Business Engagement Assessment

Title of Proposal	***Steel Slag Quality Protocol***
Lead Regulator	Environment Agency
Contact for enquiries	Gareth Scott

Date of assessment	21/10/2011	Stage of assessment	Final
Net Cost to Business (EANCB)[1]:	**-£7.7m**	Commencement date	March 2015
Which area of the UK will be affected by the change(s)?	England and Wales	Price and Present value base years	Price base year 2008, Present value base year 2011
Does this include implementation of Red Tape Challenge commitments?	Yes	Is this directly applicable EU or other international legislation?	No

Brief outline of proposed change in regulatory action

The proposal is to produce a Quality Protocol (QP) for the processing and use of steel slag that is recognised by, and produced with, the support of industry. The QP is a formalised quality control procedure which will set the point at which steel slag has been fully recovered and is no longer waste as per Article 6(4) of the Waste Framework Directive.

Why is the change proposed? Evidence of the current problem?

Steel slag is classified as waste but it has commercial uses, meaning almost all steel slag produced is currently sold. End users consider it a valuable product, but enforcing strict waste regulations would create unnecessary regulatory burdens and costs, which could lead to some steel slag being sent to landfill.
The QP would establish end of waste criteria which, if adhered to, would mean compliant steel slag would no longer be subject to waste regulation. This reduction in regulatory burden is necessary to maintain the existing market for steel slag.

Which types of business will be affected? How many are affected?

Basic Oxygen Steelmaking slag is produced in the UK by two companies at three sites. There are three Electric Arc Furnace steelmaking sites in the UK. Two are in the Yorkshire and Humber region and one in Wales[2]. There is just one producer of Argon Oxygen Decarburisation slag (in Sheffield).
In 2009, there were 8,499 end user sites of which 8,000 are small sites (<1,000 tonnes), 483 medium (<50,000 tonnes) and 16 large (>50,000 tonnes).

How will the change impact these businesses?

[1] EANCB takes the net present value of the proposal and works out what this is on a yearly basis.
[2] Since the Financial Impact Assessment was produced, the number of Electric Arc Furnace steelmaking sites has reduced from five to three. The impact this reduction has on the predicted benefits is not thought to be significant.

Description and scale of key monetised costs and benefits for main affected groups (Net Present Value, Time Period 10 years, Discount rate 3.5%)

One-off cost (£1600) of environmental testing as part of compliance with the QP
Avoided costs of waste regulation – admin burdens: £2.7m and charges: £3.7m
Avoided costs of landfill (producers): £24m
Carbon savings: £0.028m (£28k)
Cost savings from reduced virgin material use (users): £6.2m
Avoided loss of revenue from steel slag sales (producers): £29.5m
Total benefit: £66m

Please see full Financial Impact Assessment for the full evidence base for this assessment.

The main benefits from a QP would be to the steel slag processor through maintaining existing revenue resulting from the removal of stigma and costs to end users associated with waste management controls. Other non-quantified benefits are likely to arise from the regulatory certainty that a QP would bring, for example in research and development of further uses of steel slag.

Impact on small businesses

All companies in the steel slag industry currently employ over 250 people and therefore do not meet the definition of a small firm. Introducing the QP would benefit small companies currently using steel slag as it would not be subject to waste regulation control, resulting in time and monetary savings.