

TATA STEEL'S PLAN FOR PORT TALBOT

Wrong for Wales, wrong for Britain and far from green

An updated briefing from the Industrial Communities Alliance

Tata Steel's plan to close the blast furnaces at Port Talbot would lead to the loss of up to 2,800 jobs – two thirds of the workforce at the plant that is by some margin the biggest industrial employer in South Wales. It would:

- **Devastate an area that is already one of the least prosperous in Britain**
- **Replace primary steel production by imports**
- **Shift carbon emissions abroad, not reduce them**
- **Erode UK sovereign capabilities**

Tata's plan

Back in September the UK government and Tata Steel agreed proposals to invest £1.25bn, including a government grant of £500m, in an electric arc furnace to replace the present blast furnaces and steelmaking plant at Port Talbot. The government and Tata trumpeted this as a move away from carbon-intensive production and a big step towards net zero. Most of the media was taken in by this line.

The true nature of Tata's plan has now become clear. It is about replacing UK production by imported steel. It is about profits, not the environment, and certainly not jobs.

The giveaway is the timescale. In January, Tata Steel announced plans to close the first of Port Talbot's blast furnaces in the spring, with the other furnace and associated plant to follow later this year. As for the new electric arc furnace, even if all went well it would be towards the end of the decade before it was up-and-running.

That leaves a gap in primary steel production that would have to be filled in order to keep Port Talbot's rolling mills going. Tata's intention is to fill the gap by imports from its plants in India, where it is bringing new blast furnaces into production, and to supply some of Port Talbot's customers (such as the Trostre works in Llanelli) from its plant in the Netherlands. In effect, the CO2 emissions would be transferred abroad, not reduced.

Of course, once Tata has established a flow of primary steel from its plants abroad that would reduce the pressure to invest in new electric arc production at Port Talbot. Despite what Tata has said, it would therefore not be surprising if the company were in due course to abandon its plan for an electric arc furnace. The plan for a single vast furnace with a capacity of 3 million tonnes a year – far bigger than the norm elsewhere in the world – has always seemed a shade unrealistic. It is also far from clear that in Britain there is an adequate supply of the well-sorted scrap metal that would be needed to feed it.

Tata has long been known to want to rid itself of primary steel production at Port Talbot, which in a number of years has been loss-making. Indeed, back in 2016 it considered selling or closing the whole plant. It is now determined, it seems, to hide behind a green agenda in order to divest itself of the largest part of the works and maximise its bottom-line profits.

Endgame for the British steel industry?

Port Talbot is one of two remaining works where primary steel (i.e. new steel from iron ore) is produced in the UK. The other is at Scunthorpe in Lincolnshire where Chinese-owned British Steel is also hoping, with financial support from the UK government, to go down the same route of replacing blast furnaces by electric arc production using scrap metal. One of the new electric arc furnaces would be at Scunthorpe, the other next to the company's rolling mill on Teesside.

If the plans at Port Talbot and Scunthorpe were to go ahead the UK would become the only G20 country apart from Saudi Arabia (hardly a good comparator) that no longer produces primary steel. This would have profound implications:

- Electric arc furnaces can't produce primary steel
- If scrap alone is used as the feedstock, electric arc furnaces can't produce the full range of steel needed for many purposes – there are too many contaminants
- To produce higher quality steel from electric arc furnaces requires a proportion of pig iron to be added, which would need to be imported
- The UK would lose sovereign capability in a key area of industrial production, with all the resulting strategic, political and military implications

Steel is not like coal. The UK no longer produces coal, but it also barely uses coal any more. The UK does however continue to consume very large quantities of steel – indeed around half of the UK's present consumption (directly or in finished products) comes from abroad. Steel will continue to be needed in any modern economy for the foreseeable future.

What's the alternative?

Community and GMB trade unions commissioned the consultancy Syndex to examine the alternatives to Tata's plan for Port Talbot. Their proposals were submitted to the company at the end of November.

The Syndex plan recognises the need to decarbonise production and the role of electric arc furnaces, especially if they were able to draw on electricity from green sources. But the Syndex plan also involves a longer timescale:

- One of the two blast furnaces, which is in need of re-lining, would close in the near future
- The second blast furnace would remain in operation until 2032
- There would be early investment in a smaller electric arc furnace, to be followed later by a second
- There would also be investment in a Direct Reduction Iron (DRI) plant – a furnace that uses natural gas (or eventually hydrogen) instead of coal – to maintain production of new metal and provide an input to the electric arc furnaces to raise the quality and range their output.

The Syndex plan would protect the majority of the jobs on the Port Talbot site, maintain the UK's sovereign steelmaking capability, and eliminate CO2 emissions. It is also a plan that is not very different from what is already happening at Tata's Ijmuiden plant in the Netherlands, where there is new investment in both DRI and electric arc and a re-lined blast furnace is coming back on stream.

In January, Tata Steel rejected the Syndex plan. Its concern is partly the additional cost. The company has also expressed doubts – not subject to proper scrutiny – about the viability of keeping existing plant in operation whilst new plant is constructed alongside.

That Tata has rejected the Syndex plan is perhaps hardly surprising when the company can simply import steel from their plants elsewhere. The losers are the steelworkers in Wales, the UK economy, and the global environment too.

A way out of the crisis?

The first and most important point is that the battle to save jobs and production at Port Talbot, and to salvage a British steel industry for the future, is not yet resolved. The workforce at Port Talbot will need to be supported in the decisions they take to challenge Tata's disastrous plan.

In parallel, the local authorities in South Wales will need to make plans in case the worst happens, the job losses take place and large numbers of redundant workers need practical support. The local authorities would be wise, however, not assume that this will necessarily be the outcome.

The UK government needs to look again at its offer of £500m to Tata Steel. Was it really the government's intention that the offer of such a large sum would trigger job losses on such a vast scale? Surely what the UK government had in mind was a more sensible phased transition – something akin to the Syndex plan – rather than the one now being proposed by Tata.

And there's the possibility of a change in government. If opinion polls are to be believed, there will be a Labour government later in 2024. This is relevant because Labour has talked of a public investment in steel of £3bn and it has been deeply critical of Tata's plans. If primary steel production at Port Talbot can be maintained until the autumn of this year there is therefore likely to be the opportunity to work out a different way forward.

Tata may not welcome this possibility. Its intention may be to take irreversible action before a general election. But if the company is open-minded and patient, there should be a deal to be done with a Labour government.

The priorities therefore need to be to:

- Support the workforce in its present efforts to head off major job losses
- Ensure that no irreversible actions are taken ahead of a general election

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