

UK STEEL

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UK STEEL: LAYING THE FOUNDATIONS OF A SUSTAINABLE STEEL SECTOR

Joe Morris
External Affairs Manager
+44 (0)7920 040510
jmorris@makeuk.org

MakeUK.org/uksteel

October 2021



THE BENEFITS OF THE STEEL SECTOR TO THE WIDER ECONOMY

1. Steel production boosts our infrastructure potential

The use of domestically produced materials and products boosts the economic contribution an infrastructure project can have for the UK economy. Central government projects will require 6.5 million tonnes of steel in the next five years. The use of UK produced steel could boost the UK economy by £4.4 billion and support 14,000 jobs in steel companies and their supply chains, compared to the use of imported steel.

2. Steel jobs are high paid, high skilled and outside the South East

The UK steel industry employs 33,700 people in the UK. But these jobs are more than just employment statistics. Steel jobs pay an average of £34,299, 33% higher than the national average and 45% above the regional average in Wales and Yorkshire & Humberside where jobs are concentrated.

3. The UK demand for steel continues to grow

The Government's study¹, into the future UK market opportunities for steel products conservatively estimated the UK market in 2030 to be worth £6 billion/year up from £4 billion today. Capturing this opportunity could be worth an additional £4 billion/year in sales to UK steel producers and could result in a 50% increase in the sector's contribution to the UK economy to over £3 billion.

4. Steel production strengthens manufacturing supply chains

Steel is a critical ingredient in promoting and strengthening a diverse industrial economy. The steel sector links with many downstream manufacturing sectors such as automotive, construction, aerospace and fabricated metals, and critically with elements right through those supply chains. As such it plays a vital role in creating connected value chains, pushing innovation, skills and productivity into the manufacturing mid-tiers, and ultimately linking up with the pull coming from high-profile end-use sectors.

5. Steel is essential to meeting our environmental challenges

Steel is a key part of a truly circular economy. Steel is cost effective, endlessly recyclable, and with over 3,500 different types, almost infinitely purposeful. Steel is essential for our wind turbines, our electric vehicles, our low-impact energy efficient housing, and must be part of the answer to reduce the level of single-use plastics. A vibrant steel industry in the UK can and must be at the forefront of developing and producing these increasingly high-value steels for the UK and the world.

6. Investing in UK steel production will help reduce global emissions

The UK's total consumption of steel gives rise to 30 million tonnes of CO₂ each year, equivalent to 8% of the UK's domestic total. A responsible UK decarbonisation policy must take ownership not just for the emissions we produce within our borders but also those related to the huge volumes of goods we import each year. A reduction in UK steel production may look like an emissions cut on paper, but globally there will still be 30 million tonnes of CO₂ emitted in order to supply the UK with steel and steel containing goods. The only way to reduce these emissions is to support and invest in low-carbon steel production here in the UK.

7. The UK has an abundance of scrap steel

The UK produces 10 million tonnes of scrap each and every year. At present around 8 million tonnes of this is exported, often to places like China and Turkey to be turned into steel and reimported. It is time the UK moved away from exporting our waste for others to add value and sell back to the UK. The economic and environmental benefits of processing this steel in the UK are significant and should be seized upon. Should Government deliver the right business environment, most importantly a level playing field on electricity prices given the quantities of electricity required to recycle steel, the UK's steel producers stand ready to invest.

¹BEIS (2017) Future capacities and capabilities of the UK steel industry

FIVE KEY PRIORITIES FOR THE STEEL SECTOR:



1. A Net-Zero steel strategy

Reaching Net-Zero will require substantial quantities of steel for low-carbon infrastructure but at the same time an elimination of the emissions from steel production. This will require fundamental changes to steel production, unprecedented levels of investment, whilst hugely increasing the costs of production. For UK producers to undergo this transformation whilst remaining internationally competitive, the UK urgently needs a Net-Zero Steel Strategy, that will drive private sector investment in the UK and create a market where Net-Zero steel producers can sell and secure a return on that investment. In a world where the UK is consistently a first mover on climate change, decarbonisation of the steel sector will require major government intervention, just as it has been in the power and transport sectors.



2. Competitive electricity prices

UK Steel producers have long highlighted the major competitive disadvantage they face from the UK's claim to have the highest industrial electricity prices in Europe, paying almost 90% more than key competitors in the EU. This amounts to a £55 million/year additional expense for the UK steel sector, compared to the equivalent plants in France or Germany, or a quarter of the annual capital investment of the sector. Such disparity is not sustainable either economically or environmentally. All decarbonisation methods for the sector will require a significant increase in electricity consumption, and with UK prices stubbornly high, the business case for UK investment is hard to make. Leaving the EU has removed one of the major barriers to addressing this, and it is essential for UK industry that Government takes action quickly. Recent experience of energy cost fluctuations and increases makes this intervention by Government even more necessary.



3. A level trading field

The worlds' trading environment has changed significantly in the last decade. Whilst free trade is still the key to national and economic growth, Government and business are increasingly alive to the fact that free trade does not mean a free for all. National governments are increasingly flexing their muscles in the trade arena. Post-Brexit the UK Government must increasingly do likewise, acting strongly and decisively in defence of UK industries interests. For the steel industry the

immediate priorities are clear: the maintenance of all steel safeguards for three years, securing relief from the US Section 232 measures, and reform of the UK's trade remedies regime to ensure the right defensive measures can be put in place swiftly when necessary.



4. UK Steel in UK infrastructure

Maximising the use of UK made steel in public projects has many economic, social and environmental benefits. From ensuring that public money stays within the UK and supporting well-paid manufacturing jobs outside London and the Southeast, to reducing the amount of transport emissions from imported steel, the benefits are clear. The Prime Minister has repeatedly voiced his support for this agenda, "We've now got a 5 million tonne pipeline of British steel with our massive infrastructure investments and we intend to use our new freedoms under Brexit to make sure that procurement goes to British companies" (PM in Parliament 21 April 2021). As the UK embarks on the biggest increase in infrastructure spending for decades, now is the time to transform these words into lasting and meaningful change, and the steel industry is working through the Steel Procurement Taskforce to do just that. Public projects in the future should know and actively take an interest in where their steel comes from, they should factor in the UK jobs and economic value that comes from using UK made steel, and increasingly they should look to opt for the socially and environmentally responsibly produced steel made here in the UK.



5. Innovation in steel

The technological challenges facing the steel sector necessitate innovation. From the major challenges of decarbonisation to ever more efficient ways of steel production, to developing new steels for the increasingly challenging needs of modern society, research and innovation is key to the future of the sector. Following Brexit, the UK industry has lost access to the EU Research Fund for Coal and Steel. A dedicated long term financial resource dedicated to collaborative research addressing the major technological challenges of the steel sector. With the return of the UK's share of this fund to the Treasury, we now have an opportunity to establish a new innovation fund specifically tailored to the needs of the UK sector and addressing the particular challenges it faces. We urge the Government to take this opportunity and establish this fund.

THE UK STEEL INDUSTRY IN NUMBERS

33,700

PEOPLE EMPLOYED DIRECTLY IN THE UK STEEL INDUSTRY

42,000

FURTHER JOBS SUPPORTED IN SUPPLY CHAIN AND LOCAL COMMUNITIES

£2.1 bn

DIRECT CONTRIBUTION TO UK GVA

£2.7 bn

INDIRECT CONTRIBUTION TO UK GVA

33%

HIGHER THAN THE UK NATIONAL AVERAGE SALARY

45%

HIGHER THAN THE REGIONAL AVERAGE WAGE IN WALES, AND YORKSHIRE & HUMBERSIDE WHERE JOBS ARE CONCENTRATED

7 mt

OF CRUDE STEEL PRODUCED A YEAR, AROUND 70% OF THE UK'S ANNUAL REQUIREMENT

£1.7 bn

DIRECT CONTRIBUTION MADE TO THE UK'S BALANCE OF TRADE

UK STEEL SECTOR EMPLOYMENT AND SALARIES BY REGION

