

UK Steel Guidance – Update 1 Exporting Into EU Steel Safeguards in 2021

Introduction:

At the end of the transition period UK steel exports to the EU will, for the first time in almost half a century, become subject to import restrictions. Whilst the EU does not have any standard customs tariffs on steel, it currently has in place [safeguarding measures](#) which apply a tariff rate quota system on steel imports from all third countries. These will apply to UK exports from 1 January, **regardless of the presence of a trade deal**. They will run until at least 1 July 2021, but could be extended beyond this period should the European Commission (EC) make the decision to do so. After considerable efforts made by DIT, at the behest of UK Steel, the EC has provided the UK with its own tariff free quota to come into effect from 1 January. This means that the majority of steel exported to the EU from next year will remain tariff free, with 25% tariffs only due once/if those tariff free quotas run out in each quarter. However, there are a number of product categories where it is evident that quotas will not be sufficient to allow for exports from the UK to EU to continue at recent levels. The details of the EU quotas, including the new UK ones, can be [found here](#).

How do the Quotas Work?

The EU's Steel Safeguards (ESS) operate a tariff rate quota system covering 26 different product categories (plus two further sub-categories). Each of those product categories has been provided with an overall tariff free quota for all imports from outside the EU, with the level of those quotas based upon the 2015-2017 average annual import level. Each of those categories is then further subdivided - any exporting countries that accounted for 5% or more of EU imports of a particular product category in that period is given their own quota, whilst exports from all other countries are grouped together in an 'other countries' quota. The UK has been provided with a tariff free quota for all the products UK Steel members make with the exception of rebar and non-alloy wire. Please note the following points:

- All quotas are managed on a quarterly basis.
- Once a quota is used up in a quarter, a 25% tariff will be due until the start of the next quarter.
- Any unused quota from a quarter is transferred over into the next quarter's quota.
- Unused quota at the end of the safeguard year (30 June each year), is not carried over. This point will only be relevant if the EU decides to extend its measures beyond 30 June 2021 however.
- In the final quarter of each safeguarding year (1 April to 30 June) – those countries that have exhausted their own quotas for a given product category can utilise the 'other countries' quota.
- Note – there are complex rules now in place for how much access to the 'other country' quotas, countries that have used up their own quotas can have. The rules can be found in Annex III of the [ESS regulation](#).
- In brief the rules are:

Rules of access to 'other countries' quotas	Categories
No access provided to 'other countries' quota	5, 16, 20, 27
Each country wishing to use the 'other countries' quota after the exhaustion of their own in 4 th quarter can use a maximum of 30% of the 'other countries' quota (not including any quota carried over from previous quarter).	1, 4B
Collective access for all countries that have exhausted their own country quotas is limited to a specified amount. (See Annex III of the EU regulation for details)	10, 12, 13, 14, 15, 21, 22, 28
No limit on use of quota, but this does not include use of any unused quota 'carried over' from previous quarter	2, 3A, 3B, 4A, 6, 7, 9, 17, 18, 19, 24, 25B, and 26
There is no 'other country' quota in place – everyone uses one global quota	8 and 25A

*UK hasn't been provided with its own country specific quota and therefore will use unrestricted 'other countries' quota in all quarters.	13, 28
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How can I monitor the quotas?

You can check the quota usage data using the EU quota database [here](#). You will need to insert the correct order number for the particular quota you are interested in. The current order numbers for each quota can be found in [here](#).

HMRC will also have its own quota monitoring database which will provide information on how all the quotas within the UK's own steel safeguards measures are being utilised. This can be access [here](#). You will need to enter the relevant order number for the quota you are interested in; these are not yet available but UK Steel will inform members when they are.

Additionally, UK Steel will send members a weekly update on the usage of UK's quotas. The mailing list will be the same as that the current EU quota updates are sent to, if you or a colleague would like to be added to this mailing list please contact DSheppard@makeuk.org.

What do I need to do to claim a portion of a quota when exporting to the EU?

It will obviously depend on your incoterms as to who will have responsibility for claiming a portion of the quota for your exports to the EU. For the purpose of this guidance we have assumed that you are trading on Delivered Duty Paid (DDP) terms and therefore the responsibility is yours.

Administration of the quotas is carried out using the normal import documentation, there is no need to apply for an import licence. The default position is that the 25% duty will apply to all imports of the relevant products from the relevant countries of origin. However, the following steps should be taken to register your exports against a quota and avoid the 25% tariff (at least until the quota has been used up).

- Identify the correct order numbers for your relevant quota. Again, these can be found [here](#)
- In box 39 of the [Single Administrative Document](#) (SAD) enter the necessary order number
- Enter Code 120 into box 36 – which specifies that a “non-preferential tariff quota” is to be claimed for
- Enter code A20 F in box 47 – this is the EU's specified tax code to be used in relation to the steel safeguards
- It is also advisable to indicate in box 44 that the correct documentation has been supplied to support your claim against the quota – in particular this will include product origin documents
- Further guidance about the EU's Single Administrative Document can be found [here](#).

With your SAD correctly filled out, and with the relevant supporting documentation provided, the volume being imported is checked against the remaining quota at the point that the imported goods are declared to the Customs authority in an EU Member State. The quota number declared on the entry documentation will determine which country sub-quota the goods are allocated against. An electronic system enables the Customs authority to check whether there is any quota remaining before releasing the goods for free circulation. If there is no quota left, the goods will only be released for free circulation after payment of the 25% duty.

Once 90% of any particular quota has been used, it will be classified as 'critical' and you will be required to post a guarantee before your goods are release for free circulation. HMRC guidance states that such a guarantee can take the form of:

- banker's guarantee, (which can cover either one importation or a number of importations, or
- a cash deposit (which may be set against your duty deferment account)

However the approach may differ in EU-27 countries. Please also note, that anecdotal evidence indicates that even where you are trading on DDP terms and you are liable for the guarantee – it is possible the Customs authority in the EU country will contact the local contact (i.e. your customer) named on the import declaration

rather than yourselves given it may be deemed simpler and more efficient than contacting an exporter in the UK. This may cause delays and difficulties with your customers so it is something to be aware of and plan for.

If you have posted a cash deposit as a guarantee, this will be refunded once/if your goods have been checked and cleared against the relevant quota and it is shown it had not been exhausted at the time your goods cleared Customs. Note – there is a delay of around 24hrs between goods clearing customs and being registered centrally with the EU quota monitoring system, hence the need for guarantees for ‘critical’ quotas.

Rules of origin considerations:

For the vast majority of steel exported from the UK to the EU, the origin of the steel (and therefore which quota to register it against) will clearly be the UK. However, for those companies that import steel products for rolling and further processing they should consider whether the process that takes place in the UK is sufficient to confer UK origin on the resultant product that is then exported to the EU. The key document to consult is the [EU's non-preferential rules of origin](#) – the relevant rules on steel products can be found [here](#).

If only minimal processing takes place in the UK, for example transforming a product from 7208 to 7211, or from 7210 to 7212, it may not be sufficient to confer a change in origin. In these situations, if the source material you used came from outside the EU, you would then need to register your export not against the UK quota but against that of the origin of the material or the ‘other countries’ quota. Conversely, if you used EU steel to produce your good and the EU rules of origin do not indicate you have conferred UK origin through your manufacturing processes – then your product would be of EU origin and technically would be able to enter tariff free and without registering against quotas.

Clearly in situations where steel goods are imported into the UK and no further processing takes place before they are exported to the EU or NI (see below), then such goods **must not be registered against UK quotas**. Not only would this be an incorrect allocation and would technically constitute fraud, but it would lead to the overuse of the UK's limited quotas, quicker than anticipated exhaustion of these quotas, and to the imposition of 25% tariffs unnecessarily.

What about movements of goods from GB to NI?

At the time of writing it must be assumed that all steel moving from GB to NI would fall into the category of ‘at risk’ of subsequently moving to the Republic of Ireland/EU and therefore would be subject to the EU Customs Code and the EU steel safeguards. Until we are informed otherwise, members should plan on the basis that all goods moving to NI from GB will need to go through the steps and considerations outlined above.

It should be noted that at present the UK's quotas with the ESS haven't been calculated to take account of these movements and as such are undersized. With the additional pressure that GB to NI movements will place on the use of UK quotas, it is probable that many will be exhausted quicker than anticipated, even with demand subdued at the current time.

DIT and BEIS are aware of the situation and are working to find a solution and provide clarity. This could include an increase in the UK quota sizes and/or a system of waivers/refunds for steel products that can be shown will remain in NI. UK Steel will provide further advice when more information is available.

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