



Industrial Communities Alliance

The all-party association campaigning on behalf of local authorities in the industrial areas of England, Scotland and Wales

National Secretariat, 1 Regent Street, Barnsley S70 2EG

Tel: 01226 200768 www.industrialcommunitiesalliance.org.uk Email: natsec@ccc-alliance.org.uk

Rt Hon Jonathan Reynolds MP
Secretary of State
Department for Business and Trade

Email to: dbtcorrespondence@businessandtrade.gov.uk

9 October 2024

Dear Jonathan,

Future of the UK steel industry

I would like to relay concerns about the future of the UK steel industry and offer proposals regarding the steel strategy to be published next spring.

As I explained in my earlier letter regarding steel (dated 25 July) I chair the Industrial Communities Alliance – the all-party association of local authorities in the older industrial areas of England, Scotland and Wales. Our members have a deep interest in the future of the steel industry, as you might expect.

Our national meeting a few days ago asked me to convey the deep disquiet about the outcomes at Port Talbot, where the two blast furnaces have now closed. We're also aware that similar plans are under consideration at Scunthorpe. If the plans come to fruition, it will mean the end of primary steelmaking in the UK.

Our view is that this is a truly appalling prospect. The UK would be the only G7 country without the capability to produce its own primary steel. Quite apart from the loss of jobs, it would represent a loss of sovereign capability that in an uncertain world creates strategic vulnerabilities. As you will be aware, the likelihood is that China and India will now become the sources for the steel the UK no longer produces.

Recycling steel in electric arc furnaces, as currently proposed, is several years off and cannot meet the need for all grades of steel. Furthermore, the move away from primary steel production in the UK is in no sense 'green' because it simply shifts CO2 emissions abroad.

In your recent statement to the Commons you flagged up that the government intends to produce a steel strategy, for publication in the spring. This is in principle very welcome, but the content clearly matters a great deal.

I'm sure you will hear from the steel producers about a litany of inherited problems that the new government needs to address. The high price of electricity in the UK, the need for a 'carbon border' to protect against imports produced by cheaper but more environmentally damaging methods, and the business rates applied to investment in new plant and machinery are items that spring to mind. We trust you will address these long-standing issues.

Our principal concern, however, is how the government might deploy the National Wealth Fund to support steel production. Some of the money earmarked for steel in Labour's manifesto will clearly go towards the cost of new electric arc furnaces, but that still leaves a great deal to be allocated.

Our view is that the prime use of the remaining money should be to support investment in Direct Reduced Iron (DRI) technology. This would restore the UK's capability to produce primary steel. In the first instance DRI furnaces might use natural gas; in the longer-term hydrogen might be the fuel. The technology is increasingly mature and beginning to be applied elsewhere in Europe. It makes sense economically and environmentally.

The prime sites for investment in DRI would be the existing steel plants at Port Talbot, Scunthorpe and probably Teesside too. In these places, investment in DRI would do much to offset the damage to jobs and the local economy arising from the closure of blast furnaces.

I trust that you will give serious consideration to these proposals. Our member authorities have a great deal of expertise around steel issues and we would be pleased to open a dialogue with your officials if that would be helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Keith Cunliffe". The signature is written in a cursive, slightly slanted style.

Cllr Keith Cunliffe
National Chair