCB.

Since acquisition in 2007, Tata Steel has invested £4.5 billion in its UK business, highlighting its commitment both to its UK operations and the communities in which it operates[1].



We provide a vital foundation for many of the country's **key strategic supply chains**.

Tata Steel contributes approximately **£1 billion** to the UK economy on an annual basis.

Tata Steel is the **only UK steel company with significant domestic R&D activity** with research facilities at Imperial College London, Royce Institute Manchester, Swansea and Warwick universities.

Tata Steel supports and works with **over 2,300 organisations** in the UK, with **400** of those **based in Wales**.

# PUBLIC SUPPORT

Tata Steel commissioned YouGov polling to understand public attitudes towards the UK steel industry.

**77%** of 2019 Conservative voters and 68% of 2019 Labour voters believe it's important to have a **secure British supply of steel**.

**¾** of British adults think UK Government should **invest in UK steel** to support jobs and manufacturing.

**66%** of British adults support the UK Government investing in the steel industry to **support with decarbonisation**.

**⅔** of British adults think we should have a secure British supply of steel, even if it is **more expensive**.

**64%** of British adults would actually prefer government to use **environmentally-friendly steel** over cheaper steel in UK public construction projects[2].



1. Tata Steel UK, Factsheet 2022

2. Tata Steel UK and YouGov Polling, Attitudes towards decarbonising the UK Steel Industry, January 2023

# TATA STEEL UK'S BUSINESS: OUR SITES

**SURAHAMMARS BRUK, SWEDEN**
Electrical steels

**LISBURN**
Processing

**SHAPFELL**
Lime manufacturing

**HARTLEPOOL**
Pipes and tubes

**SHOTTON**
Galvanised and organic-coated steels; panel systems

**SHEFFIELD**
Sustainability and Environment

**SWANSEA UNIVERSITY**
Research and Development: Steel and Materials Institute

**CORBY**
Tubes

**TROSTRE**
Packaging steels

**UNIVERSITY OF WARWICK**
Research and Development

**ROUNDOAK, DUDLEY**
Distribution

**PORT TALBOT**
Electric arc furnace operation from 2027

**WEDNESFIELD**
Processing and distribution

**LLANWERN**
Cold rolled and galvanised steels

**CAERPHILLY**
Steel for houses

**Tata Steel's UK business also includes facilities in France, Germany and Norway, and sales offices across the world:**

| | |
|---|---|
| **Europe** | Spain, Italy, France & Romania |
| **Americas** | USA, Mexico & Brazil |
| **Middle East** | Turkey & United Arab Emirates |
| **Asia** | India & China |

# SECURING A SUSTAINABLE FUTURE FOR UK STEEL

As heavy industry across the UK moves with pace towards more sustainable operations, aligned with the UK's net zero ambitions, creating a competitive policy and regulatory environment as well as incentivising investment and innovation has become of the utmost importance to UK Steel producers.

Tata Steel UK is urging the next UK Government to:

1. Partner with the private sector to capitalise on the opportunities offered by the decarbonisation of heavy industry and support the growth of UK manufacturing
2. Address UK industry's high energy costs
3. Resolve the threat of carbon leakage and secure the UK's carbon border
4. Place scrap steel at the heart of the green, circular economy
5. Ensure the UK is protected from global steel overcapacity
6. Support UK Steel producers through increased public procurement and incentivise the use of local supply chains in large-scale infrastructure projects

# CHALLENGES AND OPPORTUNITIES FOR A NATIONALLY STRATEGIC PARTNER

As one of Britain's largest industries, steel is also one of its biggest emitters. Tata Steel UK recognises the urgency needed to transition to near-zero emissions and is excited by the opportunities a decarbonised steel industry can play in building a successful low-carbon economy and supporting a range of industries, from automotive to construction and renewable energy.

As part of Tata Steel UK's commitment to reducing its impact on the environment, in September 2023, it announced an investment of £1.25 billion, inclusive of £500 million of support from UK Government subject to agreement, to transition to electric arc furnace steelmaking in Port Talbot.

Once Tata Steel UK has finalised terms with the UK Government, the project and investment plan can proceed.

The Company believes the investment announced in September will bolster the UK's steel security and would be the first major step towards decarbonisation of the country's steel industry, reducing direct emissions by 50 million tonnes over a decade whilst maintaining its annual output of three million tonnes of steel per year, supporting key sectors and products of the future with the green steel required.

Following months of formal and informal national-level discussions with the UK Steel Committee, Tata Steel UK has confirmed it will proceed with the closure of the existing heavy end assets by the end of 2024, the restructuring of the UK business, and its investment to build a state-of-the-art electric arc furnace (EAF).

The investment in EAF steelmaking will provide a catalyst for the economic regeneration of South Wales and create high-skilled, well-paid jobs for local people in the coming decades, supporting the development of a green industrial ecosystem in the region and securing further, future investment.

The alternative trade union proposal to maintain one blast furnace through the transition would incur at least £1.6 billion of additional costs, create significant operational and safety risk, delay the EAF project by two years, and put the business's future continuity in jeopardy.

The Company understands the impact the plan will have on many of its employees, their families, the community, and the wider supply chain. It has put forward generous employee redundancy packages to ensure a fair and just transition. Additionally, Tata Steel UK has contributed a further £20 million to the Port Talbot Transition Board, which will support potentially impacted employees with skills accreditation, outplacement support, re-skilling and re-training, and mental health support.

# ADDRESS ENERGY COSTS FOR THE STEEL INDUSTRY

The UK steel industry faces some of the highest industrial electricity prices in the world, eroding the industry's short-term competitiveness and hindering our ability to invest in low-carbon technologies for the longer term.

Tata Steel UK welcomes the initial steps taken to reduce business energy costs, in particular recent announcements on an exemption from renewable levies, the Capacity Market levy and further relief on network charges.

Whilst these measures will reduce policy and network costs for energy intensive industries like steel, it has fallen short of what is provided in Germany and France, which exempts industry from up to 90% of network charges compared to the UK's lower 60% compensation scheme. Similarly, the Ofgem Targeted Charging Review (TCR) has led to a considerable increase in the network costs faced by Energy Intensive Industries and for Tata Steel UK's plans for electric arc furnace steelmaking once commissioned.

The UK steel industry will also continue to face higher wholesale electricity prices than its main European competitors due to a high proportion of gas in the UK power-mix.

Long-term reforms are needed to bring down delivered electricity prices beyond 2024, including wholesale market reforms focused on improving energy security, by

developing a high degree of domestic energy production mainly from renewables, in addition to stable and affordable prices for industry.

**The UK Government should bring forward further measures to reduce energy costs as early as possible to ensure a level playing field with competitors across Europe.**

## INTRODUCE UK CARBON LEAKAGE MEASURES BY 2026

The intensity with which steel is traded internationally and the energy intensity of its production means the sector is at very substantial risk of carbon leakage, as it faces carbon compliance costs not borne by competitors which operate in jurisdictions where climate risk mitigation policies are less mature.

One solution to this risk is the introduction of a Carbon Border Adjustment Mechanism (CBAM), which is a tariff on carbon intensive products entering a specific market while seeking to establish a fair basis for competition – a level playing field on carbon costs.

Tata Steel UK remains broadly supportive of both a UK and EU CBAM and welcomed the Government's announcement in 2023 to introduce a UK CBAM to enable sufficient and robust carbon leakage protection.

However, the UK CBAM implementation date of 2027 is later than the EU implementation date of 2026. As a result, during 2026, the UK will be exposed to imports from countries subject to a lower or zero CO2 compliance cost. Furthermore, misalignment with the EU will also result in increased costs and barriers to trade for UK exporters in EU markets.

The final design of a UK CBAM will be crucial to its effectiveness and care needs to be taken to avoid undesirable outcomes. Neither the UK nor EU CBAM addresses the import of steel containing goods and competing materials. There is a high risk that manufacturers will move their operations outside of the UK and EU and import carbon intensive finished goods into both markets tariff-free to the detriment of UK manufacturing.

Carbon leakage measures require a whole-system approach, and Tata Steel UK is concerned that government policy on the emissions trading scheme and CBAM are being developed in silos. The recent UK Government consultation on CBAM contains no details on how the reduction in UKA free allocation from 2026 interrelates with the UK CBAM implementation timetable.

**A UK CBAM must be brought forward to 2026 to ensure alignment with the EU. Further measures such as reforms to UKA free allocation and Mandatory Product Standards must be considered as part of a package of reforms to ensure a level playing field for UK steel producers.**

## PUT SCRAP AT THE HEART OF THE CIRCULAR ECONOMY

Tata Steel UK currently relies on imports for 90% of its raw materials, with iron ore and coal shipped in from as far as Australia, South Africa and South America.

As the Company transitions to more sustainable forms of steelmaking via an electric arc furnace, its number one raw material requirement will shift towards scrap steel.

By 2030, UK scrap demand could increase by 70% and global demand by 30%, and this will continue to accelerate into 2050. The UK is fortunate to generate more than 10 million tonnes (Mt) of steel scrap each year and is well-positioned to use this resource in electric arc furnace steelmaking and spearheading the circular economy.

However, currently 80% of Tata Steel UK's scrap is exported, mainly to Turkey, Egypt, India, Bangladesh and Pakistan, and in many cases converted into new steel products and re-imported – adding to the carbon footprint[3].

A clear, sustainable and supportive policy environment for scrap steel should be a priority for the next Government. This could include regulation that prevents the export of scrap to countries with low environmental standards alongside the development of the UK's capacity to handle and recycle scrap steel. Increased quality of scrap sorting is needed to support the steel industry to ensure quality standards.

**The UK should look to regulate its exports of scrap to uphold environmental standards, enable fair competition and incentivise domestic processing.**

## ENSURE ROBUST TRADE DEFENCE MEASURES

The UK Steel Industry has long faced the challenge of rising global overcapacity, rising protectionism and, as a result, rising trade diversion.

In 2023, the gap between global capacity and crude steel production surged to 610Mt. This excess capacity alone corresponds to 33% of global steel production and is over 60 times the size of the UK market[4].

Strong and robust trade defence is crucial if the next UK Government is to provide a level playing field for UK steel producers, alongside measures on energy costs and carbon leakage.

The Trade Remedies Authority initiated an extension review of the safeguard measures in September 2023 and on 19 April 2024, it announced that all 15 product categories are recommended for extension until 2026. The final decision on this matter has to be approved by 30 June 2024.

3. UK Steel, Scrap: A Strategic Raw Material for Net Zero Steel, December 2023

4. UK Steel, Election Manifesto, June 2024

Beyond 2026, following the expected expiration of the measures, the UK will need to consider a holistic approach to addressing overcapacity, supporting its own markets and ensuring a competitive landscape for UK steel producers. Policy areas, including public procurement of steel, have a role to play in this, but given the UK's anticipated move towards greener methods of steel production, it should also consider measures with respect to countries with lower environmental standards.

**The UK must be ready to take a stronger stance on trade remedies, making them more accessible to industry, developing a clear position towards countries with significant excess capacity and forming alliances with like-minded countries to address the existing challenges in the steel sector.**

## INCREASE UK STEEL IN PUBLIC PROCUREMENT

Progress has been made on an updated Procurement Policy Note (PPN) on steel which outlines a new contractual requirement for all those purchasing steel for public projects to record and report on its country of origin.

This will help both UK Government and industry gain a clearer picture of where steel is 'melted and poured'. The UK and Welsh Governments have an opportunity to work with and support the steel industry by setting clear, indicative targets for domestically produced steel to be utilised in public projects. There is also an opportunity to incentivise the private sector to support domestic manufacturing supply chains – benefitting business and communities, whilst encouraging the use of UK-made steel.

Consideration should be given to the US, where robust policies such as the Build America, Buy America drive the purchase of US-made steel, whilst the Inflation Reduction Act provides tax incentives to companies sourcing from domestic manufacturing supply chains.

**The UK Government should look to set hard targets for domestically made steel in public projects and, where possible, incentivise the private sector to source from domestic manufacturing supply chains.**

## PUT UK STEEL AT THE HEART OF THE GREEN ECONOMY

Research by Tata Steel has found that the UK will need to produce 10 million tonnes of steel to become energy self-sufficient.

Without an indigenous supply of steel, the UK will continue to be reliant on steel imports for renewable energy projects, leaving us at the will of global political events and market forces. If the UK is to mitigate delivery risks for infrastructure projects, then local, sustainable and resilient supply chains must be developed.

Tata Steel UK is excited by the opportunities a decarbonised steel industry can play in the future of UK renewable energy – notably, the possibilities for floating offshore wind in the Celtic Sea.

Steel is one of the world's most highly recyclable products, making it the most sustainable solution for floating offshore wind. The Company's vision is one where green steel is produced in Port Talbot, utilising UK scrap steel material and producing the structures for floating offshore wind. Those structures are constructed on site before being deployed via ABP's Celtic Freeport. Following the end of the structure's life cycle, they are brought back to land and recycled in the steelworks – a circular, green steel economy, creating hundreds of jobs, benefitting the local community and producing sustainable, green energy.

More widely, as the UK increasingly looks to renewable forms of energy, Tata Steel UK's product range can serve the necessary growth in solar, nuclear and Small Modular Reactors, tidal and on and off-shore wind. If it is not made of steel, it is made with steel.

**It is vital that locally produced steel and local supply chains are utilised in the manufacturing, construction and deployment of major infrastructure projects, including floating offshore in the Celtic Sea – supporting the local economy and ensuring South Wales is at the heart of Wales and the UK's green energy revolution.**

## FAQS

**Q. Does the general election impact your transition and decarbonisation plans?**

A: Neither the general election nor its outcome has any impact on the timings of our decision to proceed with the winding down of our heavy-end operations by the end of 2024.

Tata Steel is deeply concerned that political uncertainty around future government investment in South Wales will put the long-term future of steelmaking at Port Talbot at significant risk.

The existing steelmaking assets are near the end of their life, unstable, and causing unsustainable losses of £1million a day.

The Company's £1.25bn plan for a new electric arc furnace would be the largest investment in this country's steel industry in decades and would secure the future of UK steelmaking.

It is also necessary to protect 5,000 jobs in Tata Steel sites and thousands more in the existing supply chain and would reduce the UK's carbon emissions by five million tonnes a year.

**Q. The job losses you have announced will have a devastating impact on Port Talbot and any other areas affected. How can you justify such proposals?**

A: After nine months of formal and informal national-level discussions with the UK trade unions, Tata Steel has concluded it will proceed with its £1.25 billion investment to build a state-of-the-art electric arc furnace in Port Talbot and commence closure of the existing heavy-end assets.

The multi-union proposal to maintain one blast furnace through the transition would have incurred at least £1.6 billion of additional costs, created significant operational and safety risks, and threatened the business's future continuity.

Tata Steel UK understands the impact the plan will have on many of its employees, their families, the community, and the wider supply chain. That is why it has put forward the most generous employee redundancy package in the Company's history. This is in addition to the £20 million Tata Steel has committed to the Transition Board as part of a £100 million fund to support those impacted and the wider community.

The Business recognises this is a challenging period of change for its people and is doing its utmost to support them. The company is committed to supporting all those impacted by the transformation through appropriate enhanced redundancy terms, skills training, community-support programmes and job-seeker initiatives.

**Q. Is steel made from EAFs an equal replacement for 'virgin'/ primary steel? Does the UK leave itself vulnerable by abandoning its 'virgin'/ primary steel capacity?**

A: When iron-making furnaces were first built in Port Talbot, they were supplied with locally produced iron ore and coal. Making 'virgin'/ primary steel in Port Talbot means importing millions of tonnes of iron ore and coal from around the world to feed the blast furnaces. More than 90% of these raw materials are imported from a small number of suppliers in countries as far away as Japan, Brazil and Australia, leaving both Tata Steel and the industry more broadly exposed to global events and market forces.

In the coming years, the UK's abundant supply of steel scrap and increasing levels of renewable electricity will be able to feed and power Tata Steel's proposed electric arc furnace. This means the UK's domestic self-sufficiency would increase – from just 10% of UK-sourced raw materials today to about three-quarters with an electric arc furnace – making steel production more resilient to adverse global events and supply chain risks.

The resilience and sovereignty of the overall UK steel industry would also be significantly enhanced through this transition. Tata Steel UK plans to make good use of the country's strong scrap supply resources, align with the country's renewable energy ambitions and position the Company at the forefront of the global supply of green steel from a globally competitive UK industry.

Tata Steel has also made clear that, with the right investment and policy environment, it is open to further investment, such as in a direct reduced iron (DRI) plant. The Business would look at the case for a potential DRI plant in the UK if the business conditions are right and, if in future, the Government supported further investment.

**Q. Could the company wait for a possible Labour government who would invest more via its £3 billion green steel fund?**

A: It's important to recognise that Tata Steel UK is losing more than £1million a day, so there's an urgent need to ensure the Business is operationally and financially sustainable.

Governments can support investment in new technology, but they are not allowed under state aid rules to cover steel companies' financial losses. That means any financial losses have to be paid by Tata Steel, which is now unaffordable.

**Q. Is EAF-produced steel a lower quality than blast furnace-produced steel? Won't this mean that Tata Steel UK will not be able to make the same products for customers?**

A: EAF technology can already make 90% of the grades of steel which blast furnaces can. Adding an iron source to the scrap in the EAF – i.e. direct reduced iron, hot briquetted iron or pig iron – would enable Tata Steel UK to manufacture the most demanding steel products for customers.

The United States has arguably led the way in developing ways to produce more complex grades of steel using EAFs so they can be used in some of the most demanding end uses, including in the automotive industry. Automotive and packaging companies are already buying flat steel products made in electric arc furnaces. With additional R&D, supply chain collaboration, and development of the UK's scrap supply chain, Tata Steel firmly believes it will be able to supply the full order book by the time the proposed electric arc furnace comes online.

**Q. When will electric arc furnace technology be operational at Port Talbot and how much steel will it produce?**

A: The agreement with UK Government is subject to the finalisation of terms, due diligence, requisite approvals, and employee consultations, all of which will be undertaken in the coming months. Following this, electric arc furnace steelmaking would be operational at Port Talbot within 36 months of the receipt of relevant regulatory and planning approvals. The capacity of the new electric arc furnace would be 3.2 million tonnes, similar to the output from the Port Talbot steelworks today.

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