



DEBATE PACK

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Future of the UK Steel Industry

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Summary

This debate pack has been prepared ahead of the debate on the Future of the UK Steel Industry, to be held in Westminster Hall on Tuesday 9 July 2019 at 4.30pm. The debate will be led by [Nic Dakin](#) MP.

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

1. UK Steel Industry

1.1 Government support for the UK Steel Industry

An overview of government policy initiatives up until 2018 supporting the UK steel industry can be found in section 6 of the Commons briefing paper, [the UK steel industry: statistics and policy](#).

Since 2016, there have been various policies which support the UK steel industry.

- The UK, Scottish, and Welsh governments have all produced procurement guidance documents to create opportunities for UK steel producers to supply construction and infrastructure projects.¹
- [The Steel Procurement Pipeline](#) (which shows future steel requirements for national infrastructure projects) shows the government is using a minimum of three million tonnes of steel over the next decade, which equates to a value of around £2.5billion.²
- The Department for Business, Energy, and Industrial Strategy (BEIS) commissioned independent research which identified future domestic market opportunities for the UK steel sector worth over £3.8 billion a year. The government are actively encouraging the sector to come forward with plans for these opportunities.³
- The Government has provided the steel sector with over £291 million of compensation since 2013 in order to make energy costs more competitive (accurate at 31/05/19).⁴
- The Government has announced an Industrial Energy Transformation Fund backed by up to £315m of investment, to help businesses with high energy use cut their bills through increased energy efficiency, and transition UK industry to a low carbon future.⁵
- The Minister for BEIS also said:

The steel sector is actively engaged with UK Research and Innovation in shaping the Industrial Strategy Challenge Fund: we are providing up to £66m for the 'Transforming Foundation Industries Challenge', subject to industry co-funding. In addition, up to a further £170 million has been provided to develop a 'net-zero carbon' industrial cluster, that will help heavy industries – including steel – to share expertise, and innovate low-carbon solutions as we move to a greener, cleaner economy.⁶

¹ **UK:** [Procurement policy note](#), 12 December 2016

Wales: [Procurement Advice Note \(PAN\)](#), January 2018

Scotland: [Sustainable procurement of steel](#), 26 February 2016

² [Positive Procurement of Steel](#), 2019, p3

³ [Written Question- 239885](#) [on Iron and Steel: Manufacturing Industries], 9 April 2019,

⁴ [Written Question 261198](#) [on Iron and Steel: Manufacturing Industries], 6 June 2019,

⁵ [Written Question- 239885](#) [on Iron and Steel: Manufacturing Industries], 9 April 2019,

⁶ [Written Question- 239885](#) [on Iron and Steel: Manufacturing Industries], 9 April 2019,

- Increasing investment in R&D was one of the key recommendations in the [2017 Future capacities and capabilities of the UK steel industry study](#).⁷
- The Government states that:
 [The ratified Withdrawal Agreement] would ensure that UK entities' right to participate in the Research Fund for Coal and Steel (RFCS) would be unaffected by the UK's withdrawal from the EU until the end of 2020... In the event the UK leaves the EU without an overall withdrawal agreement, the Government will guarantee the payment of awards for UK organisations which successfully bid directly to EU programmes, including RFCS, until the end of 2020, for the whole lifetime of projects agreed.⁸

2. State aid

2.1 What is state aid?

EU Member States sometimes use public resources to intervene in their national economies by assisting companies or industries. This type of aid can range from a government tax relief schemes to direct grants, loans and more.

The EU Treaty contains a general prohibition of state aid because state aid can distort trade and competition between firms, discourage investment and increase costs to consumers.

However, certain policy objectives such as research and development, environmental protection or employee training justify state support to companies. Specifically, targeted aid to companies in various sectors is considered compatible with the internal market, provided it complies with EU state aid regulations. More impactful support measures can go ahead only after the European Commission has approved them.

There is generally no state aid if a government gets involved on strictly commercial terms, for example by investing or providing loans against market rates which would be acceptable to a private operator.

The UK government is setting up an independent UK-wide state aid regime which will largely replicate the current EU rules and would be ready by the day the UK leaves the EU.

More information is available in the Commons Briefing Paper [EU State Aid rules and WTO Subsidies Agreement](#) of 12 June 2019.

2.2 EU law on state support to steel industry

EU general state aid rules apply to the steel sector the same as to other industries but restrictions are more rigorous. In general, EU State aid rules allow support for the benefit of the long-term competitiveness and efficiency of steel manufacturing. But direct government intervention to

⁷ [The Government's 2017 future capacities and capabilities of the UK steel industry](#), 15 December 2017

⁸ [Written Question- 257087](#) [on research fund for coal and steel], 4 June 2019

support manufacturers in difficulties or rescue plants and jobs is seen as particularly distortive.

The following types of aid are prohibited for the steel sector:

- [Rescue and Restructuring aid for companies in difficulty](#) (the exclusion of steel sector is covered by Article 2.1 of these Guidelines).
- [Regional aid](#). No support is allowed for investment in steel industry in disadvantaged regions of the EU.

Other types of aid targeted at sustainability and the use of innovative technologies in the industry are possible. This could include for example training & employment support, aid to increase environmental protection and R&D.

Further, steel producers are allowed to receive [support](#) that helps them meet their obligations under the EU Emissions Trading System (ETS).⁹

The EU policy framework is set out in the Commission's [Action Plan for a competitive and sustainable steel industry in Europe](#), COM(2013) 407.

2.3 Government aid to British Steel

The government has stated that any form of government support would have to comply with state aid rules:

Any support for any business in the steel sector has to be commercial, to fulfil state aid rules. Whatever support is provided to any steel company has to stack up on that basis. However this is done, and whether we take a stake in the company or not, this has to be done on a commercial basis.¹⁰

The government has entered a commercial agreement with British Steel on 24 April, valued at £120 million, relating to the company's obligations under the EU emissions trading system. The effect of this agreement is that

the Government purchased the necessary emissions allowances on behalf of the company. In return, under a deed of forfeiture, the company's 2019 allowances will be assigned to the Government once issued, and the proceeds from selling these will ensure the taxpayer is reimbursed in full, along with a commercial rate of interest.¹¹

⁹ Joachim Lücking, European Commission, [EU State aid rules for the steel sector](#), May 2015, p9

¹⁰ [HC Deb \[British Steel\] 21 May 2019](#), c621

¹¹ [Letter](#) from Rt Hon Greg Clark MP, Secretary of State for Business, Energy & Industrial Strategy to Nicky Morgan MP, Chair of the Treasury Select Committee, 1 May 2019. More detail in [Letter](#) of Accounting Officer of BEIS to Chair of Public accounts Committee and Comptroller & Auditor General, 1 May 2019

3. Press Articles

[EU's rising carbon prices fuels industrial output exodus fears](#)

Benjamin Jones, *Financial Times* [requires subscription], 4 July 2019

[Rotherham business "a beacon to the wider UK steel industry"](#)

Tom Austen, *Rotherham Business News*, 3 July 2019

[Opening Quote: Bids in for British Steel](#)

Cat Rutter Pooley, *Financial Times* [requires subscription], 1 July 2019

[Scunthorpe is the litmus test of the Tory leadership battle - and it's playing out right now](#)

Julian Allwood, *City A.M.*, 1 July 2019

[Network Rail bids for parts of British Steel](#)

Jasper Jolly, *The Guardian*, 30 June 2019

[Trustees plot £10.5bn buyout of vast British Steel pension scheme](#)

Mark Kleinman, *Sky News*, 29 June 2019

[Council promises cross-party action to help save British Steel; politicians to unite to secure plant's future](#)

Paige Freshwater, *Scunthorpe Telegraph*, 27 June 2019

[EUROPEAN STEEL DAY 2019: UK steel industry 'likely to be obliterated' by no-deal Brexit](#)

Viral Shah, *Fastmarkets Metal Bulletin*, 27 June 2019

[£100 million milestone for UK Steel Enterprise](#)

Evening Gazette, 25 June 2019

[British Steel bidder loses interest as UK fails to offer support](#)

Rob Davies, *The Guardian*, 22 June 2019

[Mayor assures steel apprentices they have future](#)

Mike Brown, *Evening Gazette*, 20 June 2019

[British Steel collapse prompts parliamentary inquiry](#)

BBC, 8 June 2019

[Brexit party plans 'John Lewis-style' rescue of British Steel](#)

Helen Pidd. *The Guardian*, 4 June 2019

[Ministers must put British Steel nationalisation on the table, says Unite](#)

Unite the Union, 21 May 2019

[Government and manufacturers urged to back UK steel charter to boost jobs and industry](#)

Unite the Union, 20 May 2019

[Sanjeev Gupta and the rebirth of the UK steel industry](#)

Nick Peters, *The Manufacturer*, 28 February 2019

[Steelmaking shows its mettle after years of decline](#)

Michael Pooler, *Financial Times* [requires subscription], 19 February 2018

[£35m research network to SUSTAIN UK steel industry](#)

Jonny Williamson, *The Manufacturer*, 12 February 2019

UK Steel response to recent media stories, 15 May 2019

Whilst Brexit is presenting some significant challenges, the UK steel industry as a whole remains robust and competitive, despite global overcapacity and an uncompetitive UK policy landscape.¹²

¹² UK Steel, [Commenting on recent media stories regarding the UK steel industry](#), 15 May 2019

4. Press releases and reports

[Preparing for Brexit](#), *UK Steel*, 20 June 2019

UK Steel have updated their 'Preparing for Brexit' document, with four Brexit scenarios:

- A Customs Union
- A Free Trade Agreement (FTA)
- Single Market Membership and an FTA
- No Deal Brexit.¹³

[Business secretary chairs British Steel support group and visits company in the steel supply chain](#)

Department for Business, Energy, and Industrial Strategy, 3 June 2019

[Allowing British Steel collapse would lead to £2.8 billion in lost wages and badly damage UK economy, warns IPPR](#)

Carys Roberts, David Wastell, *Institute for Public Policy Research (IPPR)*, 21 May 2019

[BEIS to sign Steel Charter](#), *UK Steel*, 20 May 2019

[Nearly half of government procured steel from the UK](#), *UK Steel*, 22 January 2019

[UK Steel Charter](#), *UK Steel*, 18 April 2018

[The Charter is] closely aligned with the UK Government's Industrial Strategy agenda, building on pre-existing government policy to back the steel industry and providing organisations with a range of [...] steps they can take to back the steel industry.¹⁴

Procurement guidance documents on the creation of opportunities for UK steel producers to supply construction and infrastructure projects:

- [Welsh Government procurement advice note \(PAN\)](#), January 2018
- [UK Government procurement policy note](#), 12 December 2016
Updated: 18 December 2017
- [Scottish Government sustainable procurement of steel](#), 26 February 2016

¹³ UK Steel, [Preparing for Brexit](#), 20 June 2019

¹⁴ [UK Steel Charter](#), 18 April 2018

[Future capacities and capabilities of the UK steel industry](#), *Department for Business, Energy and Industrial Strategy (BEIS)*, 15 December 2017

[The Steel Procurement Pipeline](#), *Department for Business, Energy and Industrial Strategy (BEIS)*, 15 December 2017

Information on the steel requirements of the UK government over the next 10 years.

5. Parliamentary material

5.1 Written questions

[Treasury: Iron and Steel: Written question - 271384](#)

Grouped question: [270375](#)

Asked by: [Nic Dakin](#) (Scunthorpe), 1 July 2019

To ask the Chancellor of the Exchequer, whether officials in his Department have had discussions with officials in the Department for Business, Energy and Industrial Strategy on the UK Steel charter.

Answered by: [Robert Jenrick](#), 3 July 2019

Treasury

We have discussed the procurement of steel with the Department for Business, Energy and Industrial Strategy, which has asked all government departments to consider guidance on steel procurement and to notify of any upcoming opportunities for industry.

More broadly, the government is committed to supporting the steel sector to realise the broader commercial opportunities that are open to it. The Chancellor announced at the last Budget that we are establishing the Industrial Energy Transformation Fund – backed by up to £315 million of investment – to help businesses with high energy use (including steel companies) to cut their bills and transition UK industry to a low carbon future. We are also providing up to £66m through the Industrial Strategy Challenge Fund to help steel and other foundation industries develop radical new technologies.

[Iron and Steel: Manufacturing Industries: Written question - 261198](#)

Asked by: [Nic Dakin](#) (Scunthorpe), 6 June 2019

To ask the Secretary of State for Business, Energy and Industrial Strategy, what assessment he has made of the effect of high electricity prices on the resilience of the UK steel industry.

Answered by: [Chris Skidmore](#), 19 June 2019

Department for Business, Energy, and Industrial Strategy

Between 2005 and 2010, industrial electricity prices rose by 64 per cent. Including taxes, industrial electricity prices rose from 4.77 pence per kWh in 2005 to 7.84 pence per kWh in 2010 while between 2010 and 2017, industrial electricity prices (including taxes) have risen from 7.84 to 9.79 pence per kWh.

The steel sector has received more than £291 million in compensation since 2013 to make energy costs more competitive [accurate as at 31/05/19], including over £53 million during 2018. Last year we announced the Industrial Energy Transformation Fund worth up to £315

million to support businesses with high energy use to transition to a low carbon future and to cut their bills through increased energy efficiency.

[Iron and Steel: Recycling: Written question - 259037](#)

Asked by: [Paul Farrelly](#) (Newcastle-under-Lyme), 3 June 2019

To ask the Secretary of State for Business, Energy and Industrial Strategy, what assessment he has made of the potential merits of creating a more sustainable steel industry with a focus on recycling steel.

Answered by: [Andrew Stephenson](#), 11 June 2019

Department for Business, Energy, and Industrial Strategy

We are working with the sector, the unions and devolved administrations to support the UK steel industry to develop a long-term sustainable solution for the UK steel industry. The Department commissioned independent research to identify high value opportunities for UK steel, worth up to £3.8 billion a year by 2030.

In the 2018 Budget, my rt. hon. Friend Mr Chancellor of the Exchequer announced an Industrial Energy Transformation Fund with investment of £315 million to help businesses with high energy use to cut their bills and transition UK industry to a low carbon future. Through the Industrial Strategy Challenge Fund, we are also providing up to £66 million, subject to industry co-funding, to transform foundation industries which includes steel, to develop radical new technologies and establish innovation centres of excellence in these sectors.

[British Steel: Loans: Written question - 264789](#)

Asked by: [Dr Rupa Huq](#) (Ealing Central and Acton), 14 June 2019

To ask the Chancellor of the Exchequer, what recent assessment he has made of the effect of the £120 million Government loan to British Steel in May 2019 on that company's viability; and what assessment he has made of the role of Greypull Capital in that company's insolvency.

Answered by: [Elizabeth Truss](#), 20 June 2019

Treasury

As the Secretary of State for BEIS set out in his statement to the House on 1 May, the government entered into a commercial agreement with British Steel on 23 April, which provided a short term bridge facility valued at around £120 million. This ensured the company met its obligations under the EU Emissions Trading Scheme for the 2018 scheme year.

Following the recent insolvency of British Steel, the government has indemnified the Official Receiver to carry out its statutory duties as liquidator. The Official Receiver is required by law to investigate the reasons for the failure of any company that enters compulsory liquidation.

[Iron and Steel: Manufacturing Industries: Written question - 261200](#)

Asked by [Nic Dakin](#) (Scunthorpe), 6 June 2019

To ask the Secretary of State for Business, Energy and Industrial Strategy, if the Government will commit to providing competitive power prices for the steel sector.

Answered by: [Chris Skidmore](#), 19 June 2019

Department for Business, Energy, and Industrial Strategy

Between 2005 and 2010, industrial electricity prices rose by 64 per cent. Including taxes, industrial electricity prices rose from 4.77 pence per kWh in 2005 to 7.84 pence per kWh in 2010 while between 2010 and 2017, industrial electricity prices (including taxes) have risen from 7.84 to 9.79 pence per kWh.

The steel sector has received more than £291 million in compensation since 2013 to make energy costs more competitive [accurate as at 31/05/19], including over £53 million during 2018. Last year we announced the Industrial Energy Transformation Fund worth up to £315 million to support businesses with high energy use to transition to a low carbon future and to cut their bills through increased energy efficiency.

[Research Fund for Coal and Steel: Written question - 257087, Named Day](#)

Asked by [Marion Fellows](#) (Motherwell and Wishaw), 21 May 2019

To ask the Secretary of State for Business, Energy and Industrial Strategy, if he will ring-fence for the steel sector the UK's €250 million share of the Research Fund for Coal and Steel returned due to the UK leaving the EU.

Answered by: [Andrew Stephenson](#), 4 June 2019

Department for Business, Energy, and Industrial Strategy

The UK Government is committed to ensuring that UK and EU researchers, universities and businesses in the steel sector will be able to continue to collaborate after the UK leaves the European Union.

The Government's priority remains ensuring the Withdrawal Agreement (WA) is ratified. This would ensure that UK entities' right to participate in the Research Fund for Coal and Steel (RFCS) would be unaffected by the UK's withdrawal from the EU until the end of 2020: the WA envisages that UK participants will be eligible to bid for RFCS funding until that date.

In the event the UK leaves the EU without an overall withdrawal agreement, the Government will guarantee the payment of awards for UK organisations which successfully bid directly to EU programmes, including RFCS, until the end of 2020, for the whole lifetime of projects agreed.

Beyond 2020, the UK government is considering options for supporting R&D in steel and will continue to work with the sector, unions and Devolved Administrations to develop a long-term viable solution for the UK steel industry.

The Government will decide on science and innovation expenditure, including on R&D for steel, in the next Spending Review. Science and innovation have been made a priority by the UK Government and is at the heart of the Department's Industrial Strategy, in recognition of the strong economic benefits of public investment in science and innovation and its capacity to leverage private investment.

5.2 Written statements

[HCWS1585](#)- Departmental contingent liability notification

Made by [Greg Clark](#) MP, 23 May 2019

Department for Business, Energy, and Industrial Strategy

Today I lay before Parliament a Departmental Minute describing a contingent liability arising from an indemnity for the Official Receiver acting in the insolvency of British Steel Limited.

It is normal practice when a Government Department proposes to undertake a contingent liability of £300,000 and above, for which there is no specific statutory authority, for the Department concerned to present Parliament with a Minute, giving details of the liability created and explaining the circumstances.

British Steel Limited entered into liquidation on 22 May 2019. The Official Receiver has been appointed as liquidator and the Department for Business, Energy and Industrial Strategy has provided him with an indemnity in respect of:

- carrying out the proper performance of the Official Receiver's duties as liquidator of the Company; and
- maintaining, securing and funding the ongoing operation of the Company's undertaking, and distributing the assets of the Company in the ordinary course of the Official Receiver's duties as liquidator of the Company.

It has not been possible to observe the usual waiting period for this contingent liability, since it only materialised when the Company entered into liquidation yesterday morning.

HM Treasury has approved the proposal in principle.

5.3 Debates

[British Steel](#)

HC Deb 21 May 2019 cc618- 627

[Defence: British Steel](#)

HL Deb 30 April 2019 cc854- 5

[EU Referendum: UK Steel Industry](#)

HC Deb 13 July 2016 cc106WH-130WH

[Steel Industry](#)

HC Deb 11 May 2016 cc131WH- 340WH

[UK Steel Industry](#)

HC Deb 12 April 2016 cc188- 239

[Tata and the UK Steel Industry](#)

HC Deb 11 April 2016 cc93- 4

[UK Steel Industry](#)

29 February 2016 cc736- 739

[UK Steel Industry](#)

HC Deb Backbench business, 21 January 2016

6. Further reading

[UK Steel Sites and Statistics](#), 2nd Ed.

UK Steel, May 2018

[UK steel industry: statistics and policy](#).

House of Commons Library, 2 January 2018

[UK Steel: Decades of decline](#)

House of Commons Library insight, 18 December 2017

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