

STEEL COUNCIL

Note on a meeting with Jon Bolton, Co-chair of the Steel Council, 28 January

Jon Bolton is Co-chair (along with the Business Secretary) of the Steel Council established by the UK government to advise on Labour's manifesto commitment to invest £2.5bn in the industry. He has a long and varied history of management in steel and is a former Chair of UK Steel, the employers' association. The Steel Council comprises government, employers, trade unions and experts on the industry. The meeting with Jon Bolton was organised by Redcar & Cleveland Council and took place on Teesside.

- The Steel Council's role is to work up a convincing 'business case' for the government to invest a further £2.5bn in the steel industry, following the £500m already committed to Tata at Port Talbot.
- The Steel Council will identify priorities. It won't make commitments to specific investments in specific places – these are commercial business decisions to be negotiated further down the line.
- The Steel Council's proposals will also identify what actions are needed on other fronts – for example on electricity prices – in order to make a success of investment in steel.
- A move towards electric arc furnaces (EAFs) seems to be accepted, so the downstream questions are when and where.
- Jon Bolton has no information on why British Steel has changed its plans from investing in two EAFs – one in Scunthorpe, one on Teesside – to building both in Scunthorpe. He is due to meet the company.
- He confirms that EAFs using scrap metal alone cannot produce all grades of steel.
- To maintain the full range of UK primary steel production, some of the feedstock for EAFs would therefore have to be imported pig iron or there would need to be investment in Direct Reduced Iron (DRI) technology – a furnace fuelled by natural gas or hydrogen in which iron ore is heated to extract the base metal.
- Investment in a DRI plant doesn't figure on the current agenda of either Tata or British Steel but there may be a case for encouraging a third party to become engaged with government support.
- There would also need to be substantial investment in assembling and preparing scrap metal for EAFs. The UK produces plenty of scrap, most of which is currently exported. There's money to be made from the recovery of non-ferrous metals as part of the process.

- Redirecting scrap from export markets could be achieved through market mechanisms (price) but export licences should not be ruled out.
- Investment in a new UK plate mill is not self-evidently a good idea because although there is a demand for plate that will be boosted by investment in wind turbines there is already some UK capacity.
- £2.5bn is a big public sector investment, which should be able to attract co-investors from the private sector.
- In Jon Bolton's view, there is strong political commitment to strengthening the UK steel industry. Concerns about sovereign capability in an uncertain world are part of the jigsaw.
- On the other hand, there remain worries that Jon Bolton acknowledges:
 - A gap in UK primary steel production resulting from the early closure of blast furnaces would inevitably lead to higher imports to feed the rolling mills, which after a while might encourage the steel companies to think why bother investing in EAFs.
 - The one-year gap in timing between the planned introduction of 'carbon border' tariffs in the UK and EU exposes the UK to a redirected flood of steel imports from the Far East.
 - The Treasury, as ever, will need to be convinced that the business plan is sound.
- The Steel Council expects to publish its recommendations 'in the spring'.

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29 January 2025