TATA STEEL

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Tata Steel UK

Challenges and Opportunities for Decarbonising the UK Steel Industry

OUR INVESTMENT IN LOW EMISSION STEELMAKING

Tata Steel UK's £1.25 billion investment in a state-of-the-art Electric Arc Furnace (EAF) at Port Talbot steelworks is the largest investment in the industry for decades and will enable us to become a world-leading centre for low-CO_2 steelmaking.

The UK produces around 10 - 11 Mt of scrap steel per annum, around 80% of that resource is currently exported overseas and often re-imported into the UK in the form of finished goods[1].

Tata Steel UK will capitalise on that domestic resource, moving away from the importation of coal and iron ore, improving our supply chain resilience and our national security against an increasingly volatile and challenging global economy which undercuts domestic manufacturing and the UK steel industry.

The £1.25 billion investment, inclusive of £500 million in Government support, includes:

- **Building a new 3.2 million tonne per annum capacity EAF and two new ladle metallurgy furnaces**
- **Extending the life of our continuous casters and hot strip mill**
- **Building a new pickle line to process the steel**

THE TRANSITION FROM BLAST FURNACE TO ELECTRIC ARC FURNACE

CO_2 - up to 90% reduction in direct on-site emissions

ODOUR - reduction expected

DUST - 90% reduction in emissions from chimneys

NITROGEN OXIDE - 80%+ reduction of nitrogen emissions (helping to improve local biodiversity)

VISIBLE EMISSIONS - near zero

NOISE - no increase

Artists impression of the Electric Arc Furnace at Tata Steel UK, Port Talbot Steelworks

[1]UK Steel, Steel Scrap: A Strategic Raw Material for Net Zero Steel, December 2023

A MESSAGE FROM OUR CEO

Our journey to green steelmaking is more than a technological shift.

It represents the most significant investment in the UK steel industry for decades – the first major step in decarbonising domestic steel production in the UK and preserving steel making for decades to come.

Since acquisition in 2007, Tata Steel has invested more than £4.5 billion in its UK business, highlighting its commitment both to its UK operations and the communities in which it operates.

In 2024, Tata Steel UK committed to a landmark £1.25 billion transformation of our Port Talbot operations, supported by £500 million from the UK Government. At the heart of this investment is the introduction of Electric Arc Furnace (EAF) steelmaking - a move that will cut direct emissions by 90%, maintain our current production levels and safeguard thousands of skilled jobs across South Wales and the UK.

The significant investment in our decarbonisation further highlights Tata Steel's commitment to the UK and marks a real step change in the UK's industrial strategy.

This is a strategic shift not just for Tata Steel, but for the future of UK steelmaking and its wider supply chains.

Our steel underpins key UK industries - from automotive and construction to engineering and packaging - and supports iconic, world-renowned brands such as BMW, Heinz, Jaguar Land Rover, and JCB.

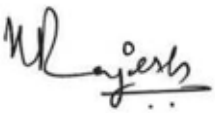
As we transition to low CO_2 steel production, we remain committed to delivering the high quality products these sectors rely on, all while helping them achieve their own sustainability goals.

This strategic investment also allows the UK to better harness its own resources.

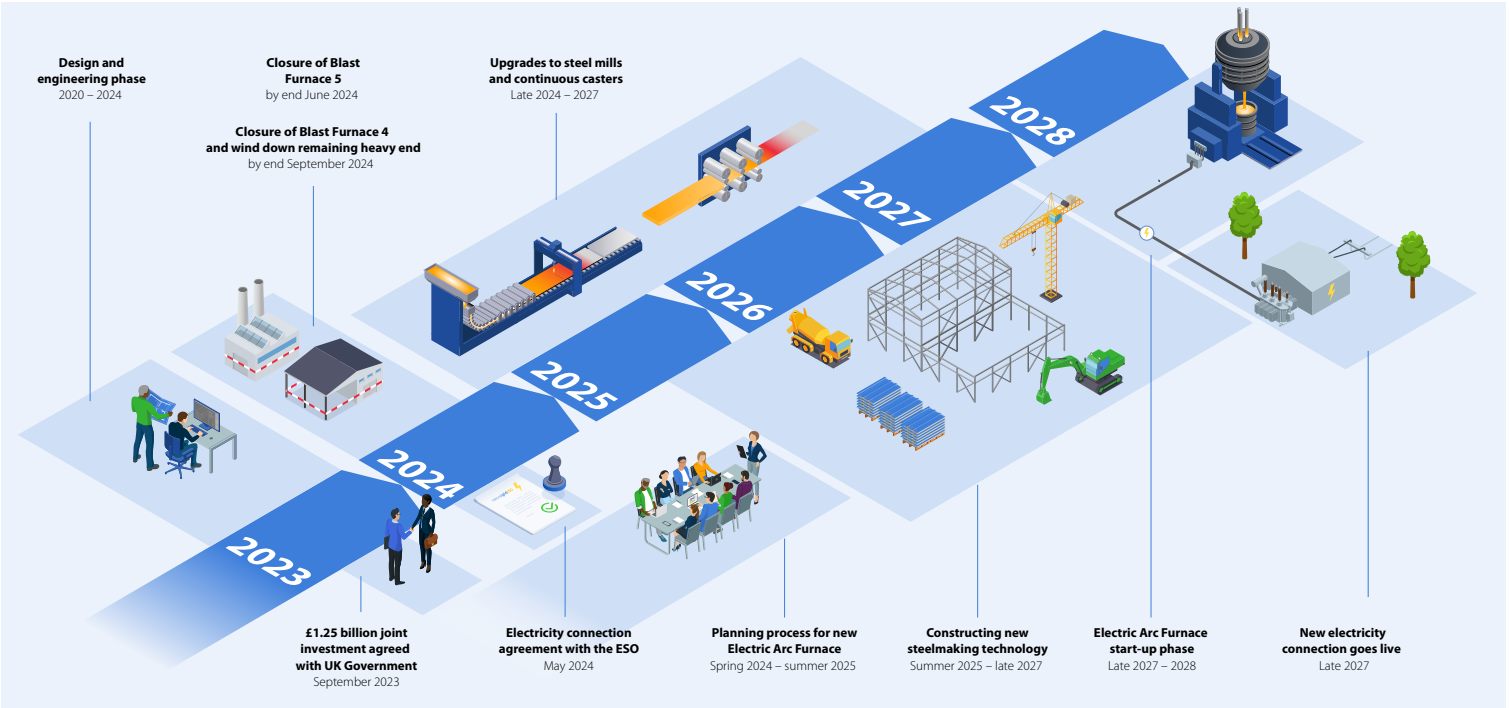
Of the 10-11 million tonnes of scrap steel generated annually, approximately 80% is currently exported. By redirecting this valuable domestic resource toward low CO_2 production, we will reduce reliance on imported coal and iron ore, strengthen our economic resilience, and reinforce national security in an increasingly challenging world.

This briefing outlines the key policy changes - the bold, clear action that's needed now to unlock this future, and to ensure the UK's steel industry remains globally competitive, secure, and sustainable for generations to come.

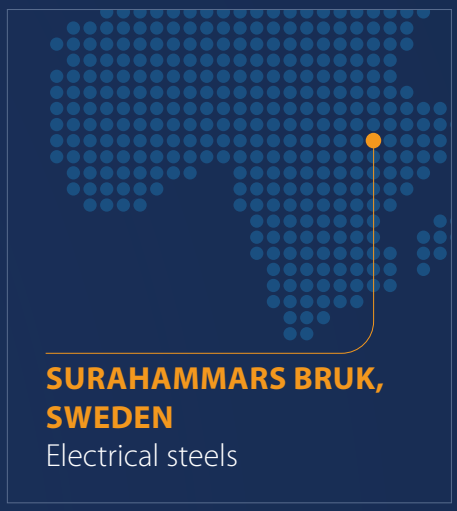
Rajesh Nair, CEO of Tata Steel UK



KEY PROJECT MILESTONES



TATA STEEL UK: OUR SITES



SURAHAMMARS BRUK, SWEDEN
Electrical steels

THE HENRY ROYCE INSTITUTE
Research and Development

LISBURN
Processing

SHAPFELL
Lime manufacturing

HARTLEPOOL
Pipes and tubes

SHOTTON
Galvanised and organic-coated steels; panel systems

SHEFFIELD
Sustainability and Environment

SWANSEA UNIVERSITY
Research and Development

CORBY
Tubes

TROSTRE
Packaging steels

IMPERIAL COLLEGE
Research and Development

UNIVERSITY OF WARWICK
Research and Development

PORT TALBOT
Hot and cold rolling; EAF online 2027

ROUNDOAK, DUDLEY
Distribution

LLANWERN
Cold rolled and galvanised steels

WEDNESFIELD
Processing and distribution

CAERPHILLY
Steel for houses

Tata Steel in the UK also includes facilities in France, Germany and Norway, and sales offices across the world:

Europe	Spain, Italy, France & Romania
Americas	USA, Mexico & Brazil
Middle East	Turkey & United Arab Emirates
Asia	India & China

A POLICY FRAMEWORK FOR SUSTAINABLE UK STEEL PRODUCTION

Tata Steel UK's capital investment in EAF steelmaking is one element of a transition that will require several changes to the policy framework in the UK ahead of EAF steelmaking being commissioned in 2027.

The changes required represent both a challenge and opportunity for the sector as it navigates a complex transition, challenging external market forces and moves towards a more sustainable future.

To maximise future opportunities for investment, create a level playing field with our European competitors and to create a sustainable future for the industry, Tata Steel UK is urging the UK Government to:

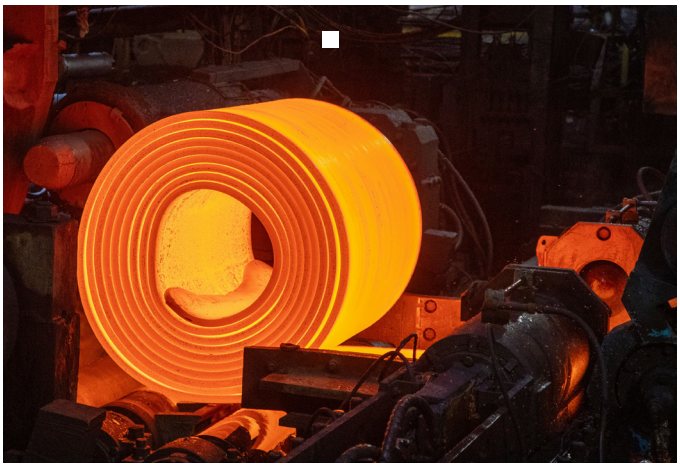
1. **Address high energy costs for UK steelmakers**
2. **Protect the UK steel industry from global overcapacity**
3. **Resolve the threat of cheap, high-CO_2 imports**
4. **Increase UK steel in public procurement**
5. **Recognise the role of scrap**

Paolo Argenta, Executive Vice-President Tenova Upstream Business Unit & Rajesh Nair, Chief Executive Officer, Tata Steel UK during the contract signing for the EAF

OUR KEY ASKS

1. Address high wholesale energy costs for the UK steel industry

The UK steel industry faces some of the highest industrial electricity prices in the world, eroding the industry's short-term competitiveness and hindering its ability to invest in low-carbon technologies for the longer term.



Tata Steel UK welcomes the steps the UK Government has taken to reduce industrial energy costs, in particular the increase of Network Charging Compensation from 60% to 90% from 2026, matching what is provided in Germany and France.

This will reduce sector power prices by an estimated £6.5/MWh and save the UK steel industry £14.5m per year.

Despite this welcome announcement, there remains a £10-16 per MWh difference between UK and European electricity costs, which costs UK steel producers £36 million per year.

This disparity arises from higher wholesale electricity prices in the UK due to a high proportion of gas in the UK power mix, and lower levels of state support for energy costs.

To bring down energy prices, the steel industry has proposed a two-way Contract for Difference (CfD) mechanism, which would ensure price parity with the lowest-cost European producers by fixing electricity prices for the steel sector.

This would protect against price volatility, allowing long-term planning and future investment in low-carbon technologies, and share risk and reward, with the sector paying back the government when prices fall below the agreed strike price[2].

The proposed CfD is a practical and future-focused solution to support the UK steel sector and drive its green transition. The mechanism will be essential to the Government's Steel Strategy in order to create a sustainable and competitive business landscape for the steel industry, attract investment, and enable wider decarbonisation.

Long-term reforms are needed to bring down electricity prices beyond 2026, including wholesale market reforms focused on improving energy security, by developing a high degree of domestic and sustainable energy production from renewables.

As part of the steel strategy, the UK Government must address energy costs for UK steelmakers, including the introduction of wholesale market reforms to ensure a level playing field with competitors across Europe.

[2] Baringa, Achieving Wholesale Energy Price Parity for UK Steel, March 2025

2. Protect the UK steel industry from global overcapacity

Excess steelmaking capacity is a major challenge for the global steel industry.

Measured as the gap between global capacity and crude steel production, global excess capacity in 2025 was estimated at 602Mt, which is over 70 times the size of the UK market[3].

Market conditions are rapidly deteriorating as capacity expansions in Southeast Asia and the Middle East are continuing. These are largely state-funded, high-emission blast furnaces that often do not correspond to domestic demand trends.

Global excess steel capacity in 2025 was 602Mt, over 70 times the size of the UK market

With the steel safeguards set to expire in June 2026, strong and robust trade defence is crucial if the UK Government is to provide a level playing field for UK steel producers, alongside measures on energy costs and carbon leakage.

Tata Steel UK urges the UK Government address these challenges by:

- Reducing safeguard quotas, either through a review of the current quotas or by introducing an alternative system better aligned with challenging market conditions and UK demand.

- Reviewing the UK trade remedies framework to make it more efficient and responsive to the market reality. This could include expedited implementation of trade defence measures, introduction of melted-and-poured requirements and revocation of the lesser duty rule.

- Strengthening carbon leakage and public procurement policies to counter the impact of excess capacity on the UK producer market share.

UK Government must give consideration to trade defence mechanisms post-2026 safeguards and consider measures to address increasing global overcapacity.

3. Resolve the threat of cheap, high-carbon imports

UK Steel producers continue to operate in a global market characterised by overcapacity and heavily-subsidised overseas competition.

As UK steelmakers invest to reduce the CO_2-intensity of their production processes, the potential benefits to domestic producers of a UK Carbon Border Adjustment Mechanism (CBAM) – a tariff on certain imported goods based on the carbon emissions during production – increases.

Tata Steel UK supports the introduction of a UK CBAM to mirror that already implemented in the EU, and welcomes the UK Government's proposals to align carbon costs with the EU, and to allow exemptions across both mechanisms.

Crucial to the effectiveness of any UK CBAM is that it cannot be circumvented either by

- The use of embodied CO_2 data that fails properly to represent the true CO_2-intensity of the overseas production of imports.

- Incentivising domestic steel consumers to off-shore the manufacturing of finished goods that are then out of scope of CBAM once they are exported back into the UK.

In addition to the specific mechanism within the UK CBAM, timing is also crucial. The Government intends to implement UK CBAM in 2027, fully twelve-months later than charges start to apply in the EU mechanism. As a result, during this period, the UK will be exposed to import penetration of products with high embodied CO_2 and/or low exposure to CO_2 pricing in their country of origin, as these products become displaced from EU markets by the EU CBAM.

The UK Government must seek mutual recognition of carbon emission allowance prices from the EU and, therefore, an exemption for UK producers exporting into the EU from financial and reporting requirements of the EU CBAM from January 2026, while ETS linkage negotiations continue.

The UK should also accelerate the implementation of its own CBAM and ensure that this is no less robust nor open to circumvention than the EU CBAM and work at pace to incorporate finished goods into the scope of its CBAM to mitigate against circumvention by off-shoring manufacturing.

4. Increase UK steel in public projects

A challenge and opportunity for the UK steel sector is domestic demand.

The UK steel industry now only supplies 32% of the UK's overall semi-finished steel demand and, in the past 12 months, we have seen a significant weakening of the demand for steel in key markets such as construction[4].

[3] UK Steel, Steel Trade Beyond 2026, October 2024.
[4] UK Steel, Public Procurement of Steel, November 2023

Although demand is closely linked to the health of the economy, almost every aspect of the UK's economic future is steel-intensive – and steel will be needed in significant volumes for the sectors of advanced manufacturing and clean energy industries.

To ensure we take advantage of future growth opportunities and reverse a decline in our domestic market share, we believe further consideration should be given to hard targets of 30% local content for domestically made low-carbon, high-circularity steel in public projects.

Consideration should also be given to further incentives for the private sector to support domestic manufacturing supply chains that utilise high recycled content and low carbon content - to ensure the benefits of a strong domestic steel industry supporting UK manufacturing are realised.

A clear procurement plan is required from Government to mandate hard targets for local content, focusing on low emission, high recycled steel, in public projects, to ensure the UK steel industry can capitalise on future opportunities and reverse the decline in domestic demand.

5. Recognise the role of scrap in future UK steel production

As Tata Steel UK transitions towards EAF steelmaking, on target to be operational from the end of 2027, scrap steel will become Tata Steel UK's number one raw material. EAF steelmaking at Port Talbot will require between 2 and 2.5 million tonnes of high-quality scrap per annum.

The UK has an abundance of readily available scrap steel, producing approximately 10 - 11 Mt per annum. Around 80% of that resource is currently being exported, largely to countries with lower environmental standards and costs, and re-imported into the UK in the form of steel containing goods which undercuts UK manufacturing.

Our plans for EAF steelmaking depend upon a secure and sustainable supply of high-quality scrap. We therefore require a supportive policy framework to be in place within the next 12 months and in advance of our EAF becoming operational in 2027.

To encourage a stronger circularity of domestic scrap flows, we are urging the Government to consider:

- **Upholding environmental standards:** Amend the UK's Waste Shipment Regulations to allow scrap exports only to countries with verified, sustainable recycling capabilities that match those in place domestically. This aligns with recent EU legislation, creating a level playing field, and supports the circular economy.

- **Creating a competitive policy framework for scrap suppliers:** Recognise the energy-intensive nature of shredding and ensure scrap suppliers operate within a level playing field, with fair energy pricing and protection against carbon leakage.

- **Implementing a national plan for shredder waste management:** Address widespread misclassification of shredder waste, which costs HMRC an estimated £100 million annually. Recovered revenues can fund enhanced monitoring and enforcement.

- **Closing the gap on End-of-Life Vehicle (ELV) leakage:** Introduce mandatory deregistration upon entering the trade system and strengthen DVLA data oversight to prevent the loss of approximately 1 million ELVs - and their associated scrap steel - each year.

- **Establishing a Clean Steel Innovation Fund:** Support research in improved scrap processing techniques and increasing the steel grades which can be made using scrap steel. Given the criticality of the steel scrap supply chains to the industry, accessible funding for innovation in scrap is crucial to supporting growth.

The UK Government must consider the critical role of scrap steel and its supply chain in the future success of the UK steel industry. Amending the Waste Shipment Regulations, creating a competitive policy environment and incentivising innovation must be implemented to create a thriving circular, green economy fit to service industries of the future.

FIND OUT MORE

As Tata Steel UK makes the biggest investment in the UK steel industry in decades, our social media channels provides exclusive insights and behind the scenes access.

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