UK Government

The UK Steel Strategy

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For more information, or if you are thinking of investing in the UK, please contact steelstrategy@businessandtrade.gov.uk.

CP1532

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Government of the United Kingdom

Department of Business and Trade

The UK Steel Strategy

Presented to Parliament by the Secretary of State for Business and Trade by Command of His Majesty

March 2026

CP1532

This publication is available at www.gov.uk/official-documents.

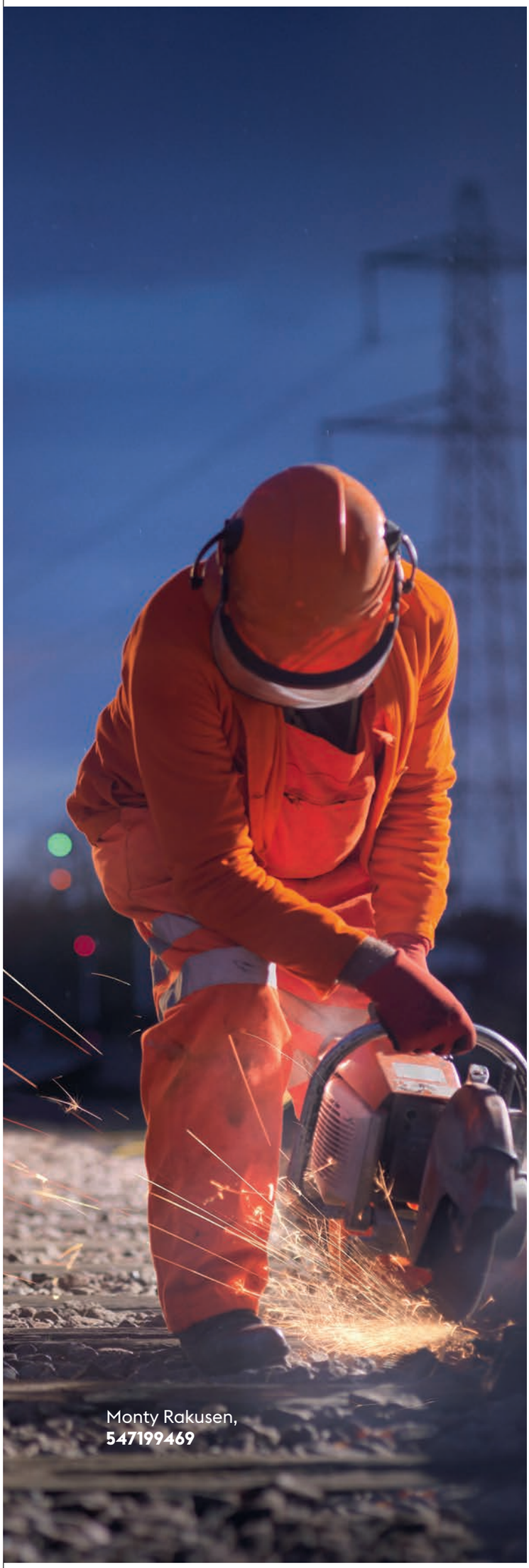
Any enquiries regarding this publication should be sent to us at steelstrategy@businessandtrade.gov.uk

ISBN 978-1-5286-6301-4

E03562714 03/26

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office



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Ministerial foreword

The Rt Hon Peter Kyle MP, Secretary of State for Business and Trade and **Chris McDonald MP**, Minister for Industry

Steel has shaped our nation's history. From the railways that powered the industrial revolution to the advanced automotive and construction industries of today, steel has been the backbone of British progress. Steel underpins the growth driving frontier sectors of our industrial strategy, from advanced manufacturing and clean energy industries to defence and digital technologies, supporting communities from Port Talbot to Scunthorpe, Sheffield, Teesside and Motherwell, providing tens of thousands of well paid jobs and sustaining local economies.

However, the UK steel sector has seen decades of decline. The challenges of overcapacity compounded by high operating costs have made it harder for UK based steel companies to compete. This has led to a lack of investment in our steelmaking capabilities and communities that has seen crude steel production decline by more than 50% in the last 10 years,[1] while major sites like Redcar have closed.

In response, we have seen a long running pattern of successive governments failing to act with a long term vision, resorting to intervening as individual companies fail.

This decline is not inevitable. While the industry faces challenges today, we will ensure that it innovates, invests and grows tomorrow. We are taking bold steps to change this downward trend, setting out a long term vision to build a revitalised and resilient steel sector that is a world leader in clean modern steel production. This action includes the introduction of our industrial strategy that recognises the important foundational role of steel in our industrial base and our national resilience, whether in supporting our defence capabilities, the construction sector, advanced manufacturing or maintaining the essential infrastructure of our day to day life. In addition, this government will need, at times, to act with urgency and flexibility to achieve our ambitions for British-made steel.

A stable, thriving steel sector will provide a secure supply of high quality steel to downstream customers, including in critical sectors, and support high quality, long term green jobs. This means addressing the core challenges facing the sector, including: tackling drivers of high operating costs like high electricity costs and introducing robust trade measures to secure the long term viability of UK steelmaking. At the same time we must capitalise on opportunities, such as utilising the UKs abundant supplies of scrap steel, and ensuring that public procurements and government supported projects are increasingly using UK produced steel. This also means taking action to support our existing companies where it makes sense to do so, including co-investment between government and industry, as we have seen at Tata Steel in Port Talbot, and the direct action we have taken to protect our steel production as has been the case recently at British Steel.

We need new private sector investment, both in our existing steel sites and to deliver new steelmaking capacity and capability. This document sets out the action the UK and devolved governments have taken to remove barriers to investment and create a more supportive business environment, and we want to hear from interested private sector investors. This government welcomes investment from new entrants to the UK market and there is UK government financing support available. We will continue to work hand in hand with devolved governments, particularly with regard to our important steelmaking hubs in Wales and Scotland. Their involvement has helped shape this strategy, as has the involvement of trade unions.

Working together, our government, industry, and communities can secure a future for the industry that is internationally competitive, financially sustainable and attractive to investors.

Steel built our past. It will shape our future.

Jon Bolton, Co-Chair of the Steel Council

I started in the steel industry at the age of 17 as a student apprentice, encouraged by my dad who suggested that with a career in manufacturing I would be making a positive contribution to society. Over 40 years later, that advice has endured. It is clear that the steel industry has made a huge contribution to the UK economy and is at the heart of the passionate steelmaking communities around the UK, many of which I have been lucky enough to work in.

As we publish this strategy, the industry is once again facing problems; the most concerning of which is the increasing problem of overcapacity and the fragmented responses to it. The absence of a long term strategy to date has undermined the strength of the sector, with political action often being taken reactively and therefore not addressing some of the fundamentals needed to support the sector.

This strategy is the first time I have been involved in an exercise to put in place a case for investment in the UK steel sector. While there is a long road to rebuilding a thriving sector, this strategy clearly demonstrates a case for investment: there is a significant and increasing demand for steel that can be satisfied through better utilisation of existing assets and through additional investment. The UK is also fortunate that it possesses an existing highly skilled and dedicated workforce as well as a highly respected network of research, development and innovation Institutes and academic facilities.

This document is a statement of intent to establish a secure steel sector that can meet the infrastructure, defence and industry needs of the UK.


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Executive summary

Steel is an essential part of our national life and is key to our economic growth. Domestic steelmaking provides skilled and high quality jobs, sustaining communities, and is necessary for our national resilience and security. Steel is needed for defence manufacturing, maintenance of our critical national infrastructure and wider industries which support our resilience such as construction. A domestic supply provides us with an important source of diversity in an increasing uncertain world. The UK steel sector encompasses a wide supply chain, from finished steel production through to manufacturing, distribution and supply, and is located across the country. This includes the six principal steel producers in England and South Wales.

The UK steel sector is facing significant challenges. Global overcapacity and unfair subsidies are driving down prices and leading to increasingly fragmented responses, presenting existential risks to steel producers in many countries. In the UK, this issue is compounded by high operating costs and ageing infrastructure, making it harder for UK produced steel to compete with and threatening the viability of UK steelmaking. But there are also opportunities for steelmakers in the UK. There are gaps in UK production capability, and UK demand for steel, especially specialist steels, is expected to grow over the coming decades. The UK has strengths in specialist and high quality steels and a strong research, development and innovation (RD&I) environment. It also has an abundant supply of scrap steel and has achieved significant progression on electricity grid decarbonisation which gives us an opportunity to remain ahead of the competition on green steel production.[2]

This strategy represents a proactive approach from government to support steelmakers and investors in responding to the challenges they face and grasping the available opportunities. It sets out the UK government's vision for the sector, and the steps we are taking to support the steel industry to achieve it. Alongside this document, the government is also publishing two independent reports that were commissioned to further inform our technical evidence base: the UK Primary Steelmaking Review and the UK Steel Strategy Demand Assessment.

Our vision

Our vision is for a revitalised steel sector consisting of productive and profitable green steel producers that can provide a secure supply of steel to meet their customers' needs, support our national security and provide high quality, secure and long term jobs.

Our initial aim is to stabilise the sector, ensure its viability, and return domestic production to recently sustained levels of around 40-50% of domestic steel demand, compared with 30% in 2024 according to ISSB.[3]

Stabilising the sector will need to go hand in hand with a continued move to green, decarbonised forms of steel production, to realise the benefits of modern, productive EAF technology, which we see as the most viable form of production as traditional blast furnaces reach the end of their operational life, and as we continue towards our Net Zero ambitions.

However, blast furnace production will continue for the immediate future, and it is vital to security of supply that a managed transition is undertaken to maintain steelmaking and protect economic resilience.

As EAF production increases, there will remain a need for producers to access primary iron. The UK Primary Steelmaking Review has identified Direct Reduced Iron (DRI) the most viable current means of domestic production. For now, the UK government is confident that our existing steel companies have access to the necessary supplies of iron products. Over time, developing domestic DRI capability could strengthen resilience and support the transition to low carbon steelmaking.

In the longer term, the UK government believes there is potential to further increase our domestic production share through private sector investment in new steelmaking capabilities which meets domestic demand that is currently unfulfilled by domestic production. Potential technical options have been identified in the UK Steel Strategy Demand Assessment. This strategy sets out a clear case that there are market opportunities in the UK, offering potential investors an increasingly competitive business environment, new opportunities for decarbonised steelmaking and financing support for eligible projects available from the National Wealth Fund (NWF).

Stabilising and rebuilding our existing sector

To support the sector in achieving this vision, the UK government has taken action to ensure our steel sector remains viable, maximise its competitiveness and bring forward new investment. This includes support to individual companies and steel sites across the UK, where it has made sense to do so, including:

- £500 million of investment in Tata Steel's £1.25 billion transformation of the Port Talbot steelworks and £102 million to support impacted workers and communities;[4]
- an unprecedented intervention at British Steel in order to ensure the continued safe running of the blast furnaces at Scunthorpe; and
- over £420 million in expansion of our investment in Sheffield Forgemasters which was nationalised in 2021.[5]

The private sector is also investing in the industry, including a £50m investment by Marcegaglia Stainless in its new EAF at Sheffield,[6] the purchase by Seven Global Investments of Celsa Steel UK and a major investment by Walsin Lihwa in its Special Melted Products factory in Sheffield, demonstrating that the UK is an attractive location for those investing in steelmaking capabilities.

The UK business environment for UK produced steel

To support our existing steel sites and encourage further private investment, the UK, and devolved governments have taken steps to remove barriers to investment and create a more supportive business environment, one in which steel companies are better able to compete, are protected from unfair trading practices and the risk of carbon leakage, and have greater security and certainty. In addition, we are providing up to £2.5 billion to support, rebuild and modernise the UK steel industry.[7] These measures will in many cases also benefit our wider steel sector, beyond our principal steel producers.

Ensuring the UK has a stable and competitive business environment

Defending against global overcapacity in steel: We are taking robust action to protect essential domestic production to secure our national security capabilities with a new steel trade measure coming into force on 1st July 2026, immediately after the UK's steel safeguard measure ends. Domestic steel making capacity is essential to our critical national infrastructure and national security, with steel supplies needed to maintain key capabilities. Accordingly, the measure is designed to ensure the continued viability of domestic steel production in the UK and will take into account the impact on supply for downstream sectors.

It will introduce tariff rate quotas with volumes that are substantially lower than those under the current safeguard, in addition to new quotas on steel categories made in the UK but not currently covered by the steel safeguard, with an out-of-quota tariff rate of 50%. The Government will also explore the possibility of introducing requirements to identify where steel imports were melted and poured, which could help the Government to better understand our supply chains and ensure the UK steel industry is better protected from global overcapacity. We remain committed to championing international action to tackle overcapacity and market distorting practices and will continue to collaborate closely with like-minded nations.

Reducing electricity prices: Under our Clean Energy Superpower Mission, we have a long term plan for cheaper, more secure, and clean homegrown power. In the meantime, we are increasing support under the British Industry Supercharger and continuing support under the Energy Intensive Industries Compensation Scheme to meet the objective of bringing electricity costs closer in line with those in competitor countries to increase industrial competitiveness. This support can benefit new private investors seeking to build new steelmaking capability and capacity in the UK. For those out of scope of these measures, we have also announced a new British Industrial Competitiveness Scheme, proposed to come into effect from 2027 to bring electricity costs closer to those in competitor countries (eligibility criteria is to be confirmed in the government response shortly). As we roll out renewables, we will see a significant reduction in wholesale prices, the foundation for building an energy system that can bring bills down for good.

Mitigating the risk of carbon leakage: The UK government will introduce a UK Carbon Border Adjustment Measure (UK CBAM) on 1 January 2027. To ensure a fair and proportionate transition to this new carbon leakage mitigation under the UK Emissions Trading Scheme (UK ETS), the ETS Authority have confirmed that sectors covered by the UK CBAM will see their free allocations gradually phased out. The phase out will begin gradually, with limited reductions in free allocation during the early years to allow businesses time to adapt. These measures will ensure that efforts and investments to decarbonise in the UK lead to a true reduction in global emissions rather than simply displacing carbon emissions overseas. The UK and EU have now begun negotiations to pursue the linking of the UK ETS and the EU Emissions Trading System (EU ETS). Linking is expected to bring significant economic benefits to the UK and will also facilitate an exemption from the EU CBAM, lowering costs for UK businesses.

Securing scrap supplies: A new cross-government working group will form by May 2026 with high ambitions to ensure a resilient, cost effective and high quality scrap supply for domestic steel-making by reviewing industry recommendations for regulatory reform and innovation support in the scrap metal recycling supply chain.

Further developing a skilled workforce: The UK government is supporting apprenticeships and through the Steel Council we will foster collaboration between industry, devolved governments and wider stakeholders to address the sector's workforce requirements. The UK government remains committed to a fair transition for workers and in collaboration with regional partners and companies,

bespoke support will be provided on a case by case basis for workers impacted by changes in company circumstances. This is supported by the skills priorities of the Welsh Government, including funding and regulation of the tertiary education and research sector by Medr, funding available through the Flexible Skills Programme, and the upcoming national skills audit for Wales. In Scotland, a national skills planning approach will focus on identifying and prioritising professional and technical skills that are directly linked to specific occupations, in sectors identified in the National Strategy for Economic Transformation, the Green Industrial Strategy and the National Innovation Strategy. The Scottish Government's Programme for Government recognises the need for short term interventions to address skills challenges in priority economic sectors, alongside longer term reform to the Skills Planning System.

World leading research, development and innovation: The UK government and partner agencies continue to support steel RD&I projects through a range of funding routes. Including £11 million over 7 years from the EPSRC to the INGITE research programme to fund collaborative projects between leading academics, steel producers, end customers and the supply chain.[8] Through the Steel Council, work has commenced to set up an industry working group to align RD&I activities to the needs of industry with the aim of enhancing sector competitiveness. This is supported by the Welsh Government's Innovation Strategy – Wales Innovates – and SMART Flexible Innovation Support, as well as Scotland's National Innovation Strategy.

Creating opportunities and growth

Financing support: The NWF has £5.8 billion of capital to allocate to five clean energy and advanced manufacturing sectors over this Parliament, which includes steel.[9] The NWF offers a variety of finance products including debt, equity (minimum investment amount is £25mn) and guarantees for capital intensive projects. This support is available across the UK, and eligible projects may be in incumbent steelmaking areas, or for new investment, outside of historic steel locations. Additional support is available through the British Business Bank, UK Export Finance (UKEF), and national investment banks.

Improving access to suitable land, electricity grid connections and planning permission: The UK government has launched the Connections Accelerator Service to support timely grid connections for strategic demand projects. Planning laws are being reformed to fast track strategic projects, reducing delays and uncertainty for investors. Over £600 million is being invested to bring large scale industrial sites to market more quickly.[10] Ofgem is reviewing network incentives, and reforms are underway to accelerate transmission infrastructure build times. This is supported by Welsh Government efforts to improve speed and performance of consenting, including direct investment within national bodies and local level improvements. Scotland's planning system has been reformed, with a National Planning Hub introduced to target support for planning authorities and address resource and capacity challenges.

Mobilising demand for domestic steel: The taxpayer rightly expects that where possible UK government expenditure will support the UK's industrial growth. As such we have published new guidance (Public Procurement Policy Note 022) to ensure the routine consideration of UK produced steel in public procurement. In the annual steel procurement data publication we provide data on the origin of steel procured by central government departments and their agencies, and a pipeline to notify the market of future steel requirements. In addition to public procurement changes, from 2026, offshore wind developers can include UK steel manufacturers in Clean Industry Bonus applications. The government has also consulted on a range of policies, including product classification, designed to grow the market for green steel products. Welsh government policy on steel procurement is set out in Welsh Procurement Policy Note (WPPN) 008, which promotes key principles such as sustainable procurement and early engagement with UK steel producers in major procurement projects. The Infrastructure Investment Plan for Scotland 2021-22 to 2025-26 has been used to produce a pipeline of steel requirements and the Scottish government will shortly consult on a new infrastructure strategy process. The Scottish government also provides a suite of online Sustainable Procurement Tools to help public sector procurers adapt to a more resource-efficient and sustainable procurement practice.


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Part 1:

Plan for steel

The importance of steel

Steel is an essential part of our national life and key to the UK government's priority mission to deliver strong, secure and sustainable economic growth. It is a foundational industry for the growth driving sectors set out in our industrial strategy, including advanced manufacturing, clean energy, and defence, as well as core parts of our economy, such as construction and engineering.

Steelmaking also sustains communities. From Newport to Sheffield to Motherwell, there are proud steelmaking traditions, and steel companies are large scale employers of skilled and high quality jobs. In 2024, the iron and steel sector supported approximately 40,000 direct jobs,[11] with UK steelmakers paying 32% higher on average than local median wages.[12]

Our national security strategy 2025 set out the necessity of a stronger and more resilient defence industrial base and a need to protect and cultivate other sovereign capabilities that are foundational to our industrial base. The role of steel extends beyond just defence manufacturing, and includes maintenance of critical national infrastructure, from the railways to energy and telecommunication systems and beyond, and the foundations of our daily life, such as construction and white goods.

The UK government believes that sustaining domestic steel production is necessary for our national security. Increasing geopolitical tensions and market volatility could lead to a heightened risk of import unreliability in some circumstances. A strong and sustainable domestic sector will retain an important source of diversity in our domestic market that will support us in responding flexibly to future events in order to maintain a secure supply of steel. We are not alone in this position, all G7 countries have taken steps to support their steelmakers. Our goal must be to increase overall production levels by ensuring the viability and improving the competitiveness of the business environment and supporting investment, to provide a secure foundation for the future of UK based steelmaking.

The steelmaking landscape

The UK steel industry encompasses a broad range of businesses across the supply chain, from steelmaking inputs to production, manufacturing, distribution and supply. In the UK, steel production capacity comes from six companies listed below who are located in England and Wales.

Company	Crude Steel Production Asset Location	Production Asset Capacity[13]	Key Rolling and Processing Facilities[14]	Key Products[15]	Key Sectors[16]
Tata Steel UK	Port Talbot – Wales	Transitioning to 3.2 Mt EAF	Port Talbot Llanwern Trostre Shotton Hartlepool Corby	Flats such as Hot Rolled Coil, Hot Dipped Galvanised and welded tubes	Automotive, Construction, Energy
British Steel	Scunthorpe – North Lincolnshire	2.5 Mt Blast Furnace	Scunthorpe Teesside (Tees Valley) Skinningrove (Tees Valley)	Longs such as rail, and sections	Construction. Rail, Automotive
7 Steel	Cardiff – Wales	1.2 Mt EAF capacity	Castle Works Tremorfa	Longs such as rebar and sections	Construsction, Transport, Energy
Marcegaglia	Sheffield – Yorkshire	0.1 Mt EAF capacity	Dudley Oldbury	Stainless semi-finished products, rods and bars	Mechanical Industry, Automotive

Company	Crude Steel Production Asset Location	Production Asset Capacity[13]	Key Rolling and Processing Facilities[14]	Key Products[15]	Key Sectors[16]
Speciality Steel UK	Rotherham – Yorkshire	1.2 Mt EAF capacity,	Thrybergh Stocksbridge Brinsworth Wednesbury	Speciality steel, bars, strips and coils.	Construction, defence, energy
Sheffield Forgemasters	Sheffield – Yorkshire	0.2 Mt EAF capacity	-	Specialist Forgings	Nuclear, Defence

The UK has a strong history of steel production, with many unique advantages. More than a third of respondents to our steel strategy consultation[17] highlighted the sector's expertise in specialist and high quality steels as a particular strength, and around a quarter also mentioned the UK's manufacturing ecosystem, access to scrap steel and RD&I environment.

The difference between global steel capacity and demand is expected to reach 721 million metric tonnes by 2027 according to OECD, 13% more than the current production capacity of all OECD countries.[18] This overcapacity, driven by unfair subsidies, creates existential risks for steel producers; and various nations, including all G7 nations, have concluded they have no choice but to take action to protect their industries.

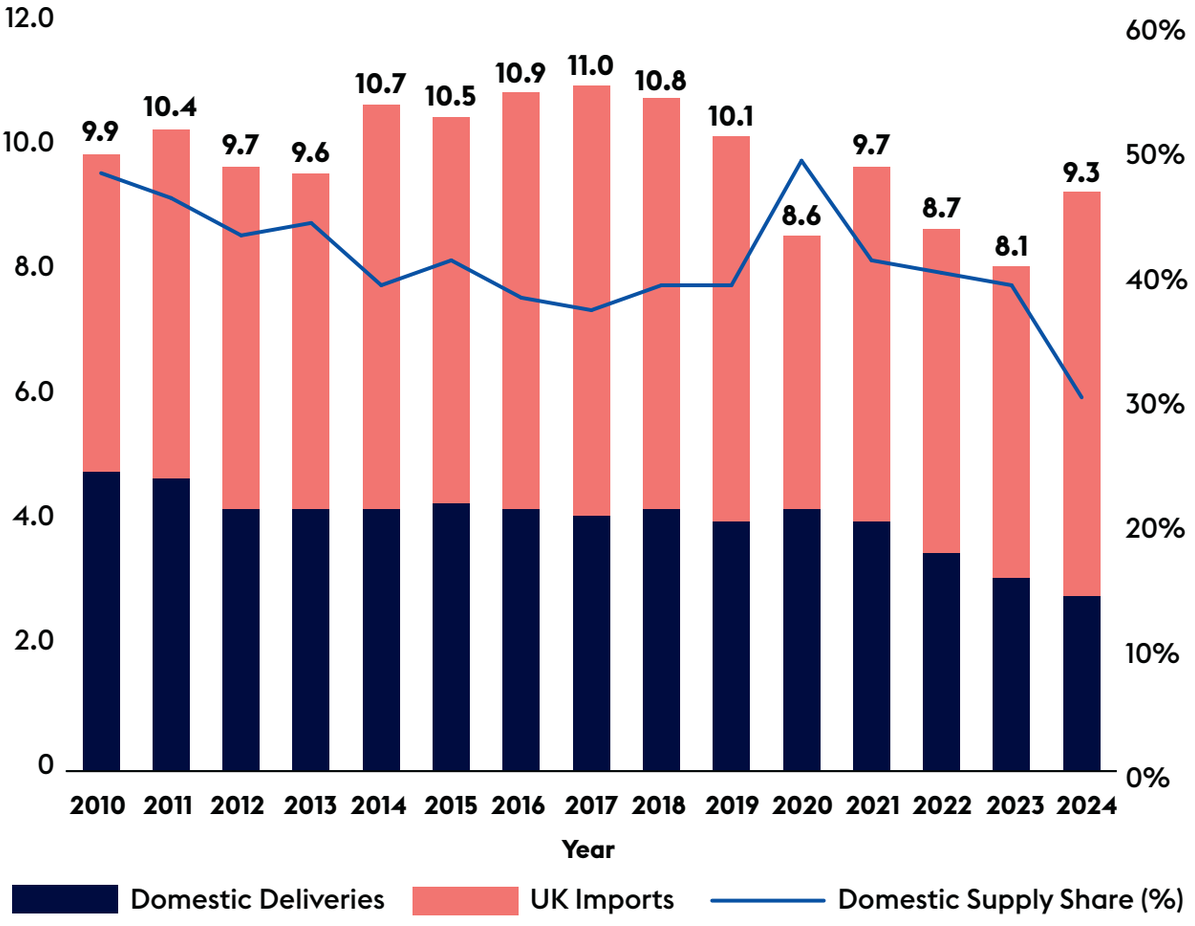
In the UK, these issues have been compounded historically by high operating costs, including high electricity and labour costs, which have led to a lack of long term investment in the industry that has left us with ageing assets.

Investment is required in some of our existing infrastructure to avoid the risk of leaving our steelmaking capability behind that of comparative nations and UK produced steel unable to compete with imports. Responses to our steel strategy consultation verify these challenges, with more than 50% of respondents citing energy prices as a pressure, as well as over 25% raising risks from carbon leakage, underinvestment, geopolitics and the trading environment.[19] Responses also mentioned barriers in the planning process that can hold back investment.

The impact of this strain is clear to see: multiple steel producers are facing difficulties and production fell to an all time low in 2024, with only 30% of domestic demand met by domestic production according to ISSB. This is compared to domestic supply typically remaining between 40% and 50% between 2010 and 2020.[20] This trend has led to an increased reliance on imports that risks vulnerability to a volatile global market and resulting impacts on the resilience of our supply chains.

UK Demand for steel mill products

2010-2024, Million tonnes



Source: ISSB[21]

The government's vision for the sector

A proactive approach from government is required to provide the foundations for a successful private steel sector. However, this must be done fairly and reasonably to avoid furthering the market distorting practices that have created so many problems.

The UK government's vision is a revitalised steel sector consisting of productive and profitable green producers that can provide a secure supply of steel to meet their customers' needs, support our national security and provide high quality, secure and long term jobs. Our initial aim is therefore to stabilise and rebuild our existing sector, ensuring the viability of UK steelmaking, and reversing the current trend of a reducing domestic market share and returning to recently sustained levels of 40-50% of domestic demand being met by domestic production. This will need to go hand in hand with a continued move to green, decarbonised forms of steel production to realise the benefits of modern, productive electric arc furnace (EAF) technology and align with our

Net Zero ambitions. In the longer term we see potential for new investment in new steelmaking capacity and capability.

The UK government welcomes entrants to the UK market which could mean steelmaking in areas beyond historic industrial centres. A more competitive business environment and a drive towards a larger domestic market for UK produced steel offers exciting opportunities for investors who will become part of the thriving steel industry of the future. The location for investment could be determined by developing factors, for example access to scrap supplies or to locate near to industrial strategy growth driving sectors, with potential across all nations of the UK. As well as expanding our industrial base, investment would offer new opportunities for our workforce, providing skilled jobs, including in new technologies and types of production, in locations ranging across the UK. This potential for investment to fall outside of our traditional steelmaking regions was reflected in responses to the steel strategy consultation. Parties interested in investing in the UK can contact the Department of Business and Trade at steelstrategy@businessandtrade.gov.uk

To achieve these goals we have taken action to maximise the competitiveness of the sector and ensure it remains viable. We have provided assistance to a number of our existing companies, made direct financial support available, meeting our manifesto commitment of providing up to £2.5bn to the sector, and implemented a range of measures to create a more supportive business environment.

Putting the steel industry on a more certain footing will create the foundations for growth, protect jobs and important existing infrastructure, maintain supply for downstream sectors, and protect our national security and critical national infrastructure needs. Steel products have a crucial role to play in our national security, whether in defence manufacturing, maintenance of our critical national infrastructure, such as rail or telecommunications, and supporting our wider resilience, for example in our construction capabilities. It will never be feasible, nor desirable, for all UK demand to be met through domestic supply, and imports will always play a vital role in our supply chains. Securing and then helping to create the conditions for an increase in domestic production, and providing onshore producers opportunities for economic growth, will increase resilience into our supply chains as the UK will have a greater flexibility to respond to emerging global issues without risking access to a secure supply of steel.

In addition to data gathered via our consultation and contributions to the steel trade measures call for evidence, the strategy has been developed with input from the Steel Council which was reestablished in January 2025, including steel producers, the wider steel sector and its supply chains, trade unions, and the devolved governments. In addition we held a series of policy specific round tables and commissioned two independent reports, the UK Primary Steelmaking Review and UK Steel Strategy Demand Assessment ('the demand assessment') which have also informed our technical evidence base.

The UK government understands that the domestic and international contexts will continue to evolve, and this strategy can only be one step in a much longer programme of work. We will continue to work closely with industry to address important ongoing issues.

Stabilising and rebuilding our existing sector

Our existing steel assets are the foundation of our sector. Leveraging established assets, infrastructure, supply chains and skilled workforces, where it makes sense to do so, allows the fastest possible route to securing UK steelmaking and realising the opportunities available as we rebuild the sector. The UK government has already taken steps to support our existing steel sites and the communities across the country that benefit from their employment.

South Wales

Steel is a substantial part of the economy in South Wales. Welsh production, and the Tata Steel UK plant at Port Talbot, alongside the Cardiff based 7 Steel, forms a core part of the foundation of our national steelmaking capability. Based on Tata Steel UK's future production capacity, Wales is expected to account for around half of the UK's steelmaking capacity.[22] The Secretary of State for Wales will convene the NWF and the private sector in a new initiative to help unlock investment in Welsh steel projects, to support communities across Wales that rely on the industry.

Tata Steel UK

Tata Steel has a substantial footprint in the UK through its Port Talbot site, alongside additional sites in North Wales and Hartlepool, and this plays an important part in the supply chain for advanced manufacturing growth sectors, including automotive production at both Jaguar Land Rover and BMW.

In September 2024, the UK government announced an investment of £500million in grant funding to support Tata's £1.25billion capital project at Port Talbot Steelworks, constructing a large EAF and supporting infrastructure.[23] 5,000 jobs have been secured nationwide post transition, and an improved deal for the workers impacted by the transformation following co-operative negotiations between Tata Steel and trade unions.[24] This grant enables the transformation of Port Talbot towards green steel, whilst continuing production of flat steel in South Wales during the transition to a new era of steelmaking.

The Port Talbot Transition Board, chaired by the Secretary of State for Wales, was also established to allocate a £122 million support package (£102m from the UK government and £20m from Tata) in support of the local area,[25] the supply chain and impacted individuals, and to create new investment opportunities. So far, this has included financial support for the creation of 85 new businesses through Start-Up Fund grants, grants to 59 companies in Tata Steel UK's supply chain via the Supply Chain Fund, support for 141 local businesses through the Resilience and Business Growth Funds and the delivery of thousands of training[26] courses and qualifications for individuals affected. The rapid delivery of UK government funding has helped to ensure that so far there has been no increase in unemployment benefits take-up in the Port Talbot region since the Tata Steel UK transition process began.

Port Talbot Transition Board Funding:

Funds (circa £75 million):

The Economic Growth and Investment Fund which opened for applications in February 2026, is backed by £11.8 million including £6.8 million from the UK government and £5 million from Tata Steel UK.[27] Businesses looking to invest in the Port Talbot region can access the fund to help them grow, create high-quality jobs, and attract long-term investment. The fund supports companies that offer skilled, well-paid employment opportunities that match the talents of the local workforce.

The Supply Chain Transition Fund is supporting supply chain businesses which are heavily reliant on Tata Steel as their primary customer, allowing them to turn towards new markets and customers where necessary.

The Employment and Skills Fund is available to workers affected by the transition, allowing them to retrain or to learn new skills for the employment market.

A Business Start-up Fund to help people affected start new, small businesses in sectors such as plumbing, logistics, IT, and construction.

A Business Resilience Fund to help businesses reliant on Tata but not in the supply chain, such as shops and cafes, adapt to the changes.

A Business Growth Fund to help those businesses already in Port Talbot employ new staff and grow into new markets.

The Mental Health and Wellbeing Fund to provide mental health support for steel workers and their families, as well as the wider community. Wellbeing is key to securing and staying in employment. So, this funding will contribute to UK government's mission to boost economic growth and raise living standards in Wales, as part of its Plan for Change.

Regeneration projects (circa £30 million)

Funding for a growth and regeneration project in Port Talbot was announced by the Secretary of State for Wales on 6 February, which committed over £8m of the Transition Board funding to support the South Wales Industrial Transition from Carbon Hub project.[28] This will redevelop a four-acre site at Harbourside, Port Talbot which will include the construction of additional shared space, undertake flood mitigation and the provision of specialist equipment. This investment will help establish an Innovation District in Port Talbot. This will support more than 100 jobs.

Three additional growth and regeneration projects were announced on 22 May, for the creation of an Advanced Manufacturing Production Facility and National Net Zero Skills Centre of Excellence and for the redevelopment of Metal Box and Sandfields Business Centre. These three projects will support over 270 jobs and bring an estimated £119 million to the local economy over the next 10 years.[29]

7 Steel:

In 2025, Seven Global Investments purchased the Cardiff based Celsa Steel UK to form 7 Steel UK. Its main plant in Cardiff has an electric arc furnace with a capacity of 1.2 million tonnes, producing products for the construction sector, including reinforced bar, merchant bar, light sections, and wire rod. 7 Steel uses 98% scrap in its steel products, helping to drive down its carbon-intensity and is currently installing a new hydrogen-ready furnace in one of its rolling mills, as a key element of its drive towards net-zero production.

North Lincolnshire

British Steel:

British Steel, headquartered in Scunthorpe with additional operations in Teesside, is the largest long steel products producer in the UK, operating the country's last remaining blast furnaces. It is the only UK producer of rail, supplying 80% of Network Rail's rail requirements,[30] and is the UK's only heavy sections producer, supplying key products into the UK construction industry.

To ensure ongoing steel production in Scunthorpe and prevent the premature closure of the blast furnaces, the UK government recalled Parliament on 12 April 2025 to pass the Steel Industry (Special Measures) Act. This legislation does not alter ownership of British Steel, but enables the government to issue strategic directions in relation to critical operations to ensure the continued safe running of the blast furnaces.

The government's intervention, including significant government funding in the form of loans, has maintained steelmaking in Scunthorpe, thus contributing to its ambitions for the sector. Government officials continue to provide on-site support to British Steel management, ensuring uninterrupted domestic steel production and monitoring the use of taxpayer funds.

We continue to work with British Steel's owners to find a pragmatic, realistic solution for the future of British Steel. Our long-term aspiration for the UK steel sector will require co-investment with the private sector. Across the steel sector, private sector involvement enables modernisation and decarbonisation and safeguards taxpayers' money.

South Yorkshire

The region has been selected as one of five areas to benefit from a Defence Growth Deal as part of the Defence Industrial Strategy. The growth deals will consist of a combined £250 million to unleash the potential of local authorities, businesses and research institutions to support UK defence while boosting economic benefits.[31] South Yorkshire was chosen as it is already home to research, development and engineering of high-grade components and materials critical to the next generation of maritime, land and air capabilities. This includes specialist steel for gun barrels and nuclear submarines.

Speciality Steel UK:

Speciality Steel UK (SSUK) formerly part of the Liberty group of companies, consists of steel sites in Rotherham, Stocksbridge, Brinsworth in South Yorkshire, as well as a site in Wednesbury. The Rotherham site possesses two EAFs and the Stocksbridge site, supplied with EAF-produced steel from the Rotherham site, produces high value speciality products for manufacturing, such as aerospace, oil and gas, and industrial engineering.

On 21 August 2025, SSUK was issued with a winding up order by the High Court due to longstanding financial issues and the Official Receiver was appointed to manage the liquidation. The government is providing funding to the Official Receiver to run a sales process for the sites and is engaging with interested parties to explore options for the future of the SSUK sites in line with the objectives of this strategy.

Sheffield Forgemasters:

The Ministry of Defence completed its takeover of Sheffield Forgemasters in 2021 to secure its unique capability to supply large scale high integrity steel components into existing and future defence programmes. Since then, the UK government committed to a 10-year investment programme to deliver key upgrades including a new 13,000 tonne heavy forge that will be one of the most efficient open-die forging operations in Europe and the largest within the UK.

This government has since expanded the scope of the programme. The Chancellor confirmed in the 2025 Spending Review over £420 million to expand capacity with a new machine shop to support vital work as part of AUKUS submarine deal. In total this over £1.3 billion investment is providing both a boost to our defence capabilities and securing over 700 long-term jobs in the steel city.[32]

Marcegaglia:

Marcegaglia Stainless is the UK's primary stainless steel producer with its site in Sheffield with EAF melting, and stainless steel rod and bar production. It is strongly associated with the birth of stainless steel production, which was invented by Harry Brearley in 1913 in Sheffield. It is investing £50 million to build a new EAF to upgrade its existing site in Sheffield in 2026, increasing annual plant productivity to over 500,000 tonnes of stainless steel products.[33]

Special Melted Products

In July 2025, Walsin Lihwa announced a major investment in its Special Melted Products factory in Sheffield, creating new capabilities in the aerospace and energy materials as well as over 200 new jobs by 2028.[34]

Green steel production

The future UK steel sector will not be the same as the steel sector of the past, or of today. The UK's remaining blast furnaces are reaching the end of their operational lifespan, and it will be increasingly uneconomical for steel producers to sustain these ageing assets. As this infrastructure is replaced, steelmaking will continue to move to decarbonised forms of production, aligning with both the clear economic realities and our ambition to achieve Net Zero; as demand for green steel rises with domestic and global customers pursuing their own decarbonisation goals, and carbon emission intensive methods like unabated blast furnaces face increasing carbon costs at home and abroad. For example, JCB has signed a Memorandum of Understanding (MoU) with Tata Steel UK for the supply of green steel from Port Talbot after the completion of its transformation plans.

The UK government commissioned the Materials Processing Institute to conduct The UK Primary Steelmaking Review to assess the UK's requirements and options for domestic primary iron production in the 2020s and 2030s. The review concludes that the most viable decarbonised form of production would come from EAFs. Many countries across Europe and North America already rely extensively on EAF based production. EAFs offer the benefits of decarbonisation and improved productivity, as well as increased flexibility in meeting our national steel needs. They are also less capital and labour intensive to run. The review notes that while it is technically possible to achieve deep carbon emission reductions with blast furnace based production through the use of Carbon Capture, Utilisation and Storage (CCUS), this comes with a number of challenges in the current UK context. Retrofitting CCUS to an aging blast furnace would be technically difficult, have operational efficiency limitations and would entail significant capital and operating costs and is not yet commercially proven. This does not mean that blast furnace production must immediately cease. It is vital to security of supply that a managed transition is undertaken to ensure maintained steelmaking and protect economic resilience. Our prioritisation of security of supply is reflected by our intervention in British Steel in April 2025, as the UK's sole remaining blast furnace operator.

Decarbonised production of this kind will also support progress towards Net Zero. The government is committed to developing a new plan for industrial decarbonisation where it will outline its approach for a competitive and low carbon industrial base in the UK, ensuring growth opportunities are captured in tandem with emissions reductions. The continued transition to EAF production will mean increased use of recycled scrap steel, further embedding steel as part of the circular economy and reducing reliance on iron ore and ending the use of coal entirely. Scrap will become a far more valuable commodity, and we are taking steps to ensure a thriving scrap steel industry, and a secure future supply, including formation of a new cross-government working group on scrap from May 2026.

While the workforce needed to support EAF production does look different to that of traditional blast furnaces, it is important to ensure that the transition

is a just one for workers. This means that transition plans should account for the impact of potential job losses, while maximising opportunities for new jobs in a future facing sector. This approach has been shown in the transition at Port Talbot, and the government is committed to continuing to engage with trade unions as an important voice of steelworkers and steelmaking communities, as we rebuild the UK steel industry.

Producing certain grades of steel requires supplementing scrap with primary iron. The UK Primary Steelmaking Review recommended that in the short term, this need can be met through imports of pig iron or DRI products from established market routes. In the longer term, to achieve Net Zero and remain competitive in global green steel markets, primary iron should come from DRI plants powered by natural gas, with a planned transition to hydrogen. The economic case for whether that DRI should be produced in the UK will rely on energy pricing, the future development of the global DRI market, the chemistry of scrap supplies and progress in process or product innovation. Increased UK steel production would in turn drive a greater need for DRI that will further improve the business case for investment in onshore DRI production. We are confident that our existing steel companies currently have secure access to the necessary supplies of iron products and will continue to monitor supply chain security. Over time developing domestic DRI capability, supporting competitive global green industrial transitions and exploring new green trading partnerships with reliable competitive partners could strengthen our resilience and support the transition to low carbon steelmaking.

As well as supplying green DRI, hydrogen can play a role in decarbonising some downstream operations through fuel switching. The forthcoming hydrogen Strategy will outline the UK government's vision for advancing the hydrogen economy. The strategy will set out the government's view on deployment of hydrogen in sectors that are hard to electrify, which could include some elements of iron and steel production. Hydrogen can therefore offer a pathway to meet decarbonisation targets while also safeguarding domestic industries and jobs.

Case Study – Hydrogen and Steel Production

In 2024, 7 Steel secured £13 million funding from DESNZ's Industrial Energy Transformation Fund to support Project HEM (Hydrogen Energy Mill).[35] Project HEM will install a new furnace with all the accompanying site based infrastructure to operate on 100% hydrogen fuel (or any blend up to 100%) subject to future hydrogen supply arrangements, ultimately eliminating 17,655t/y of Scope 1 CO2 emissions. This project sets the path for 7 Steel to become the first net-zero steel producer in the UK.

Bloomberg Creative,
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Opportunities for increasing domestic steel production

Beyond this initial focus on stabilising the sector, in the longer term, the UK government believes there is potential for the domestic production share to increase with opportunities for new private sector investment.

While some steel producers have said they are struggling with low demand conditions for some types of products, demand in the UK for the types of steel required in wider infrastructure and manufacturing, such as construction and clean energy generation and distribution, is expected to grow in the coming decades.[36] In particular, there will be an increasing need for specialist steels instrumental to the growth driving sectors set out in our industrial strategy, which could provide new opportunities for domestic steelmakers.

Demand for green steel is also expected to rise, in both the UK and export markets including the EU, and the UK's natural advantages, including our abundance of scrap and our progression on electricity generation decarbonisation in Britain, give us an opportunity to remain ahead of the competition in green steel production. The demand assessment provides one view of areas of domestic demand that are not currently met through domestic production due to capability and capacity gaps, which could indicate areas of investment opportunity.

UK Steel Strategy Demand Assessment

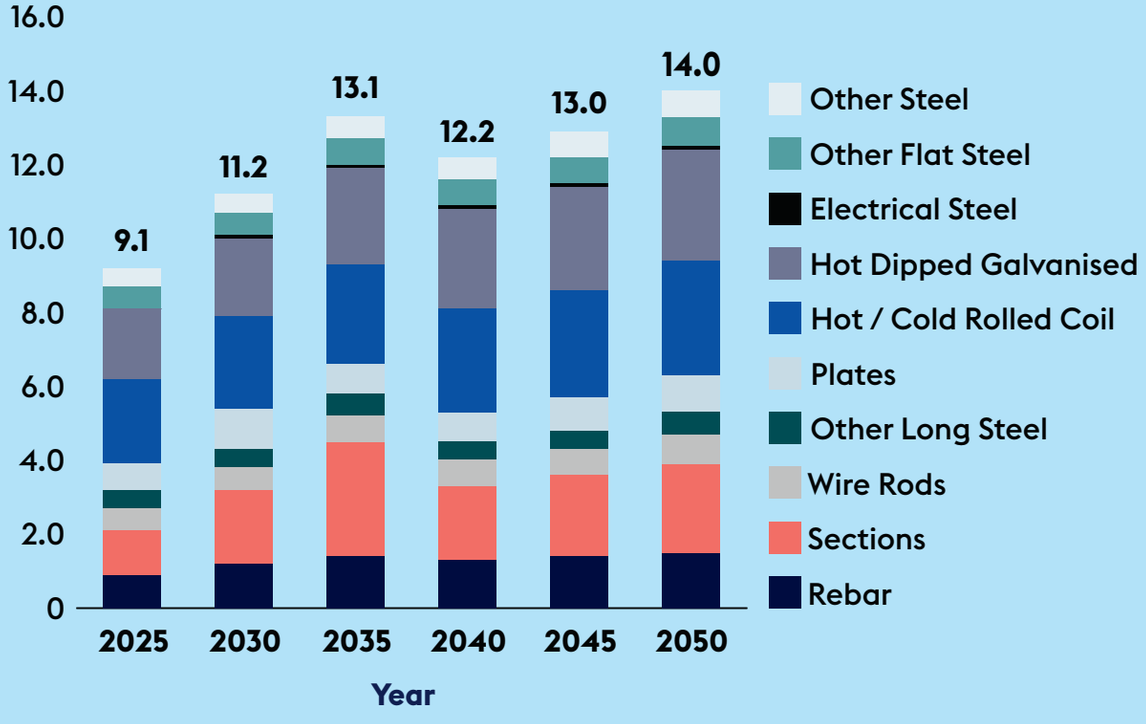
Independent consultancy Hatch was commissioned to assess future demand for steel in the UK, review existing production capabilities, and provide supply chain gap analysis for demand that cannot be met through those capabilities. It also identifies product gaps, and technical solutions to meet those gaps.

Forecasted UK Demand for Steel, 2025 –2050

There is substantial domestic demand for steel that is currently not met by domestic producers and such demand is expected to grow over the coming decades. Hatch[37] project an annual average growth rate of 1.7%, from 9.1Mt in 2025 to 14.0Mt in 2050 driven by steady growth in core sectors such as construction, automotive, engineering and manufacturing, which make up a significant majority of total UK steel demand. Hatch also project growth in the short to medium term driven by rapid growth in other core and emerging sectors such as energy transmission and distribution networks, electric vehicles, wind, solar and nuclear – fuelled by government targets to reach Net Zero. Additionally, by 2050, and in line with our Net Zero ambitions, over 90% of the demand for steel in the UK is expected to be for green steel.

Forecasted UK Demand for Steel

2025-2050, Million tonnes



Source: Hatch, UK Steel Strategy Demand Assessment, see Annex C

Based on comparisons between estimated future domestic production capacity and 2050 UK steel demand, the demand assessment indicates that there are significant capacity gaps in sections, as well as significant capacity and capability gaps in plate and strip products such as hot dipped galvanised and electrical steel. Hatch estimate these provide high market opportunities which the industry could potentially capitalise on, worth a cumulative value of £93billion from 2025 to 2050.

Hatch have identified 14 potential technical solutions that could be adopted to fill these identified gaps, ranging from additional brownfield investment, such as an increased capacity cold mill at Port Talbot, to large scale greenfield investment in new plants. These solutions are illustrative examples of potential growth areas and have not been assessed for their commercial viability.

For further details on the UK Steel Strategy Demand Assessment, see Annex C.

Feifei Cui-Paoluzzo,
593764940

Part 2:

The business environment for UK produced steel

To support our existing steel sites and encourage further private investment, the UK government has taken steps to create a more supportive business environment; one in which steel companies are better able to compete, which protects them from unfair trading practices and the risk of carbon leakage, and provides greater security and certainty.

The UK government recognises that direct financial support will also be required to achieve our goals, and we are providing up to £2.5 billion to support, rebuild and modernise the UK steel industry.

In addition to the support for existing sites listed above, this funding is being provided through a range of UK government financing and funding mechanisms available to support investment in the UK steel sector, most notably the National Wealth Fund (NWF). The NWF has £5.8 billion of capital to allocate over this Parliament to five clean energy and advanced manufacturing sub-sectors including steel and offers a variety of finance products including debt, equity and guarantees for capital intensive projects.

These actions cover:

- Ensuring the UK has a stable and competitive business environment
  - Defending against global overcapacity in steel
  - Reducing electricity prices
  - Mitigating the risk of carbon leakage
  - Securing scrap supplies
  - Further developing a skilled workforce
  - Conducting world leading research, development and innovation
- Creating opportunities and growth
  - Financing support
  - Improving access to suitable land, electricity grid connections and planning permission
  - Mobilising demand for UK produced steel

Action across the nations

Rebuilding the sector must work across the UK, supporting the range of locations for steelmaking, and the communities supported by steel production. With many of the areas of policy that impact steel production devolved, this strategy sets out relevant action taken by devolved governments, alongside that taken by the UK government.

The wider steel sector

While the immediate priority is steel production in the UK, we recognise that the steel sector is much wider, encompassing metal recycling, forming, distribution, fabrication and manufacturing activities. Companies in the supply chain, often small and medium enterprises, who provide roughly a third of employment within the sector, are vital to the supply of steel to customers, and drive innovation and growth. Many of the policies set out in this strategy are intended to extend beyond finished steel producers and benefit the wider supply chain including: procurement reform that will drive demand for steel that is not only made but also fabricated in the UK; access to finance through mechanisms including the British Business Bank and UK Export Finance (UKEF); and the benefits of a stronger and more collaborative skills and research, development and innovation environment. We have also consulted on the British Industrial Competitiveness Scheme which will provide electricity price support to foundational manufacturing industries in the supply chains.

Ensuring the UK has a stable and competitive business environment

Defending against global overcapacity in steel

The UK steel sector is essential to the UK's security. Like many of our allies, the UK steel industry has been severely impacted by persistent global overcapacity as a result of unfair trading practices, including market distorting subsidies. Without action, these dynamics will endanger the UK's ability to produce steel at a time of significant global turbulence, and threaten our national security.

The difference between global steel capacity and demand is rising and is expected to reach 721 million metric tonnes by 2027 according to the OECD, amounting to 13% more than the current total production capacity of just OECD countries.[38]

While small in global terms, exports of steel products can be a significant benefit to the UK's economy, having contributed £4.1bn in 2024, with the top destinations being the EU (67% of exports) and the US (7%).[39] This demonstrates a clear and continued appetite for UK steel. However, the context of global overcapacity creates existential risks for UK steel producers and the security of UK's steel supply chains.

Other nations have introduced restrictions on steel imports, limiting market access. The United States applied measures on 8 March 2025, India implemented a safeguard on certain steel products on 21 April and South Africa imposed safeguard duties from 2 May. Canada introduced new measures on 16 July, and the European Union announced new steel trade measures on 7 October. The UK is a net importer of steel and potential measures by other countries significantly increases the risk of under-priced steel being deflected to the UK market. This could place further pressure on the competitiveness, profitability and long term viability of the UK steel sector, at a time when significant global threats and challenges require us to increase our defence expenditure, as identified in the Strategic Defence Review.

Maintaining secure domestic access to steel is essential for the resilience and important for the competitiveness of our downstream industries. Effective domestic supply reduces reliance on imports, ensuring stability and reliability for consumers over the long term. It helps minimise the risk of price hikes and supply chain disruption. It also has implications for our critical national infrastructure and national security, as steel supplies are needed to maintain key capabilities such as rail, telecommunications infrastructure, and essential defence manufacturing in times of crisis. Building resilience to current and future threats, such as supply chain disruption, is a priority of the National Security Strategy. We also recognise that steel imports will continue to be an important part of our supply chains. Not all products can be sourced from within the UK and not all contracts can be fulfilled by UK-made steel.

The UK government is currently applying 16 anti-dumping measures, two anti-subsidy measures, and a global steel safeguard on 14 categories of steel. Under World Trade Organization rules, safeguard measures may only be applied for a maximum of eight years so the steel safeguard will expire at the end of June 2026. As we look forward, the UK government will protect the UK steel industry to ensure that it can support national security.

The UK has long benefitted from an open trading system, and we continue to be a strong advocate for free and fair trade. Overcapacity has generated a precarious situation for the UK steel industry, and this situation continues to worsen. Given this, we are determined to take action to protect domestic steelmaking to secure our steelmaking capacity, critical for national security, defence and other strategic industries. We will stand up for UK industry whilst we continue to engage internationally to find a shared long-term solution to this systemic issue.

Approach

In June 2025, the UK government launched a call for evidence to source views on future steel trade measures from business leaders, industry experts, and business associations from across the steel supply chain, recognising the need to maintain protection for this critical industry after the steel safeguard expires at the end of June 2026. The call for evidence recognised the need to:

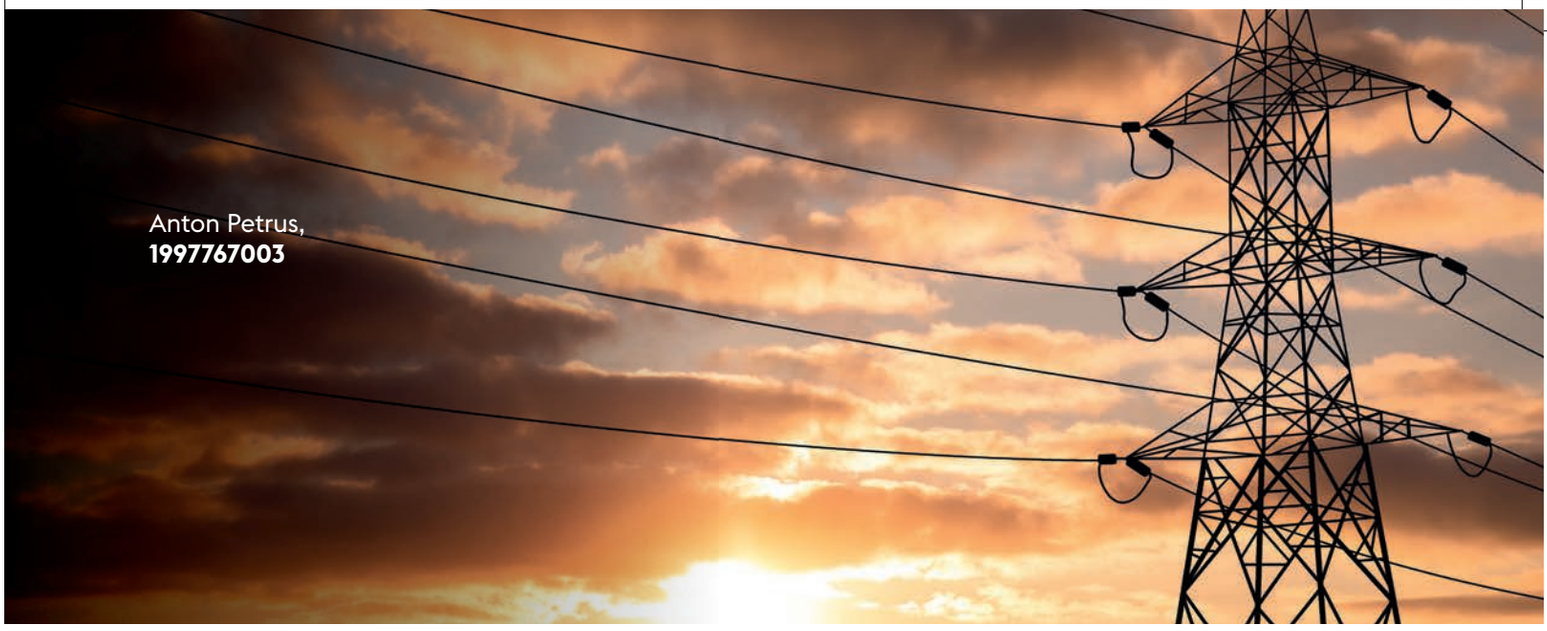
- Protect national interests
- Promote fair competition
- Support growth in the steel sector

The responses to the call for evidence identified that current measures provide some protection against import surges, but the coverage of the steel safeguard has become increasingly divorced from the types and specifications of steel products currently produced in the UK. Steel producers advised they are likely not to be viable without strong future trade measures. Downstream users, on the other hand, favoured less intervention and highlighted their business need to secure their supply chains.

The Interventions

- We will take **robust action to protect domestic production**. Our new steel trade measure will introduce tariff rate quotas with volumes that are substantially lower than those under the steel safeguard, in addition to new quotas on categories not currently covered by the safeguard, with an out-of-quota tariff rate of 50%. The measure will cover all steel products that are produced in the UK. It will apply across the board, including to FTA partners. The measure will come into force on 1 July 2026, immediately after the UK's steel safeguard measure ends. The measure will be designed to ensure the continued viability of domestic steel production in the UK, to meet the UK's security objectives, and will take into account the impact on supply for downstream sectors. We have been engaging closely with industry, including steelmakers and downstream producers, on the details of this measure.
- Recognising the need for a long term solution to protect the industry, **we are initiating an Article 28 process at the WTO** to increase the UK's maximum ("bound") steel tariffs. This will give us the flexibility to raise our Most Favoured Nation (MFN) applied tariffs in the future up to 50%.
- We will explore the possibility of introducing requirements to identify where steel imports were melted and poured. This could help the government to better understand our supply chains and ensure the UK steel industry is better protected from global overcapacity.
- Recognising that the actions of others to tackle overcapacity can affect our own steel sector, we remain committed to monitoring trade distortions and **advocating international action to tackle overcapacity and market distorting practices**. Accordingly, we will continue to collaborate closely with likeminded nations, bilaterally and across various international forums, such as the Global Forum for Steel Excess Capacity, to develop shared solutions to this systemic issue.
- The government will also explore the possible formation of **an international agreement on steel with some of our biggest trading partners**. This would seek to improve trading arrangements on steel with our biggest markets whilst protecting our domestic industry from overcapacity and increasing the security and resilience of our supply chains.
- We will continue to **champion our industry's ability to export**, recognising the high quality of UK-made steel. We will use our Free Trade Agreements to help consolidate our access to overseas markets. Where other nations unfairly restrict our ability to export, we will take action to find solutions with all options on the table. This means there needs to be sufficient market access for UK products, including with the EU as our nearest and biggest trading partner. Our actions have already delivered clear, tangible results. Thanks to the **strength of the UK-US Partnership**, in June 2025, the United States designated the UK as the sole country eligible for a preferential 25% tariff on steel exports, while all other nations faced a global tariff of 50%.[40]

- UK steel exporters can take advantage of the expanded offer from UKEF - the UK's export credit agency. UKEF provides flexible working capital to help UK companies export overseas and trade credit insurance to protect them against buyer payment default. As part of the Industrial and Trade strategies, UKEF has expanded its capacity by £20bn to £80bn to help more businesses,[41] including those in the steel sector, secure foreign overseas contracts by offering attractive finance to their buyers.
- We will continue to take account of all parts of the UK internal market and seek to maintain smooth flows of steel across it. Our approach will also reflect the Government's commitment to solutions under the Windsor Framework, where there exist specific solutions for the movement of steel to Northern Ireland. We are committed to ensuring those specific arrangements work effectively for businesses and people across the whole of the UK.



Reducing electricity prices

Competitive electricity prices are an important enabler of steel sector competitiveness, especially as producers and downstream sectors transition towards electrified green steel production. In the steel strategy consultation, nearly half of respondents said high electricity prices hurt business competitiveness (48%) or deter future investment (46%). The UK government recognises the challenge high electricity prices pose for the sector and is taking action to decrease electricity prices in Britain.

Approach

Under our Clean Energy Superpower Mission, we have a longer term plan to increase our energy security and reduce electricity bills by investing in clean energy and strengthening our connections to the EU energy market.

But while we focus on translating the cheaper wholesale costs of clean power into lower bills, we also recognise the need to act quickly to support sectors with high-growth potential or significant exposure to high electricity prices. The industrial strategy set out measures to make electricity cheaper for manufacturing industries in the eight industrial strategy growth driving sectors and our foundational industries which includes steel.

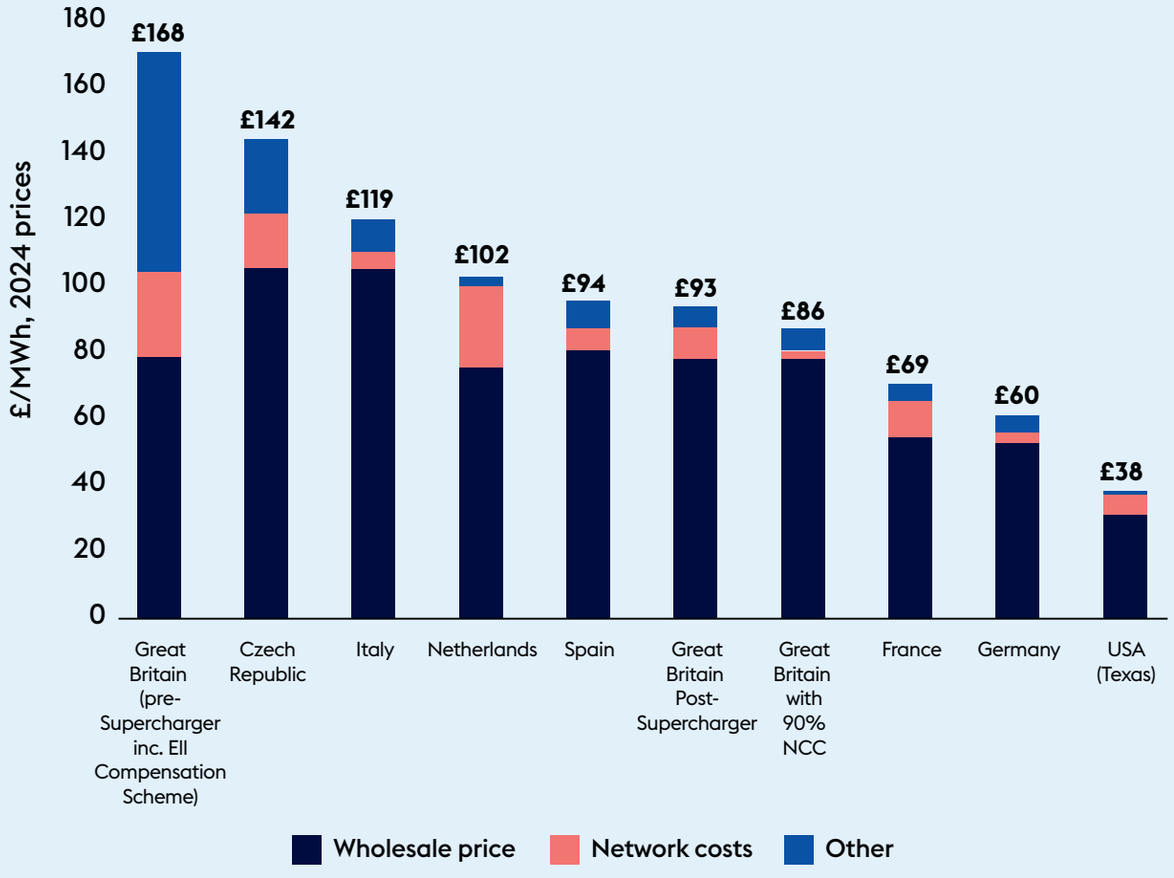
Combined, in 2025 the British Energy Supercharger and EII Compensation scheme cut policy costs on British steel producers' electricity bills by 93%.[42] Industrial electricity prices vary internationally. Overall, the measures set out below will reduce and stabilise electricity prices for the steel sector benefitting existing steel producers, new investors and downstream companies.

The interventions

- Our Clean Power by 2030 target will bring in a new era of clean energy independence by transitioning to an electricity system that produces at least 95% of Great Britain's generation from clean homegrown sources. This will transition us away from an energy system which relies on volatile and unreliable fossil fuels where gas sets the UK electricity price most of the time. As we roll out renewables, we will see a significant reduction in wholesale prices, the foundation for building an energy system that can bring bills down for good.
- In July 2025, the UK government published the Review of Electricity Market Arrangements (REMA) White Paper to provide an update on the policy development phase. This paper confirmed the decision to opt for Reformed National Pricing (RNP) over zonal pricing. RNP is designed to lower consumer bills by creating a more attractive environment for investment, lowering costs and complexity, and supporting the timely delivery of new electricity generation in the right places. A Reformed National Pricing Delivery Plan, setting out the next steps on design and delivery, will be published the coming months.
- In parallel we are continuing the roll out of the British Industry Supercharger as a significant measure to bring energy costs for eligible businesses in strategically important sectors like steel closer in line with other major economies. These measures currently save eligible businesses on average around £24 to £31 per MWh on their electricity costs[43] and the increase of the compensation for network charges from 60% to 90%, which was announced in the industrial strategy and will be delivered from 1st April 2026, will reduce electricity prices for large industrial users by around a further £7 to10/MWh.

Industrial electricity prices for various countries inclusive of industrial energy price relief schemes

2024, £ per MWh



Source: Energy intensive industries (EIIs): Consultation[44]

Chart label: This chart shows Britain's industrial electricity prices:

a. without Supercharger support

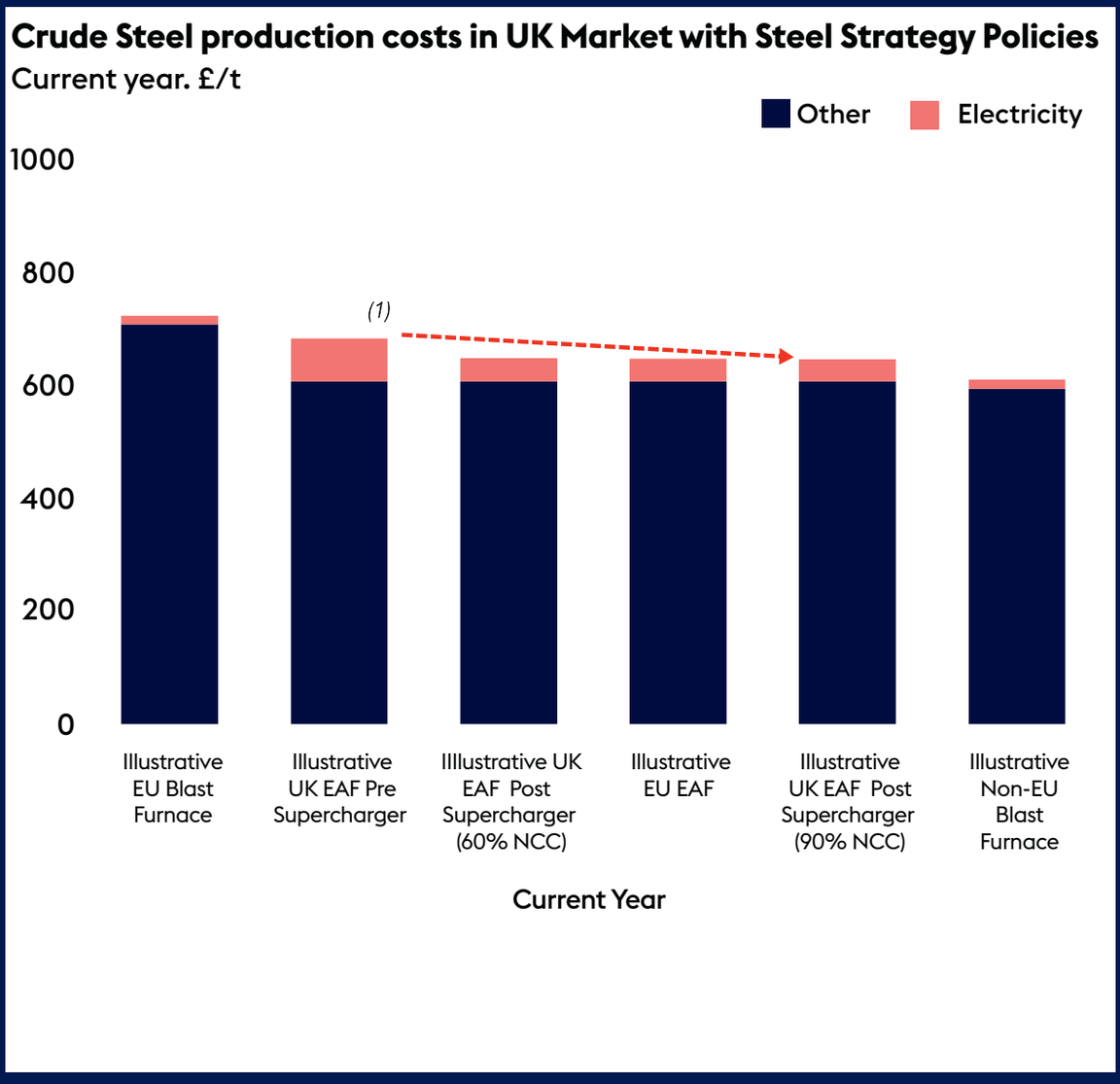
b. with Supercharger support with the network charging compensation scheme offering 60% relief and

c. with Supercharger support with the network charging compensation scheme offering 90% relief, where industrial prices are assessed to drop to £86 per MWh, and compares them with industrial electricity prices in select competitor countries.[45]

» The inclusion of indirect emissions within scope of the CBAM will be delayed until 2029 at the earliest. This is to reflect continued support for the Energy Intensive Industries (EII) Compensation Scheme. This provides compensation for the indirect costs of the UK ETS and Carbon Price Support that are passed down through electricity bills. The Scheme mitigates carbon leakage risk, as well as supporting energy efficiency, decarbonisation, and technological innovation.

» The Industrial Strategy announced the British Industrial Competitiveness Scheme (BICS), a new scheme that will exist alongside the British Industry Supercharger and the EII Compensation Scheme. The scheme will benefit manufacturing foundational industries for the industrial strategy growth sectors, and foundational manufacturing industries supply chains, such as steel fabricators. Government recently held a consultation and eligibility criteria is to be confirmed in government response shortly. Eligible businesses will be exempt from paying the costs of the Renewables Obligation, Feed in Tariffs and the Capacity Market, which could reduce their electricity costs by c.£35 to40/MWh.[46]

Case Study: Impact of Electricity Price support



Source: DBT Analysis of EII Consultation Electricity Prices, see Annex B

The overall impact of UK government electricity price support is shown by arrow (1) in the chart above. The support reduces electricity prices for steel producers on average from £168/MWh to £86/MWh, reducing the costs of production for EAFs by approximately £40/t crude steel based,[47] bringing UK EAF's costs to a more similar level with those in the EU.

Underlying cost components are based on TransitionZero and Global Steel Production Costs: A country and plant-level cost analysis dataset, adapted to 2024 £GBP. This report and data set provides comprehensive asset-level estimates of steel plant production costs globally, with 473 sites across 13 countries analysed.

As the UK is not an included country within this report, underlying cost data is based on average EU EAF costs from the TransitionZero and Global Efficiency Intelligence report.

Due to the change in electricity prices since the reports publication, electricity costs from the transition zero data set are replaced using electricity prices from the Energy intensive industries (EIIs): Consultation.[48] To do this, £/MWh electricity costs are adapted to a £/t crude steel using an energy intensity of factor of 0.435 for EAF and 0.178 for integrated blast furnaces. These factors are sourced from Steel on the Net Cost Models and are in line with other publications such those from MPI and JRC.

In the longer term we have a plan under our Clean Energy Superpower Mission for cheaper, more secure, and clean homegrown power.

Mitigating the risk of carbon leakage

As the UK moves to decarbonised steel production, there is a risk these decarbonisation efforts are undermined by carbon leakage which is the movement of production and associated emissions from one country to another due to different levels of decarbonisation effort through carbon pricing and climate regulations.

If not mitigated, carbon leakage could see UK decarbonisation efforts result in the displacement of emissions overseas to jurisdictions with low or no carbon pricing or climate regulation, rather than achieving a true reduction in global emissions. Carbon leakage risk was raised as a concern in the steel strategy consultation with 87% of total consultation respondents outlining different options for stronger action on carbon leakage.

The sector has raised concerns over the degree of uncertainty around the requirements for the EU CBAM, which entered its definitive regime from 1 January 2026. The UK government recently published an EU CBAM explainer to support businesses understand the process and requirements required. UK businesses can also access free online webinars on EU regulations, such as EU CBAM, and wider Export Support Service via business.gov.uk.

Approach

The UK government is committed to tackling the risk of carbon leakage. The UK government will introduce a UK Carbon Border Adjustment Measure on 1st January 2027. To ensure a fair and proportionate transition to this new carbon leakage mitigation under the UK Emissions Trading Scheme (ETS), the UK ETS authority have confirmed that sectors covered by the UK CBAM will see their free allocations gradually phased out. The phase out will begin gradually, with limited reductions in free allocation during the early years to allow businesses time to adapt. The introduction of the UK CBAM will ensure that highly traded, carbon intensive products from overseas face a comparable carbon price to that which would have been payable had they been produced in the UK. This means that UK decarbonisation efforts lead to a true reduction in global emissions rather than simply displacing carbon emissions overseas. The UK believes the best solution to carbon leakage is an international one. Therefore, alongside implementing the UK CBAM, the UK is working with our international partners to develop a coordinated approach to carbon leakage.

The UK government has heard concern from industry about the potential for carbon leakage risk to UK exports in the future. The UK government's wider support for decarbonisation of the sector is expected to decrease the risk of export leakage as UK steel production decarbonises at pace. The UK government will continue to assess options to mitigate export leakage, including by assessing the approach taken by the EU to their own export leakage risk.

The interventions

UK CBAM

- The government has legislated in Finance Bill 2025-26 to introduce the CBAM from 1 January 2027. The inclusion of indirect emissions within scope of the UK CBAM will be delayed until 2029 at the earliest. This is to reflect continued support for the Energy Intensive Industries (EII) Compensation Scheme.
- Draft secondary legislation will be released in two stages, with the first set published on 10 February for a 6-week technical consultation, alongside draft notices which will have force of law. The final set is expected to be published in Spring 2026 which will cover detail on system boundaries and the monitoring, reporting and verification of emissions for CBAM.
- The government will continue to keep all areas of CBAM design and implementation under review as new evidence comes to light to reflect changes to carbon leakage risk as well as methodological and technological advances.

UK Emissions Trading Scheme (UK ETS)

- Free allowances distributed under the UK ETS are currently the primary approach to mitigating carbon leakage, by effectively reducing the carbon price operators pay. Sectors at risk of carbon leakage, including those in the steel sector, are eligible to receive ETS allowances for free measured against an efficiency standard.[49]
- The UK ETS Authority has recently concluded a review into the approach to free allocations from 2027, to ensure support is better targeted to the most at risk sectors and that changes are delivered holistically alongside other carbon leakage mitigation policies such as the UK CBAM.[50] The key decisions from the Authority response to the Free Allocation Review, include:
  a. Giving operators the option to exclude unrepresentative Covid years from their historic activity level,
  b. The retention of current benchmarks for 2027, with the in-principle intent to adopt updated EU benchmark values from 2028-2030,

c. Retaining the current approach to the carbon leakage list and eligibility for free allocation, and

d. A gradual phase out of free allocations for sectors covered by the UK Carbon Border Adjustment Mechanism beginning in 2027, at the point at which CBAM is introduced, with an indicative phase out trajectory of 9 years. This will ensure a fair and proportionate transition. Whilst this approach will not cover export leakage, the UK government will continue to assess options to mitigate export leakage, including by assessing the approach taken by the EU to their own export leakage risk.

» Many consultation responses emphasised the importance of alignment with the EU Emissions Trading System (EU ETS). At the UK-EU Leaders Summit on May 19 2025, the UK and EU agreed to work towards establishing a link between the UK and EU carbon markets. There are many benefits to a linking agreement, including the creation of and access to a larger, deeper and more liquid carbon market. Overall, linking the UK and EU ETS would mean a more cost-effective path to Net Zero. This agreement would also create the conditions for mutual CBAM exemptions. The UK government will seek to agree an ETS link as soon as is feasible, these negotiations are underway.

Monty Rakusen,
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Securing scrap supplies

To fully realise the benefits for EAF based steel production, the UK needs a resilient, cost effective and high quality scrap steel supply chain. The metal recycling sector's ability to innovate and meet emerging demand will directly shape the competitiveness of UK-made steel.

The OECD projects that global scrap availability will double between 2019 and 2050. As more regions adopt EAFs for steelmaking, demand for scrap will rise, creating potential pressure on global supply. The UK has a strong advantage: it produces around 10 to 11 million tonnes of steel scrap annually but uses only about 2.2 million tonnes according to UK Steel.[51] Even with the Hatch demand assessment's forecast that UK demand could grow to 6.7 million tonnes by 2040, the UK will still have a substantial surplus, offering a significant market opportunity.[52]

Demand for high quality (low residual) scrap will materially increase, with the UK's demand assessment estimating that domestic demand for this type of scrap could rise by 7 to 8 times as new EAFs come online. Meeting the demand for high quality scrap is a challenge for the metal recycling sector, requiring a significant upgrade in recycling processes. To deliver this, metal recyclers will need to upgrade their processes and technology in innovative ways. Through consultation responses, roundtable discussions, the recently published Circular Steel report from the Circular Steel Sub-Committee, and other fora, industry has identified the following medium term challenges in securing sufficient high quality scrap for the UK's expected demand:

- innovation and asset renewal depend on a well functioning market. Despite skilled recyclers, steel strategy consultation responses warn that current regulations may hinder access to high quality scrap and limit shredder optimisation.
- steelmakers fear restrictive trade practices from other countries could distort prices and disrupt global supply, affecting UK scrap availability and competitiveness. Greater domestic circularity could offer protection, but further analysis is needed.
- recyclers suggest reducing vehicle exports to improve UK scrap flows by directing more end of life vehicles to domestic yards.

- alongside optimised recovery and recycling systems, there are also opportunities to grow markets in steel re-use. For example, there are promising business models for re-used structural steel in buildings, which can help to reduce the carbon footprint of construction. These opportunities will be further explored in the forthcoming circular economy growth plan.

Approach

Through the consultation, stakeholders across the steel and recycling sectors recognise our world-class recycling capabilities (as does the recently published Critical Minerals Strategy). However, they also identified a range of regulatory, financial, and operational barriers relating to future supplies of high quality scrap. These included calls for targeted financial incentives, strengthened quality standards and enforcement mechanisms, and support for the development of innovative technology for sorting and processing scrap metal. While these proposals offer potential benefits, calls for regulatory reform also present challenges that must be carefully assessed.

The interventions

- The UK government will form a cross-government group by May 2026 consisting of: the Department for Business and Trade (DBT), the Department for Environment, Food and Rural Affairs (DEFRA), the Department for Energy Security and Net Zero (DESNZ), other departments, and devolved governments, to evaluate proposals, and engage representatives from industry, unions, academia, and other stakeholders from supply and user businesses across the market, to ensure a sustainable supply of high quality scrap for the domestic steel sector. Its mandate will be to:
  - provide a structured forum for ongoing engagement and evidence based policy development
  - assess the regulatory and market conditions needed to support innovation and investment
  - tackle relevant barriers to the development of a high quality domestic scrap supply chain.

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Further developing a skilled workforce

Nearly 40,000 people are employed across the steel industry in the UK, covering production roles as well as experts in craft engineering, technical support, logistics and wider business skills in both finished steel producers and downstream sectors. Responses to the steel strategy consultation, together with points raised in a stakeholder roundtable, highlighted a range of challenges facing steel producers. Concerns included an ageing workforce, recent job losses and job uncertainty, and concerns over changing technology and skilled individuals moving to other sectors perceived as offering a more stable employment.

Steel production is evolving, and the size and structure of the workforce will need to adapt. Modern, efficient plants designed to compete nationally and globally demand a diverse range of highly skilled roles, but these will differ from those required by traditional blast furnace production and will likely involve a smaller workforce. To prepare, we must build a strong pipeline of talent, ensuring that young people continue to leave education equipped with the skills and ambition to thrive in the steel sector.

We remain committed to our existing steel workforce and supporting re-skilling, including, where necessary, outside of the steel industry when individual company transitions leave no other choice. This has been seen in the transformation to EAF based production at Port Talbot, where Tata Steel is investing £20 million in the workforce and wider region during the transition process. £102 million has been allocated by the government to support individuals, businesses and regeneration projects. Our Trade Unions have a positive record of supporting and advising workers through transitions which we hope will continue into the future.

Through initiatives like Industrial Cadets, we can inspire young people to explore exciting careers in steel, offering hands on experience, mentoring, and clear pathways into the industry. As the sector stabilises it will become an increasingly attractive and exciting place for young people to work as they leave education. Companies are seeing interest grow as they invest in their early careers programmes, with Sheffield Forgemasters reporting that in 2025 the number of applications to their early career programme vastly outstripped the 21 roles available, demonstrating the popularity of both high value vocational careers, and the apprenticeship route to work. Building the workforce of the future also offers opportunities to embed greater diversity and inclusion, ensuring that we are working to bring the best and the brightest into the steel industry.

Approach

By increasing competitiveness and attracting increased investment in domestic steel production, particularly in future-facing, decarbonised technologies, this strategy will support the steel industry to continue offering exciting, high quality and stable, long term careers with steel producers and in their supply chains.

We must be proactive in attracting and building skilled professionals who can fulfil those roles and capitalise on the growth opportunities in the sector, starting in the secondary stages of education. This cannot be achieved by government alone, and collaborative action from across the industry, working closely with educational institutions and providers will be required to effectively provide the skills pipeline of the future.

This should build on the work already being undertaken by national skills agencies, local authorities, and devolved governments, with support from educational institutions and the third sector. The mechanisms for skills delivery are already there in many areas: the challenge is to ensure sufficient coordination to deliver in a way that best supports the growth of the industry. We will continue to collaborate closely with devolved governments to deliver support across the UK where relevant skills policy is devolved.

The interventions:

- Through the Steel Council, we will work to enhance collaboration between industry, government, and the third sector, bringing together representatives with the expertise needed to address the sector's workforce requirements. The aim will be to develop practical steps to tackle current challenges, build a robust skills pipeline for the future, and increase workforce diversity.
- The Post-16 education and skills white paper, published in November 2025, sets out the UK government's plans to reform the post-16 education and skills system in England to meet the needs of the economy, close skills gaps and support growth.
- Skills England will bring greater coherence to the overall skills offer, making the skills system clearer and easier for employers, including those in the steel sector, to navigate. It will work with businesses to determine what the priorities for their sector should be and how to boost investment in them.
- The government is also transforming the apprenticeships levy into a new growth and skills levy in England, which will offer greater flexibility to employers to access the training they need, including those in the steel sector, and support more opportunities for young people. In August 2025, the government introduced new foundation apprenticeships for young people, as well as shorter duration apprenticeships. From April 2026 we will introduce new short courses (apprenticeship units) in critical sectors such as artificial intelligence, digital and engineering, which will help employers to respond quickly to evolving skills needs. The Department for Work and Pensions will continue to work with Skills England and with business to develop the growth and skills levy.
- Skills England is overseeing the second round of Local Skills Improvement Plans in England, which aim to close gaps in the workforce and help local economies grow. These plans are being developed by designated Employer Representative Bodies (ERBs), working with Strategic Authorities where they are in place. These local plans provide in-depth insight on skill needs across a given area - from supporting people to enter work and progress in employment, through to post graduate level 8 – and the actions required to meet them. The work will involve many key local stakeholders including Job Centre Plus.
- As site specific transitions continue, bringing a need for reskilling and wider workforce support, bespoke support will be provided in collaboration with regional partners and companies, to ensure that any transition is a just transition, as has been the case at Port Talbot.

Action taken by devolved governments

- In Wales, responsibility for skills policy is devolved to the Welsh government. Current skills priorities for Wales are set out in Stronger, fairer, greener Wales: a plan for employability and skills (2022); the Net Zero Action Plan (2023) and the Apprenticeship Policy Statement for Wales (2024).
- Medr the new Tertiary Education and Research Commission for Wales, is responsible for funding and regulating the tertiary education and research sector and for delivery of the apprenticeship programme in Wales.
- The Welsh government also funds the Flexible Skills Programme (£7.5m for 2025-26) which provides 50 percent grant funding to businesses to support their upskilling and retraining needs. Regional Skills Partnerships in Wales identify regional skills priorities informed by the views of employers and promote Vocational Education and Training, captured in employment and skills plans which are published every three years and refreshed annually.
- The Welsh government will shortly be undertaking a national skills audit which will establish a clearer understanding of Wales' workforce and skills needs and how that is supported through supply side activities in education and training. Welsh Ministers have also committed to developing a new Vocational Education and Training Strategy for Wales.
- The Scottish government is also taking a national skills planning approach, prioritising skills that are directly linked to specific occupations, whilst recognising the vital role that core and meta skills play in supporting progression and employability. A unified approach with Skills Development Scotland and Scottish Funding Council, underpins a continued commitment to regional flexibility, collaboration, and accountability.
- Priority sectors in Scotland are identified in the National Strategy for Economic Transformation, the Green Industrial Strategy and the National Innovation Strategy. Additionally, the Scottish government's Programme for Government recognises the need for short-term interventions to address skills challenges in priority economic sectors, alongside longer-term reform to the Skills Planning System.

World leading research, development and innovation

Steel is a technologically intensive industry, one that is constantly evolving, and one that needs to have innovation at its core. From the Industrial Revolution to the modern day, the UK has a strong track record of developing new processes and product technologies that have gone on to become global standards. We have world leading research infrastructure and the corresponding knowledge base of scientists, engineers and entrepreneurs to turn the right ideas into a commercial success.

Continued research, development and innovation (RD&I) is critical for the future success of the industry. As the sector continues to decarbonise it presents opportunities for new and innovative ideas to be developed and adopted. A core focus in the coming years will be pushing the boundaries of what current processes can produce as well as developing new approaches to steelmaking. Technologies to automate and digitise the sector, such as AI, have a high potential to boost process efficiency and shorten product development cycles. Underlying this, it is equally important to create stable supplies of the right materials and updated grade definitions and standards.

Over the past two decades, however, we have heard that companies have reduced their spending on RD&I. This has included the scaling back of investments, loss of technical knowledge and redirection or reduction of spend. It is a trend that needs to be reversed with companies investing in their future. Responses to our consultation listed funding and increased industry-academia collaboration as enablers to this. Through the process of developing this strategy, and at a recent industry roundtable, we have heard that at times there is a misalignment between the needs of industry and research institutions that does not make effective use of resources.

Approach

The steel sector needs companies and research organisations to work together on an ambitious future or the UK risks being left behind. We will seek to facilitate enhanced collaboration to ensure resources are focused on activity which best enables UK companies to develop and thrive. We recognise that it is often our smallest companies, who operate right across the supply chain, who are the most innovative and we want them to be fully involved.

Investment in RD&I is critical and that investment should largely come from the private sector. The UK and devolved governments, along with our public funding bodies, will continue to support projects and programmes by providing a range of funding options that are open to steel companies, including opportunities to form partnerships with suppliers and customers in priority areas.

The interventions

- Our membership of Horizon Europe allows UK institutions including steel companies to have full access to the world's largest research fund. We acknowledge that often this funding is highly competitive but there is significant gain that can be achieved. Horizon Europe is worth over £80 billion and is running from 2021 to 2027.[53]
- Within the industrial strategy sector plans, steel producers have the opportunity to establish joint projects with their customers to take advantage of targeted funding, including but not limited to the £2.8 billion for RD&I in the advanced manufacturing plan.[54]
- Innovate UK, the UK's national innovation agency, and the Engineering and Physical Science Research Council (EPSRC) continue to support early and mid-level Technology Readiness Level (TRL) projects.
- Through the EPSRC, the UK government is providing £11 million to Swansea University as part of a 7 year research programme called IGNITE. Their aim is to conduct collaborative R&D with partners contributing £9.9m themselves along the full steel supply chain to boost resilience in key areas (like defence) and reduce emissions across the board.
- Later TRL stage projects are able to engage with the British Business Bank and the National Wealth Fund. Both organisations have had their remits increased as part of the modern industrial strategy.
- Through the Steel Council we will work to increase collaboration between research organisations and steel companies. Working with industry partners a proposal is being prepared for a workstream to coordinate RD&I activities with the aim of implementing practical solutions to enhance industry competitiveness. This work will bring together the research community and industry, including supply chain partners.

Action taken by devolved governments

The Welsh government's Innovation Strategy, Wales Innovates, contains a strong message for the entire Welsh RD&I ecosystem to collaborate to leverage greater funding from UKRI, Innovate UK and the other research councils.

The aim is to increase Wales's share of competitively awarded UK funding, and we remain committed to stimulating and supporting more Welsh proposals to Innovate UK competitions.

The Welsh government's SMART Flexible Innovation Support provides innovation support pan Wales to support development of the economy and is available to established organisations based in Wales wishing to engage and invest in research, development and innovation (RD&I).

Scotland's National Innovation Strategy sets out an ambitious plan to increase innovation levels across Scotland. The Strategy sets out actions aimed at utilising innovation as a driver to grow the economy and create jobs in areas of strength: energy transition; health and life sciences; advanced manufacturing; and the application of data and digital technologies.

Scotland's National Innovation Strategy has a focus on building industrial clusters, strengthening research and development, and supporting commercialisation, and provides a roadmap for modernising industries and driving sustainable economic growth.

The Scottish government is committed to establishing Scotland as a leading start-up nation, fostering innovation and accelerating economic growth. This includes:

- Expanding opportunities for high value clusters with £5 million provided to support Scotland's high growth industries.
- Investing almost £3 million through a proof of concept fund to support researchers to develop their innovative ideas and technologies and bridge the gap between groundbreaking research and commercial applications[55].
- Establishing a Deep Tech Super Cluster to support companies on their journey to manufacturing at scale.
- Establishing the Scottish Technology Council to provide expert insight into the opportunities and the challenges facing our tech sector.
- Launching the AI Scotland programme, including a pilot scheme for SMEs that positions Scotland as a creator and supplier of AI technologies.

Case Study – Transforming material quality through AI-Driven optimisation

Swansea University and Tata Steel UK have developed a novel AI-enabled optimisation framework to enhance production at Port Talbot Steelworks. The collaborative research project, sponsored through the Material Made Smarter Research Centre and SUSTAIN Hub, has led to an 86% reduction of non-right-first-time coils for tube grade steel products.[56]

The Hot Strip Mill (HSM) at Port Talbot produces strip steel with a gauge (thickness) ranging from 1.50 mm to 17.00 mm. The mechanical properties of the finished strip are heavily influenced by the cooling process, the profile of which has to be determined before processing by an engineer for each product type. The new optimisation routine significantly reduces the time required to optimise each product, making it possible to achieve optimal performance in a few hours rather than months. It minimises the need for costly trials and reduces material waste, therefore contributing to increased profitability and a reduction of carbon emissions.

These advances have been made possible by a £500,000 investment in new electromagnetic and temperature sensors within Tata Steel and the effective collaboration with Swansea University, which has driven the development of the novel optimisation framework. There is strong potential to apply a similar approach to other models within the business. The project demonstrated the untapped potential of digitalisation and data driven approaches to achieve significant improvements in process operations.

Creating opportunities and growth

Financing support

Rebuilding a competitive UK steel sector that meets domestic demand, strengthens supply chains, and secures high quality jobs for the long term will require significant investment. In the case of larger, higher risk or more complex investment, the UK government recognises that a more competitive business environment alone may not be enough, and direct financial support from government may be required. This was supported by 69% of respondents to our recent steel strategy consultation, who emphasised that access to financing, paired with more competitive business environment, will help stimulate growth in the UK steel industry.

Approach

This approach focuses on using public finance institutions and mechanisms to help fund promising and sustainable steel sector projects. The aim is to make it easier for private investors to get involved and support new technology and greener practices. By offering long term funding, co-investment, and guarantees, these institutions encourage investment in projects that might otherwise find it hard to get commercial funding because they are large, complex, or need time to show results.

The interventions

- Building on the direct financial support the government has made so far, the NWF will be the UK government's main mechanism for providing financing for investment in the steel sector. In line with its strategy and focus on green steel, the NWF is actively seeking engagement with steel firms on financing opportunities aligned with its investment principles. The NWF operates independently and offers a transparent and strategic route for investment that supports the UK government's growth mission. UK based steel companies seeking investment can contact the NWF directly at Contact us | National Wealth Fund
- The NWF has £5.8 billion of capital to allocate to five clean energy and advanced manufacturing sectors over this Parliament: green steel, usage and storage of hydrogen, carbon capture, ports and battery manufacturing and electric vehicle supply chain. The NWF offers a variety of finance products including debt, equity (minimum investment amount is £25m) and guarantees for capital intensive projects.

- The Secretary of State for Wales will convene the NWF and the private sector in a new initiative to help unlock investment in Welsh steel projects, to support communities across Wales that rely on the industry.
- Separate to the NWF, firms can access a diverse suite of UK and devolved government backed support mechanisms for different stages of business growth and sectoral needs. Public funding for commercialising new products, processes and services is available from a range of sources, including Innovate UK. Financing is available for mature firms through a number of options.
  - The British Business Bank addresses the scale-up financing gap through debt and equity. As part of the UK's industrial strategy, it has been allocated £6.6 billion in new capital by providing access to growth capital, it is ready to support innovative businesses looking to grow.
  - UK Export Finance (UKEF), the UK's export credit agency, provides flexible working capital to help UK companies export overseas and trade credit insurance to protect them against buyer payment default. As part of the industrial and trade strategies, UKEF has expanded its capacity by £20 billion to £80 billion to help more businesses, including those in the steel sector, secure foreign overseas contracts by offering attractive finance to their buyers.[57]
  - Financing and investment support for steel businesses are available through the Development Bank of Wales, the Scottish National Investment Bank, Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise and Invest Northern Ireland, ensuring funding strengthens local economies and drives growth across the UK.
  - Funding is available through the Great British Energy's Offshore Wind Supply Chain Fund. It is a targeted £300 million initiative designed to strengthen domestic supply chains for offshore wind.[58] This includes, relevant steel critical components, thereby providing support to downstream sectors. The fund opened for applications in December 2025.
  - The UK government has recently agreed a target with the steel sector under the Climate Change Agreements (CCA) Scheme. The new CCA agreement continues the significant Climate Change Levy reduced rates for eligible businesses in the sector out to March 2033 in return for meeting agreed energy efficiency targets that start on 1 January 2026.

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Improving access to suitable land, electricity grid connections and planning permission

Barriers to delivering new projects in the steel sector include securing timely and reliable grid connections, ensuring the availability of well prepared, strategically located, and energy ready industrial sites, and navigating the current planning permission systems across different administrations. In the responses to our consultation on the steel strategy, the majority of respondents highlighted grid connections (55%) and planning systems (58%) as obstacles to industrial development and over a third emphasised the need for industrial zones and shovel-ready sites. These findings highlight that without targeted action on energy infrastructure, priority sites, and planning reform, the UK risks missing opportunities to renew its steel sector and boost industrial growth.

Approach

The UK government, working in collaboration with the devolved governments as planning is a devolved competency, is committed to making it easier and quicker to deliver new steel projects across the UK. We will ensure firms can invest and expand with confidence by speeding up planning and grid connections and making suitable land available.

The interventions

Electricity grid connections

- To support industrial transformation and ensure timely connections to the electricity grid, the UK government has launched a new Connections Accelerator Service for Great Britain. As set out in the industrial strategy, it will provide support connecting to the grid for strategic demand projects, including those that create high quality jobs. The Connections Accelerator Service began operating at the end of December 2025 and will support both established companies and new entrants.
- The Planning and Infrastructure Act 2025 introduced new powers to amend regulatory processes and accelerate connections for strategically important projects. The bill includes a power to 'designate' UK government strategic documents that can then inform the prioritisation of certain projects, including the industrial strategy which recognises steel as a foundational industry. The Bill will inform allocation of connections, enabling the UK government to reserve future capacity on the grid. Coupled with the de-prioritisation of over 300GW of unready or unneeded generation and storage projects from the connection's 'queue', we are focused on dramatically reducing waiting times for major UK investments.
- To further enhance the responsiveness of the grid connection process, the energy regulator Ofgem is conducting a comprehensive end-to-end review. In the summer of 2025, it set out proposals to strengthen the incentives and obligations on network companies to deliver timely connections.
- Reforms are already underway to accelerate build times for new transmission infrastructure and to upgrade local distribution networks in Great Britain. Ofgem published the draft determination for the next transmission price control for 2026 to 2031 on 1 July 2025 and on 4 December 2025, Ofgem published their Final Determinations on the upcoming price control settlement (RIIO-3) for electricity transmission, gas transmission, and gas distribution network companies. The price control will commence in April 2026 and run until 31 March 2031. Ofgem expects transmission investment to exceed £90 billion by 2031.[59] Similarly, in its ED3 (Distribution Price Control for 2028 to 2033) framework decision, Ofgem signalled that Distribution Network Operators (DNOs) should prepare long term investment strategies extending to 2050, informed by Regional Energy Strategic Plans (RESPs) and the Industrial Decarbonisation Plan. Ofgem expects DNOs to use RESP outputs and the Industrial Decarbonisation Plan to support Net Zero and enable anticipatory investment. This level of funding will enable the grid to meet the growing demands of a modern, electrified steel industry.

Shovel ready sites

» To tackle the shortage of large scale investible sites across the UK, the UK government launched the Strategic Sites Accelerator Programme as part of the industrial strategy. With over £600 million, the programme will enable the UK government to deploy a range of interventions to bring sites to market faster, by assisting, accelerating, or acquiring investment sites.[60]

Planning Reform

» To stimulate investment, the UK government will fast track more projects through the planning process by providing clarity on the Nationally Significant Infrastructure Project (NSIP) regime and Development Consent Applications. Eligible steel manufacturing projects in England can request to 'opt in' to the NSIP planning regime under existing business and commercial provisions of the Planning Act 2008 and associated regulations.

» To improve the efficiency of the planning process, the UK government is implementing a package of reforms in England to reduce burdens and accelerate delivery. Among these are the removal of statutory pre-application consultation requirements which aims to reduce typical time spent in pre-application by up to 12 months, alongside streamlining judicial reviews, setting a 13-week target for ministerial decisions, and improving Local Authority responsiveness. Taken together, these system wide reforms will promote timely and coordinated decisions that reflect the UK government's industrial and Net Zero ambitions.

Action taken by devolved governments

The Welsh Government has worked on improving speed and performance of consenting at a national and local level. This implementation has included direct investment within national bodies, including Natural Resources Wales and Planning and Environment Decisions Wales. Local level improvements include addressing LPA resources and resilience by investing in planning fees, performance reporting and resources. Spatial planning is supported at a national, regional and local plan level.

Scotland's planning system has been reformed and is focused firmly on delivery, to drive economic growth, accelerate development, and improve service delivery. The Scottish government has introduced a National Planning Hub to target support to planning authorities requiring additional resource to deliver services and improve capacity and capability. The hub is directly addressing resource and capacity challenges in the planning system. It provides surge support, expert brokerage, and professional capacity building to planning authorities across Scotland. Scotland's stakeholders and Parliament have strongly supported a plan-led approach that incorporates infrastructure-first and early input of interested parties.

The UK's investment friendly tax environment

The UK offers a competitive corporate tax environment that supports investment. With a 25% Corporation Tax rate, the UK has the lowest headline rate in the G7, enhancing post-tax returns.[61] The full expensing policy allows companies to deduct the entire cost of qualifying plant and machinery in the year of investment, delivering up to 25p in tax savings per £1 of Capital Expenditure (CAPEX), a powerful incentive for scaling advanced steelmaking infrastructure.[62]

The R&D Expenditure Credit provides a cash benefit of £16.20 per £100 spent on qualifying R&D, supporting innovation in low carbon steel technologies. This is the joint highest uncapped headline rate of R&D tax relief in the G7 for large companies.[63] The UK's territorial tax structure and extensive network of more than 130 double taxation treaties further reduce friction for international investment and cross-border operations.[64]

Taken together, these incentives position the UK as a prime location for scaling green steel operations, attracting both domestic and global investors seeking long term value.

Creating value through industrial strategy zones

The UK government's 22 Industrial Strategy Zones – which bring together Freeports and Investment Zones under a shared umbrella – are aimed at promoting growth in high potential sectors and the foundational industries which underpin them. For steel businesses, this presents a strategic opportunity to benefit from increased demand across growth sectors, particularly in areas like offshore wind, industrialised construction, and defence. The Industrial Strategy Zones offer a package of financial, fiscal and infrastructure support to catalyse investment. Each Freeport is receiving £25 million in capital funding and providing generous tax incentives and Investment Zones in Great Britain are receiving up to £160 million over 10 years which can be split between tax reliefs and flexible spend, while the Northern Ireland Enhanced Investment Zone, which is still in development, will receive an envelope of £150 million. Steel firms located within these zones can expect improved competitiveness, access to innovation clusters, and long term resilience in a decarbonising global economy.

coldsnowstorm,
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Mobilising demand for domestic steel

Domestic steel demand is expected to grow over the coming decades, and there is already domestic demand that is not met by domestic production. Meeting this untapped demand presents potential opportunities for the UK's steel producers and downstream supply chains.

These opportunities can be realised in part by strengthening the mechanisms for purchasing steel in public contracts, government supported projects (those backed by government but not falling under the public procurement regime) and private sector projects (non-government projects, such as private construction or the manufacturing industries).

In our consultation and ministerial roundtable on domestic demand, stakeholders highlighted the potential to better position UK steel companies to compete for public procurement contracts. This is a valuable market opportunity: in the financial year 2024 to 2025, approximately 0.3 million tonnes of steel were procured for public projects, representing a value of £373 million.[65, 66] This is equivalent to 3.1% of 2024 total UK demand for steel mill products.[67]

Even larger opportunities exist in government supported and private sector projects. If the UK were able to fully localise its wind sector supply chain, offshore wind is expected to require 26.1mt of plate steel from 2025 to 2050, which represents a significant opportunity for the UK's steel sector, contributing to the £22billion total cumulative market gap in plate according to Hatch.[68]

Approach

The UK government wants to leverage its purchasing power through public procurement to build a stronger UK economy, strengthen domestic supply chains, support good quality local jobs, and shape markets. This will be delivered through recent and future reforms to public procurement policies.

To maximise growth opportunities for the sector we will look beyond public procurement to stimulate demand in wider government supported and private projects. In particular, there are opportunities for steel in low carbon energy generation, such as wind.

The UK government is also looking to play a role in growing the market for low carbon industrial products with a recently concluded consultation which has an initial focus on steel, cement and concrete products used in construction.

The interventions

Public procurement:

- The UK government has changed steel procurement guidance via a new Procurement Policy Note (PPN 022), published in June 2025. In-scope organisations (for example, a government department) with new relevant steel procurements should consult UK Steel's digital catalogue before making procurement decisions, meaning UK made steel is routinely considered for public procurement projects.
- Furthermore, the PPN encourages in-scope organisations to consider if a contract involving steel should not, in the interests of national security, be subject to the Procurement Act, and apply the national security exemption as appropriate.
- This builds on previous procurement reform which emphasised the importance of early engagement involving the whole supply chain, to make future opportunities more visible. This resulted in the UK government publishing annual data on steel procurement (including the origin of the steel procured) to provide insights into steel industry supply chains, meaning that in-scope organisations and their contractors are able to undertake an accurate assessment of the capacity and capability of the UK market at relevant points within the life cycle of these projects, maximising the opportunities for its uptake.
- The government will also publish in due course a response to their 2025 consultation on further reforms to public procurement, to enhance the UK's economic resilience and strengthen supply chains in line with the UK government's industrial strategy and to advance the national interest while respecting the UK's international trade commitments.

Government supported and private projects:

- Some energy generation projects benefit from the UK government's Contracts for Difference (CfD) revenue guaranteeing scheme. Offshore wind CfDs can apply for the Clean Industry Bonus (CIB), which offers extra CfD revenue to applicants who choose to invest in the economic, social and environmental sustainability of their supply chains. For the next allocation round opening in 2026, offshore wind developers can include UK steel manufacturers in Clean Industry Bonus applications, incentivising investment in UK steel manufacturing and cleaner steel in this growth sector.
- The development of the hydrogen and Carbon Capture, Usage and Storage (CCUS) sectors also represents a major opportunity for UK businesses and workers. Industry has set a voluntary ambition of 50% UK local content for hydrogen and CCUS across the value chain from 2030. We are exploring options for how we can drive further investment into UK CCUS and hydrogen supply chains, to ensure the UK secures the economic benefits of the investments it is making in these sectors.

Growing demand for low emission steel:

- In June 2025, the UK government consulted on a voluntary policy framework to grow the market for low carbon industrial products with an initial focus on steel, cement and concrete products used in construction.
- Policies consulted on included establishing an Embodied Emissions Reporting Framework (EERF) to help producers and buyers measure, report and verify the emissions of eligible products, product classifications to help define what constitutes a low carbon product, and proposals to develop best practice green procurement guidance for public and private organisations. The consultation also sought feedback on longer term policy options such as product ecolabelling and mandatory product standards. The proposals will help the UK to fulfil its COP28 commitment to the Industrial Deep Decarbonisation Initiative's (IDDI) Green Public Procurement pledge.[69] The government engaged closely with the steel industry during the consultation and welcomes its commitment to ongoing collaboration. The government is reviewing responses and will publish its response in due course.

Action taken by devolved governments

Welsh government policy on steel procurement is set out in Welsh Procurement Policy Note (WPPN) 008,[70] which applies to major procurement projects. This aligns with the Well-being of Future Generations (Wales) Act 2015, Procurement Act 2023 and relevant Wales Regulations and the Social Partnership and Public Procurement (Wales) Act 2023, promoting key principles such as sustainable procurement and early engagement with UK steel producers to strengthen domestic industry and reduce carbon emissions.

Devolved Scottish public bodies' planned infrastructure investment for the current period was set out in the Infrastructure Investment Plan for Scotland 2021-22 to 2025-26. This was used to produce a projected pipeline of steel requirements, which was made available to industry online. The Scottish government will shortly consult on a new infrastructure strategy process.

The Scottish government provides a suite of online Sustainable Procurement Tools to help public sector procurers adapt to a more resource-efficient and sustainable procurement practice. The sustainability guidance for public sector clients managing construction project procurement is covered in the 'Client Guide to Construction Projects'.

Annex A – Steel strategy consultation

Consultation:

In February 2025, the Business and Trade Secretary launched the Plan for Steel consultation. This invited contributions from investors, businesses, wider experts, workers and the public to inform the development of the steel strategy. Their responses have helped

(1) advise on what goals should be prioritised

(2) identify where support should be targeted

(3) implementing the necessary changes.

The consultation was structured around the key opportunities and challenges which could have the greatest impacts for our steel industry such as:

- funding and financing,
- future demand and public procurement,
- site availability,
- scrap,
- trade,
- global overcapacity,
- electricity prices,
- green steel,
- RD&I,
- skills.

The consultation closed on 31 March 2025 with responses from almost 100 organisations and individuals, 57% of which were businesses and business Associations. Other respondents included members of the public, academics, trade unions, think tanks, MPs, councils and government organisations. Of the Business and Business Association respondents, those from steel producers, steel processors and metal fabricators (33%) metal recycling (17%) and energy and decarbonisation (14%) sectors were the most prevalent.

The feedback from the consultation has been included within each of the policy chapters. The percentages and proportions of respondents provided are based on the number of respondents for each individual question, so exclude non-respondents.

Annex B – Steel production costs

To compare current steel production costs globally, showing how the electricity policies outlined in this strategy could improve UK competitiveness a high level analysis of global steel production costs has been conducted.

As this strategy sets out the policy measures, investment priorities, and innovation pathways needed to achieve a transition to EAF based production, only illustrative EAF costs are estimated for the UK

Methodology

Underlying cost components are based on TransitionZero and Global Steel Production Costs: A country and plant-level cost analysis dataset, adapted to 2024 £GBP. This report and data set provides comprehensive asset-level estimates of steel plant production costs globally, with 473 sites across 13 countries analysed.[71]

The illustrative EU and Non EU EAFs and Blast Furnaces, are based on average of country level cost data within each region. As the UK is not an included country within this report, underlying cost data is based on average of EAF costs in the EU from the TransitionZero and Global Efficiency Intelligence report. This is with the exception of electricity costs with adaptations outlined below.

Electricity

Due to the change in electricity prices since the reports publication, electricity costs from the transition zero data set are replaced using electricity prices from the published 2024 Baringa work for DBT and DESNZ, with DBT analysis on Great Britain's network charges from the Consultation on Network Charging Compensation Scheme for energy intensive industries. To do this, £/MWh electricity costs are adapted to a £/t crude steel using an energy intensity of factor of 0.435 for EAF and 0.178 for integrated blast furnaces. These factors are sourced from Steel on the Net Cost Models and are in line with other publications such those from MPI and JRC.[72, 73]

Annex C – UK Steel Strategy Demand Assessment methodology

The UK Steel Strategy Demand Assessment, produced by independent consultancy Hatch, is only a single source of evidence used to inform the Steel Strategy, for further information please see the full published report.

Forward looking information is based upon Hatch's beliefs, estimates and opinions at the time they are made. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information.

Long Term Demand Forecast Methodology:

(a) Product Driver Identification:

(1) Scope Definition – Define scope by identifying clear boundaries for the product scope, ensuring that insights were delivered in the most impactful areas.

(2) Industry Identification – Establish key industries that utilise each product.

(3) Demand Driver Identification – Establish a key driver for each industry as a proxy for steel demand growth trend.

(b) Baseline Data:

(1) Data Gathering and Baseline Establishment – Utilise Hatch analysis to forecast the baseline data between 2017 and 2024 to showcase current demand for selected products.

(2) Industry Allocation – Split and allocate overall product demand data based on demand of each industry.

(c) Forecasting:

(1) Secondary Data Collection – Conduct secondary research to investigate to provide an evidence-backed forecast through 2050. Sources can include policies as well as planned projects and third -party market analyses.

(2) Demand Forecast – Apply growth rates from demand drivers in addition to further Hatch analysis to project these product demand.

Endnotes

1 Based on data from World Steel in Figures – worldsteel.org. 'Over 50%' derived from UK total production of crude steel in 2015 of 10.9Mt, falling to 4Mt in 2024.

2 The term green steel and low emission steel are used as generic terms throughout the document unless otherwise specified

3 Market Supply and Domestic Demand within this paper are based on annual statistics of the UK iron and steel industry compiled by ISSB Limited, which incorporates the activities of the former Iron and Steel Statistics Bureau. Each calendar year ISSB receives primary data from steel producers on their production and sales of steel products, these companies encompass all UK production of semi-finished and finished steel products. ISSB work closely with UK Steel to engage with and gather this information directly from the companies. Steel products referred to here are in accordance with the European Coal & Steel Community Products and the other Steel Industry Products, which are defined by shape, size and finish in accordance with BS EN 10079 – the harmonised product definition standard of the European Union. ISSB receives information directly relating to each companies; Sales to UK consuming industries, Sales to steel stockholders in the UK, Sales which are exported. Based on the definitions for steel products, ISSB then collates data from HMRC trade data to calculate a level of UK imports. In this paper, to calculate market supply (domestic demand), a sum of UK sales to consuming industries, Sales to UK steel stockholders and imports is calculated, to calculate domestic production a sum of UK sales to consuming industries and to UK steel stockholders is taken. The domestic supply share is calculated by dividing market supply by domestic deliveries. Please contact ISSB if further details are required: info@issb.co.uk

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5 Thousands of jobs to be created as government announces multi-billion-pound investment to build Sizewell C - GOV.UK

6 Marcegaglia Stainless Sheffield to invest £50m in new EAF

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8 New research hubs to cut carbon and reshape UK manufacturing – UKRI

9 National Wealth Fund to drive more than £100 billion into the UK economy

10 The UK's Modern Industrial Strategy 2025 - GOV.UK

11 JOBS03: Employee jobs by industry - Office for National Statistics Q3 2025, JOBS04: Self-employment jobs by industry - Office for National Statistics Q3 2025 and Office for National Statistics: Business employment register 2024. Based on total employment in SIC Code 24 manufacture of Basic Metals from jobs by industry, apportioned by 3 level sic code 24.1-24.3 Basic iron & steel as a % of total SIC code 24 in BRES.

12 Based on assessment of earnings and hours worked, industry by four-digit SIC: ASHE Table 2024, Manufacture of basic iron and steel and of ferro-alloys median gross annual pay value of £40,186. To determine a central annual pay value across

local authorities, an average of the median values of Neath Port Talbot. Cardiff, North Lincolnshire Rotherham and Sheffield from Nomis, annual survey of hours and earnings – workplace analysis was taken, this value was £30,397.

13 Hatch, UK Steel Strategy Demand Assessment

14 Hatch, UK Steel Strategy Demand Assessment, Company Websites

15 UK Steel Catalogue - Index, Company Websites

16 Company Websites

17 See Annex A for further information on the Steel Strategy Consultation

18 Organisation for Economic Co-operation and Development (OECD) (2025) OECD Steel Outlook 2025. Paris: OECD Publishing. 13% figure calculated from the current production capacity (640.4Mmt) of all OECD countries on page 26

19 See Annex A for further information on the Steel Strategy Consultation

20 Market Supply and Domestic Demand within this paper based on data provided by ISSB, for more detail see endnote 3. Please contact ISSB if further details are required: info@issb.co.uk

21 Market Supply and Domestic Demand within this paper based on data provided by ISSB, for more detail see endnote 3. Please contact ISSB if further details are required: info@issb.co.uk

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34 Hundreds of new jobs created by Sheffield manufacturing investment - GOV.UK

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36 Hatch, UK Steel Strategy Demand Assessment

37 Hatch, UK Steel Strategy Demand Assessment

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40 US trade tariffs - House of Commons Library

41 Government steps in to back British business in changing world - GOV.UK

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60 The UK's Modern Industrial Strategy 2025 - GOV.UK

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62 Claim capital allowances: Full expensing and 50% first-year allowance - GOV.UK

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64 Tax treaties - GOV.UK

65 Where contracted volume or value was fully specified

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67 Market Supply and Domestic Demand within this paper based on data provided by ISSB, for more detail see endnote 3. Please contact ISSB if further details are required: info@issb.co.uk

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ISBN 978-1-5286-6301-4
E03562714