

UK STEEL

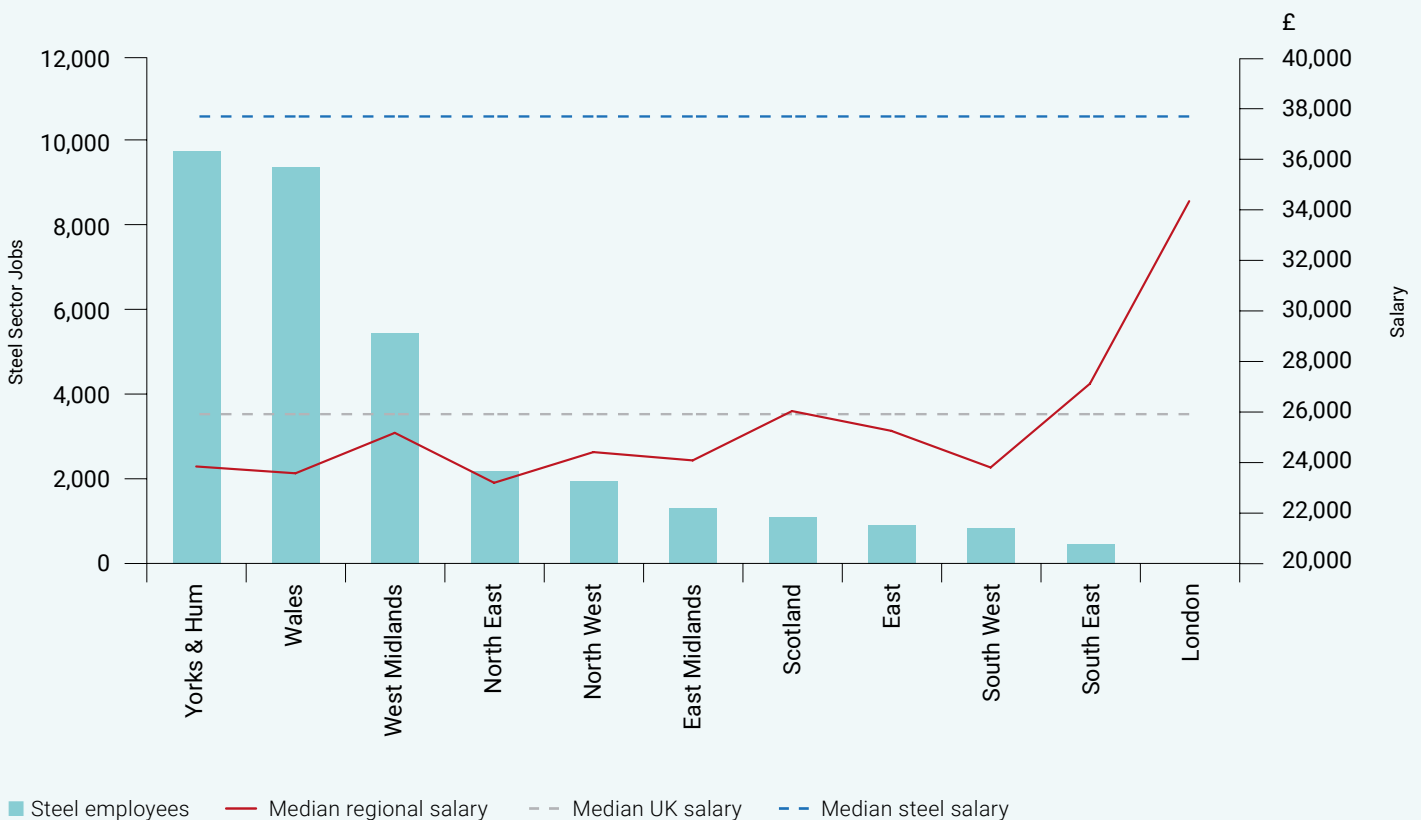
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**THE FUTURE
OF UK STEEL:
FIVE STEEL SECTOR
PRIORITIES FOR A
NEW GOVERNMENT**

THE UK STEEL SECTOR:

- Produces 7.2 million tonnes of crude steel a year, around 70% of the UK’s annual requirement¹
- Employs 34,500 people directly in the UK and supports a further 43,000 in supply chains²
- Pays a median steel sector salary of £37,629. This is 45% higher than the UK national median and 59% higher than the regional median in Wales, Yorkshire, and Humberside, where our jobs are concentrated³
- Makes a £2.4 billion direct contribution to UK GDP and supports a further £3.1 billion in supply chains⁴
- Makes a £2.4 billion direct contribution to the UK’s balance of trade⁵

GEOGRAPHICAL DISTRIBUTION OF JOBS IN THE STEEL SECTOR AND COMPARISON WITH REGIONAL PAY AVERAGES:



Source: ONS Nomis Web, ONS Annual Survey of Hours and Earnings, UK Steel Analysis



UK STEEL IN USE

Steel is ubiquitous. Almost everything is either made from steel or made using steel. In the UK and across the globe, advanced steels manufactured in the UK form iconic buildings, enable the cars we drive, provide the track that supports our railways and are present in every civil aircraft in the sky today. The UK steel industry is a world class industry supporting world class manufacturing.



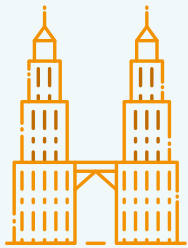
96%

of Network Rail's steel rail is sourced from Scunthorpe and it can also be found across Europe including in France, Germany and Italy

250,000



tonnes of steel made by Celsa Steel in Cardiff will support the building of Hinkley Point C Nuclear Power Station



Steel from British Steel can be found in buildings such as the Olympic Stadium, the Shard and the Petronas Towers in Kuala Lumpur



Liberty Speciality Steels made in Rotherham can be found in every Boeing and Airbus civil aircraft in production today



Tata Steel UK supply

OVER ONE THIRD

of UK auto steel requirements



Nearly all

1P, 2P, 5P & 10P UK COINS

in circulation originate from steel made in Port Talbot



Sheffield Forgemasters forms a vital part of the UK's defence supply chain and has been providing specialist forgings and castings to navies around the world for over 200 years



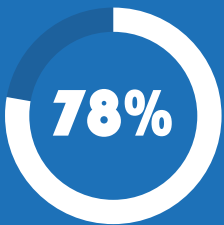
Stainless steels, made and invented in Sheffield, can be found in submarines and other seafaring craft around the world

WHY UK STEEL PRODUCTION MATTERS

1. UK STEEL PRODUCTION STRENGTHENS THE UK'S RESILIENCE

Domestic steel production is critical to ensuring resilient supply chains, helping ensure we can act independently as a sovereign nation. Steel is one of the most widely used materials in the world, essential to our construction and manufacturing industries, and the building blocks of our national infrastructure. Ongoing supply chain blockages, and the increasing market disruption caused by the war

in Ukraine, have demonstrated the fragility of global supply chains, the dangers of over-reliance on a small number of global suppliers, and the importance of strengthening and rebuilding local supply chains closer to home. Domestic steel production is a strategic asset that any modern industrial economy would be considerably poorer without.



of the UK public consider steel to be a strategically important good that should be produced here in the UK⁶

2. STEEL JOBS ARE INTEGRAL TO LEVELLING UP THE UK

The UK steel industry employs 34,500 people in the UK. These jobs are more than just employment statistics. The median wage in our sector is £37,629, 45% higher than the national median and 59% above the regional median in Wales, and Yorkshire & Humberside, where these jobs are concentrated. The high pay in our sector reflects the skilled nature of the jobs

we provide. Steel companies train hundreds of apprentices each year, employ thousands of graduates, fund and train tomorrow's material scientists, and contribute to the wealth of the UK's world-leading research and innovation. Steel sector employment is a major asset in efforts to level up the UK and create new economic opportunities across the regions.

3. A GROWING MARKET OPPORTUNITY

A BEIS study, 'Future capacities and capabilities of the UK steel industry' estimated the UK steel market to be worth £6 billion/year by 2030, up from £4 billion today. Capturing this new opportunity and replacing imports with more domestic supply could result in a 50% increase in the sector's contribution to the UK economy, expanding its gross value added from £2.4 billion/year today to £3.6 billion/year by the end of the decade.

Looking beyond the UK market, global steel demand is projected to increase by more than a third by 2050, providing a growing and valuable export market for UK producers and creating further economic growth for our country. Moreover, with the UK aiming to establish one of the world's first net-zero steel sectors and with global demand for net-zero steel set to balloon in the years ahead, the UK should be well placed to take advantage.

4. STEEL IS ESSENTIAL TO MEETING OUR ENVIRONMENTAL CHALLENGES

Steel is critical to our future net-zero economy, our wind turbines, our electric vehicles, our energy-efficient housing, and must be part of the answer to reducing the level of single-use plastics. Steel is cost-effective, endlessly recyclable, and incredibly versatile. However, UK steel consumption gives rise to an estimated 30 million tonnes of CO₂ each year, equivalent to 4% of the UK's total consumption-based emissions⁷. A responsible UK decarbonisation policy must take ownership not just of the emissions we produce within our borders but

also those related to goods we import. The only effective way to reduce these emissions is to support and invest in net-zero steel production here in the UK. The UK is well placed to do this, with expertise in electric arc furnace production, a prodigious domestic supply of scrap steel and access to carbon storage facilities in the North Sea. With the right government and industry partnership in place, we can deliver a modern, net-zero steel sector and reap the benefits of a new green industrial revolution.

5. STEEL PRODUCTION BOOSTS OUR INFRASTRUCTURE POTENTIAL

The use of domestically produced materials and products boost the economic contribution an infrastructure project can have for the UK economy. Central government projects will require 5.2 million tonnes of steel in the next five years⁸ for

everything from new nuclear plants, to offshore wind farms, to new hospitals and schools, and of course HS2. The use of UK-produced steel for these projects could boost the UK economy by as much as £4 billion and support 11,000 jobs in steel companies and their supply chains⁹, compared to a scenario in which we source all this steel from abroad.

FIVE STEEL SECTOR PRIORITIES FOR A NEW GOVERNMENT:

1. COMPETITIVE ELECTRICITY PRICES

UK steel producers have long suffered the competitive disadvantage of having the highest industrial electricity prices in Europe, and the current energy price crisis has hugely exacerbated this situation with steel companies this year estimated to pay 30% and 70% more than their German and French counterparts respectively. This disparity is not sustainable, resulting in an estimated £300 million additional production cost for UK producers this year. It has demonstrably deterred investment from current and potential new UK steel plants and is now acting as a major barrier to decarbonisation as all low-carbon steel technologies are extremely electricity intensive.

More urgently, UK power prices in recent months have risen to such an extent that UK steel producers are increasingly unable to produce steel at below market prices. The steel sector welcomes the initial steps the new government has taken to reduce business energy costs, but it is critical it now works with industry on what steps will be taken beyond this winter to ensure competitive prices for steelmakers as well as plans for fundamental reform of the wholesale market to deliver permanently lower prices.



of the UK public think that the government should intervene to provide competitively priced electricity to the UK steel industry.¹⁰

2. A UK NET-ZERO STEEL STRATEGY

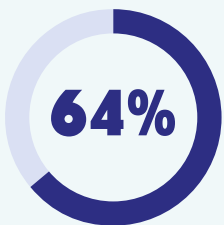
Decarbonising our economy requires vast quantities of steel for everything from wind turbines to electric cars, but it also means eliminating emissions from steel production. This will require significant changes to how we make steel in the UK, increasing production costs and requiring unprecedented levels of investment. Net-Zero steel will be the global standard in the long term, but most steel producers globally are not currently under demands to decarbonise. Being the first mover presents market opportunities, but also major challenges for UK producers. Government support will be required to

deliver this transition whilst ensuring UK steelmaking remains competitive. The new government should bring forward a Net Zero Steel Strategy to address these challenges, deliver private sector investment and create a market where Net Zero steel producers can secure a return on that capital. In the short-term it is vital we see immediate action taken on spiralling carbon costs which are pushing up the costs of production, placing a cap on increases in steel production whilst counterintuitively having a detrimental effect on low-carbon investment.

3. A LEVEL TRADING FIELD

The global trading environment has changed significantly in the last decade. Whilst free trade remains paramount to national and economic growth, there is a growing consensus that free trade must also be fair and account for the distortions in the global trading market. The new government should act strongly and decisively in defence of the interest of UK industries. Most importantly for the steel sector, this means reform of the trade remedies framework first promised last year. Two recent recommendations from the TRA to remove UK steel safeguards and duties preventing the dumping of

Chinese construction steel show the system is not currently fit for purpose and is unable to level the trading field in the face of subsidisation and major state intervention in swathes of the global steel sector. The new government should deliver a trade defence regime that can act quickly and decisively in the UK's economic and public interest, ensuring that democratically elected politicians have the final say. It is also vital we see a long-term solution delivered on trade into Northern Ireland, where we now see the application of 25% tariffs for the movement of steel within our own country.

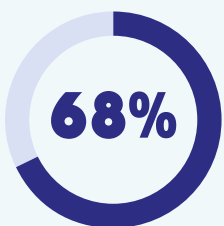


of the UK thinks that maintaining domestic steel production should be an explicit trade policy priority for the UK.¹¹

4. UK STEEL IN UK INFRASTRUCTURE

Maximising the use of cost-competitive UK-made steel in public projects has many benefits, not least in maximising the impact of taxpayer's money in boosting UK economic activity and supporting jobs and skills outside the Southeast. Driven by the work of BEIS's 2021 Steel Procurement Taskforce, notable progress is being made in changing the approach to public procurement of steel, but further steps can be taken.

It is critical the new UK Government is bold and truly uses the tools at its disposal. In particular, it should set ambitious targets for the UK steel content of public projects and ensure that the jobs, economic value, and reduced environmental footprint of UK-made steel are fully factored into future steel procurement decisions.



of the UK public thinks that public infrastructure projects should prioritise the use of UK made steel wherever possible.¹²

5. INNOVATION IN STEEL

From the significant challenges of decarbonisation to developing new steels for the increasingly challenging needs of modern society, research and innovation is key to the sector's future. Following Brexit, the UK industry has lost access to the industry-funded EU Research Fund for Coal and Steel, a dedicated long-term financial resource devoted to collaborative research addressing the technological challenges of the steel sector. UK industry's share of this

fund is being returned from the EU in annual tranches, but government has so far done nothing to earmark this for supporting innovation in steel or taken steps to plug the gap left by our exclusion from this research fund. Unlocking this money and using it for the best use of British industry is the very definition of a Brexit opportunity. We urge the new government to commit to establishing a UK Steel Innovation Fund with the returned money from the EU scheme.



END NOTES

- ¹ UK Steel (2022) Key Statistics Guide 2021
- ² Direct employment sourced from ONS Industry (2, 3 and 5 - digit SIC) - Business Register and Employment Survey (BRES): Table 2. 2020 Provisional Edition. Estimated supply chain jobs calculated using multipliers from ONS UK input-output analytical tables.
- ³ Steel sector wages sourced from ONS - Earnings and hours worked, industry by four-digit SIC: ASHE Table 16. 2021 Provisional Edition. Regional wages sourced from Earnings and hours worked, place of work by local authority: ASHE Table 7. 2021 Provisional Edition.
- ⁴ ONS - GDP output approach – low-level aggregates 2021
- ⁵ International Steel Statistic Bureau – value of UK steel sector exports 2021 net of imports made by the steel sector for raw materials and equipment.
- ⁶ Excluding "don't knows", 78% agreed with the statement that "Steel is a strategically important good, critical to construction, manufacturing and defence. It is important that the UK makes its own steel" This compared to 22% of respondents who agreed with the statement "Steel is a good like any other. There is no particular reason it should be produced in the UK as we can always import from major producers" Survey of 1,500 adults conducted w/c 22.08.2022 by Stack Data Strategy.
- ⁷ UK Steel analysis of UK steel consumption based on carbon footprint of domestically produced steel supplied to UK market, estimated emission from steel supplied from imported sources, and estimated emissions related to the steel contained in imported consumer goods such as car, machinery, etc.
- ⁸ BEIS Steel Procurement Pipeline 2022
- ⁹ UK Steel analysis based on multipliers of jobs and GVA per 1,000 tonnes of UK steel production – 11 jobs and £750,000 - includes supply chains jobs and GVA.
- ¹⁰ Excluding "don't knows", 70% of respondents agreed with the statement that "If energy costs more in the UK than elsewhere, government should follow the example of other countries and exempt steelmakers from certain costs, such as carbon taxes, to ensure we continue to make steel in the UK". This compared to 30% that agreed with the statement "The steel industry should pay the same for energy as everyone else, even if that means we don't produce steel in the UK anymore"
- ¹¹ Excluding "don't knows", 64% of respondents agreed with the statement that "Ensuring the UK can continue to produce steel should be a priority for trade policy, including introducing tariffs, if needed, to limit steel imports from countries whose governments subsidise their steel industry". This compared to 36% that agreed with the statement "The steel industry is no more important than any other industry. We should pursue a trade policy that focuses on removing all barriers to trade, regardless of what this means for the long-term viability of steel production in the UK".
- ¹² Excluding "don't knows", 68% of respondents agreed with the statement that "Taxpayer funded projects should prioritise the use of steel made in the UK wherever possible because it helps to support UK jobs and economic growth". This compared to 32% that agreed with the statement "Taxpayer funded projects should not prioritise steel from any individual country, provided it meets the requirements and is the lowest cost possible"

Front cover image by Simon Kennedy, supplied by Tata Steel UK.

UK Steel is the trade association for the UK steel industry and champions the country's steel manufacturers.

We represent the sector's interests to government and promote our innovative, vibrant and dynamic industry to the public.

Together, we build the future of the UK steel industry.

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