



The Future of Welsh Steel

20/11/2024

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1. Introduction

This paper provides further evidence for the Economy, Trade & Rural Affairs Committee's Inquiry into the Future of Welsh Steel.

2. Steel in Wales

The last twelve months have been a difficult period for the Welsh steel sector.

Tata Steel UK (TSUK) has now moved away from blast furnace steel production and is in the process of transitioning to electric arc furnace steelmaking, a process that will take three years. The transition will provide environmental benefits but will cost many jobs both directly and throughout TSUK's supply chain.

The Spanish ownership of Celsa Steel was taken over by its investment fund main creditors. The new ownership is working on restructuring the business and we are waiting to see what impact, if any, this will have on the Cardiff Celsa site.

Liberty Steel is currently looking to sell its facility in Tredegar.

3. Tata Steel UK (TSUK)

Negotiations over the future of TSUK have now concluded and the future path for the Company is set on a course of transition from blast furnace steel production to electric arc furnace steelmaking.

TSUK has put in place a voluntary redundancy scheme which it says is the most generous the company has ever offered. The Company is looking to minimise compulsory redundancies and for those at risk of compulsory redundancy, it has established the option to join a training programme. This will be for up to twelve months and tailored to individuals to gain recognised qualifications to support their redeployment into new jobs.

Along with our Transition Board partners, we are continuing to provide support to those impacted by the transition. Supporting the bridge between redundancy and new opportunities will be important and something the Transition Board is fully cognisant of. Courses are already underway to provide TSUK workers with recognised accreditation for the prior learning and skills they hold.

More than 50 businesses and organisations have signed pledges of support guaranteeing job interviews for those affected by the transition. There will be opportunities to work on the reconstruction of the steelworks site as it transitions from blast furnace to electric arc furnace (EAF) technology, as well as for the construction of the new EAF.

4. Welsh Government Support

The Welsh Government has made available support through its employability and upskilling programmes, ReAct+ and Communities for Work+, which can provide support for training and mentoring to TSUK and its supply chain for employees who wish to remain in the labour market.

The Welsh Government is committing approximately £25 million on ReAct and Communities for Work:

Between 01 April and 31 July 2024, a £2m Personal Learning Account (PLA) Tata targeted intervention pilot was implemented to provide swift support for Tata and supply chain employees. Initial data shows that the PLA Pilot for Tata intervention has enabled 716 employees at Tata and its supply chain to engage in 1,005 re-skilling or upskilling programmes. Learners have undertaken learning opportunities in logistics, construction, engineering, digital and project management.

For the 2024-25 academic year, the PLA Tata targeted intervention will continue as part of the larger part-time mainstream provision funding and as of 01 August 2024 responsibility for delivering PLAs has moved to Medr.

Working with Neath Port Talbot Council (NPTC), Business Wales is playing a key role to support the delivery of the Transition Board funded Supply Chain Flexible Fund, by providing dedicated advisors and expertise to support supply chain companies, who can undertake a detailed diagnostic and action plan with eligible companies.

Business Wales also provide support for individuals facing redundancy should they wish to consider self-employment or start their own business and can provide information, advice and guidance on starting a business, as well as accessing business finance. Any business or individual affected is encouraged to contact the Business Wales helpline.

The Development Bank of Wales gives businesses in Wales a valuable support mechanism in critical periods of economic uncertainty. This is particularly relevant to businesses within TSUK's supply chain impacted by the transition.

5. Wellbeing and Mental Health Support

The Welsh Government and our partners on the Tata Transition Board are very mindful of the impact redundancies have not only on the employees affected, but on their families, and the importance of support being available to deal with the stresses caused by these situations.

The Transition Board has agreed five priority areas for support: Job Matching, Skills and Employability; a Supply Chain Transition Fund; a Business Growth and Start Up Fund; support for mental health and wellbeing; and regeneration projects.

The Board has brought all our support mechanisms together, including those provided by community groups to provide a holistic approach to helping those workers, their families and the wider communities impacted by Tata's proposed transition.

A webpage is available on the NPTC website Tata Steel Transition Information Hub - Neath Port Talbot Council (npt.gov.uk) which provides a one-stop-shop single point of contact for everyone seeking help and advice. The webpage signposts links for both individuals and businesses to all available support including support for mental health and wellbeing through Local Health Boards.

Swansea Bay University Health Board is engaged in the transition arrangements to ensure those affected know what support is available and how to access it. This information is included on the online Hub developed to make it easier to find and access support. This includes easy to access mental health support that doesn't need a referral from a health professional – for instance the CALL helpline, online Cognitive Behavioural Therapy and 111 press 2 for mental health.

A Community Relations and Well-being Group has been set up which meets fortnightly to enable any themes to be discussed and acted upon appropriately. This includes looking at the demand/need for mental health support.

Public Health Wales is also undertaking work to inform future needs to inform longer term service planning.

Working with the Transition Board, the Welsh Government will continue to do all it can to support and mitigate the impact on those workers, businesses, and communities directly affected by the transition.

6. Opportunities and challenges

Steel continues to be a vital material for now and the future globally. Construction, automotive, infrastructure, renewables, all rely on steel. Steel will be at the centre of our net zero transition, helping to support the development of new industries as well as supplying our current manufacturing base.

7. The UK Steel Strategy

The UK Government announced its intention to develop a Steel Strategy by the spring of next year and we look forward to working closely with them on its development to ensure all Welsh based steel companies are considered.

8. The National Wealth Fund (NWF)

The Welsh Government welcomes the creation of the NWF, and the additional capitalisation that the UK Infrastructure Bank will receive. Additional public funding can and should act as a catalyst for significant private investment in a wide range of sectors, and in all regions and nations.

The UK Government has earmarked £2.5bn for steel within the NWF. It is critical that Welsh based steel companies benefit from the fund through capital investments that can secure the future of the industry and create meaningful jobs.

9. Energy prices

UK energy prices are regarded as a barrier to growth and competitiveness for our energy intensive industries such as steel. Paying higher charges for energy than our overseas competitors does not allow our steel industry to compete on a level playing field. Calculations by UK Steel show our steel sector is paying up to £22 per megawatt-hour (MWh) more in 2024 for electricity than its French and German competitors. We will continue to engage with the UK Government on the cost of energy.

10. Scrap metal

Scrap metal is fast becoming a strategic raw material. With steel companies across Europe moving towards greener steelmaking through furnaces that are being fed by scrap metal instead of virgin iron ore, the demand for scrap is on the rise.

Celsa currently has a demand for scrap metal for its EAF and TSUK once transitioned will also require scrap metal for theirs. British Steel is also contemplating moving to EAF and this will be a further pull on our domestic scrap.

Tata has stated the change to electric arc steelmaking using UK generated scrap will reduce the UK's industrial carbon emissions by 8% (and Port Talbot's by 90%), setting a benchmark in circularity while responding to demands by industrial customers for green steel.

According to UK Steel, the UK, unlike many other parts of Europe, has a surplus of scrap metal. We produce in the region of 10-11mt of scrap steel each year and export 80% of it. The transition to low-carbon steelmaking will require significant levels of high-quality domestic steel scrap to be retained within the UK. Longer term, scrap availability will be a significant constraint.

The recycling of steel scrap is currently inhibited by low quality of end-of-life scrap and lack of scrap enhancement capabilities to address contamination.

Governments and the steel and recycled metals industry together will need to identify a mutually beneficial way to turn what is now an export business into one that primarily services our domestic market, to ensure the availability of a strategic asset for our steel sector.

The Welsh Government will increase our engagement with the steel industry, scrap supply chain and other key stakeholders such as Swansea University to understand the barriers to improving the supply of quality scrap.

11. Procurement

We continue to embed best practice in procurement wherever possible. Officials are undertaking work on the Welsh Government's position and alignment with the UKGs Procurement Policy Note, 'PPN 04/23: Procuring Steel in Government Contracts'.

Our Welsh Procurement Policy Note (WPPN) 'Sourcing steel in major construction and infrastructure projects in Wales' has been strengthened to further align with the UK Steel Charter, by encouraging projects in Wales to source and benefit from high quality British steel wherever it is legally compliant to do so. The WPPN is supported by the 2015 Wellbeing of Future Generations Act (Wales) well-being goals. The WPPN sets out Pre-Procurement Planning for Welsh Public Sector (WPS) bodies within scope of the WPPN. All WPS bodies are encouraged to consider how and when steel inputs will be procured through the supply chain.

The Procurement Act 2023 will support the sourcing of steel in major construction and infrastructure projects in Wales through assessing tenders in a different way, i.e. procurers will no longer have to assess them on the basis of Most Economically Advantageous Tender but Most Advantageous Tender, thereby removing the 'economic' criteria. While cost to the public purse is important, unfairly undercutting domestic steel suppliers may result in job losses with significant economic and social impacts on affected communities.

The Act will require certain opportunities to be published via pipeline notices. This will provide suppliers with a better understanding of future steel demand, which will allow the steel sector to better prepare and cater for future needs by ensuring that the right capabilities are in place. Also, WPS bodies will be asked to consider their design options and their implications for steel requirements, identifying specific steel products and volumes that will be required against the potential to source these from within the UK as well as holding 'meet the buyer' type events with industry to discuss their steel requirements.