Unite Submission to the BEIS Future of Steel in the UK inquiry

September 2019

Submitted on behalf of
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Workers Need a Long Term Plan for Steel

Unite the Union welcomes this inquiry from the Business, Energy and Industrial Strategy Committee into the future of steel in the UK and the opportunity to contribute fully. This submission provides an overview of Unite's position on the steel industry, informed by the experience and knowledge of our shop stewards. As the Assistant General Secretary for Manufacturing I can also make myself available to give evidence to the committee alongside our union's National Officer and Senior Shop Stewards.

Unite is the largest trade union for manufacturing workers in Britain and Ireland. Our union organises and represents over 1.3 million members in all sectors of the economy including manufacturing, transport, construction, energy & utilities, information technology, financial services, health local government, not-for-profit and the community. This means Unite has a unique insight into the importance of a thriving steel industry, not only for our members across the industry, but for the UK economy as a whole.

The fundamental question this inquiry must address is that of ownership. The collapse of British Steel into administration and recent develops in the attempts to secure a new owner with a long term investment plan throws this issues into even sharper relief.

To address this directly Unite supports, as a point of principle, taking all major steel works formerly part of the British Steel Corporation back into public ownership. Not for nothing was the BSC heralded as "the biggest turnaround story in UK industrial history[1]**."**

In the specific case of British Steel, Unite welcomes the news that a potential buyer has been found; a development which has been met with a strong sense of relief by 4,000 workers in Scunthorpe and associated sites. If an appropriate buyer is found it will retain skills and secure the immediate futures of respected, unionised steel working jobs that the community depends on.

Serious questions remain. Unite is seeking urgent discussions with Ataer Holding and the parent company OYAK to discuss investment plans for British Steel. These sites, like steel sites around the UK, do not need more fly-by-night owners looking to extract short term profits and leave. Our shop stewards are calling for a decade long investment plan which develops the British Steel sites as one coordinated operation.

Nor has it escaped our notice that OYAK is the pension fund for the Turkish military, with direct political links to the authoritarian government of that country. Unite is scrutinising the human rights and labour record of OYAK across all of its operations and will work in solidarity with progressive trade unions in Turkey. We will not accept the type of anti-union practices seen in the Turkish automotive joint venture between OYAK and Renault where workers were attacked and victimised for forming an independent trade union.

Another case in point comes from the recent announcement from Tata Steel that the Orb Electrical Steels in Newport is marked for closure at the cost of 380 jobs. Orb is a totemic example of the issues this inquiry must seek to address.

Orb is the only electrical steel site of its type in the UK and, given the appropriate investment, would be perfectly placed to service a growing demand for electric vehicles. Instead the site suffers from decades of under investment and now Tata Steel has decided that they are unwilling to pay the £50 million which would be required to develop the site.

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[1]N. Pandit, British Steel Corporation: probably the biggest turnaround story in UK industrial history, Briefings in Entrepreneurial Finance, 1998, URL

This closure must be seen in the context of the planned Joint Venture between Tata and Thyssenkrupp which collapsed in June. Orb is a viable site with the potential to be a plant of strategic significance, but lacks the support from an owner compelled to consider only the shorter term commercial future. Once again the question of ownership and long term strategic planning is central to this issue.

Similarly, this inquiry is receiving written evidence at a time of peak industrial and political uncertainty and the threat of a no deal Brexit. As has been made clear by Unite, the leading steel employers and the trade federation UK Steel (MAKE UK), a no deal Brexit would be ruinous for the steel industry.

As is explained in this submission, the industry faces the duel risk of additional non-tariff barriers facing imports and exports, along with the consequence of falling out of EU-backed trade deals, such as that with Turkey.

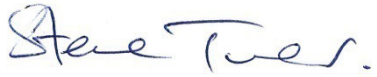
The sudden disruption to trade and the sudden lack of trade defence instruments and safeguards quite literally opens the flood gates to the dumping of steel products in the UK, which triggered the 2015-2016 steel crisis. That crisis and the resulting closure of SSI Redcar cost many thousands of jobs and devastated communities. It has left a scar on our steel industry which will not be forgotten. It must not be repeated.

In contrast, it is clear that the UK steel industry can play in a thriving role in an ambitious industrial strategy. This must mean seeing steel as a foundation industry to support advanced manufacturing, ranging from providing steel for fleet support vessels to the next generation of alternative powered passenger and commercial vehicles.

The Government's 'Steel Procurement Pipeline' shows how much more must be done. Of the £158 million of steel product procured by the public sector less that 43 percent - or £68 million – was produced in the UK.

The Government's own figures show how easily this could be improved. The 'Pipeline' shows that the Government intends to use a minimum of three million tonnes over the next decade, worth £2.5 billion in value.

I call on this committee to address these issues head on and seek as its objective a programme for a thriving, stable and socially beneficial steel industry which maximises the full potential of the UK's vital strategic assets and the thousands of workers who make it a success.



Steve Turner
Assistant General Secretary - Manufacturing

Executive Summary

- Since privatisation began in 1988 the steel industry has fragmented with **declining production and employment**. This is despite strong and growing demand.
- Despite being the fifth largest economy, UK steel production lags far behind the top ten largest global steel producers and **ranks eighth** in the European Union.
- Unite has called for the **re-nationalisation of the steel industry** since our first Policy Conference 2010 and since the 2015-16 steel crisis has been demanding immediate government intervention.
- The collapse of British Steel into administration, risking 4,000 jobs directly and up to 30,000 in the wider supply chain, gives renewed urgency to the call for public ownership.
- Renationalisation of blast furnace operations, including British Steel, Tata and Liberty would secure the foundation of the metals industry and the wider manufacturing sector.
- With over 3,000 large to SME firms in the UK metals sector, ranging from stainless steel and aluminium producers to the supply chain, an **industry strategy** focused on energy consumption, rates, public sector procurement and skills remains vital.
- The international context of global overcapacity, steel dumping, protectionism and the likelihood of the UK falling out of existing international trading arrangements threaten a repeat of the 2015-2016 crisis.

What is Unite Calling for?

- The immediate **re-nationalisation of the steel industry**. In the immediate term this must focus on British Steel sites in administration.
- In consultation with the trade unions Labour must review taking all former British Steel Corporation (BSC) sites back into public hands to secure and develop blast furnace operations and steel production.
- A commitment to significantly increasing public procurement of UK made steel for new infrastructure and defence projects, such as the £1 billion contract for Royal Navy Fleet Support Ships.
- Access to new capital for investment from **Regional Investment Banks**
- To go beyond the Government's empty promise of a **Sector Deal** with an industrial strategy to address **energy consumption**, **rates** and **skills.**
- **Trade remedies** and defences which match existing European Union levels as a minimum to protect the industry from **dumping** and Trump's **trade wars.**

Overview of the Steel Industry

The recent history of the steel industry has been one of cyclical crisis since privatisation, now followed by fragmentation. The British Steel Corporation (BSC), formed as a nationalised company in 1967, was privatised in 1988 to form British Steel Plc. This merged to form Corus in 1999 before being taken over by Tata in 2007. Sahaviriya Steel Industries purchased Redcar works in 2011, which was closed by the steel crisis of 2015.

Today there are six steel producers in the UK operating former BSC sites. The largest employers with blast furnace operations are Tata Steel, the resurrected but now liquidated British Steel and Liberty Steel.

The sector employs **31,900** people directly across the UK and supports a further **52,300** workers in the supply chain. Strong trade union presence across the sector – which is organised on a multi-union basis – means the average steel sector salary is **28 percent** higher than the UK national average and **46 percent** higher than the regional average in Wales, and Yorkshire & Humberside where its jobs are concentrated.

In Profile: The Big Three

British Steel:

Workforce:	4,000
Capacity:	3 million tonnes P/A
Owners:	Formely Greybull, currently in the hands of administrators
Main Operations:	Scunthorpe, Teeside, Skinningrove
Products:	Rails (95% of Network Rails supply is sourced from British Steel)

Tata Steel UK:

Workforce:	8,500
Capacity:	4.5 million tonnes P/A
Main Operations:	Port Talbot, Newport, Llanwern, Trostre, Shotton, Corby
Products:	Supplier for the automotive industry. Major producer of engineering steels and products for construction & infrastructure

Liberty Steel:

Workforce:	2,800
Capacity:	3 million tonnes P/A
Main Operations:	Rotherham, Hartlepool, Motherwell,
Products:	Specialist steels, including bar and strip, coiled and plate, and precision tubing.

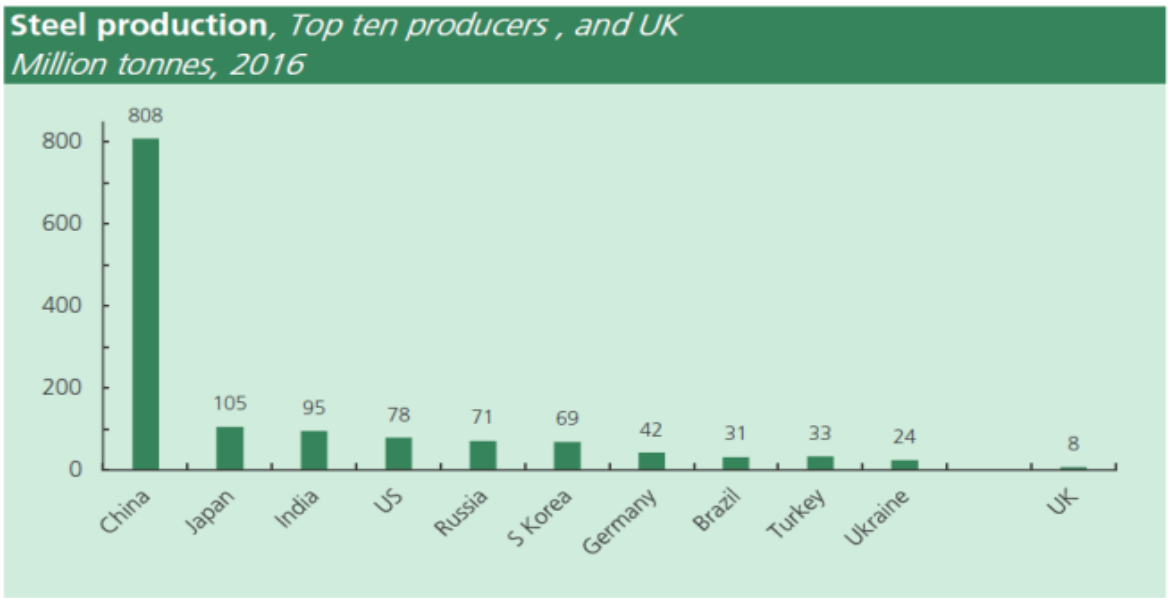
The UK produces **eight million tonnes** of steel a year. This is a slight rise from the 7.6 million tonnes following the steel crisis of 2015-2016, at that point the lowest amount produced since 1933. For historical context, in 1970 the UK produced 28.3 million tonnes of steel, compared with 17.8 million in 1990, and 9.7 million in 2010.

Internationally the industry now lags far behind global leaders including China and the United States and in 2018 was the eighth largest in the European Union, contributing 4.4 percent of the 170 million tonnes produced by 24 member states.

Steel Production: European Union

Germany	43,910	26%
Italy	24,068	14.3%
France	15,506	9.2%
Spain	14,434	8.5%
Poland	10,289	6.1%
Austria	8,135	4.8%
Belgium	7,842	4.6%
United Kingdom	**7,492**	**4.4%**

Source: EUROFER (European Steel Association), 2017-18, URL



All of this is significant because while the UK is producing **eight million tonnes** per year, UK demand currently stands at **9.4 million tonnes**. Yet of this only **4.5 m/t** of that **9 m/t** is sourced from the UK.[2]

Opportunities for Demand

Currently 4.5 million tonnes of steel is supplied to the UK market. Predominantly this goes to the construction, automotive, engineering and packaging industries. Of these, the UK steel industry is reliant on the automotive industry, producing for global exporters including Jaguar Land Rover, Nissan and Honda.

What is the breakdown in demand by sector? Source: UK Steel Charter 2019

Sector	**Steel Tonnage** (Millions)
Construction and Infrastructure	2.7 m/t (a further 3 m/t is imported)
Automotive	0.07 m/t
Machinery & Engineering	0.5 m/t
Packaging	0.5 m/t
Other	2.0 m/t

[2]In truth, estimations for total UK steel consumption p/a range from 9 m/t (UK Steel) to 16 m/t (BEIS researchers. The larger calculation would mean a 11.7 m/t tonnes gap between current UK demand and current UK production.

One of the absurdities of the Government's inaction to support the steel industry is that its own research – conducted for BEIS – shows the potential to increase revenue by up to £3.8bn per annum by 2030 by stimulating demand within key manufacturing sectors and displacing imports[3]. Opportunities to stoke demand from UK sectors breakdown as follows:

- Construction £2.2 billion
- Automotive Industry £293 million
- Machinery & Engineering £194 million
- Packaging Sector £136 million
- Oil and Gas Sector £129 million

The Government estimate that in order to meet **82 percent** of these future opportunities the industry will have to invest significantly in both capabilities and production capacity.

Tellingly, this figure does not include the potential demand from Government procurement. The Government's 'Steel Procurement Pipeline' shows that of the £158 million of steel product procured by the public sector less that **43 percent** - or £68 million – was produced in the UK.

Again, the Government's own figures show how easily this could be improved. The 'Pipeline' shows that the Government intends to use a minimum of **three million tonnes** over the next decade, worth **£2.5 billion** in value.

"The size of the UK steel industry has been allowed to shrink dramatically over the last 30 years or more, but we could make much better use of the assets we have left if we had the right investment. For instance, the Scunthorpe site currently produces about 2.6m/t per year but is capable of producing over 4m/t. That's 4m/t of top-quality steel, not the inferior foreign steel that we see being dumped in the UK."
Martin Foster, Unite Conveyor, British Steel, Scunthorpe

Importance of Trade & Brexit

The international context of steel production is all important, especially the ongoing crisis of overcapacity. In the year following the 2015/16 crisis it was estimated that world steelmaking capacity stood at **2,267 m/t** in 2017, while demand stood at **1,672 m/t**. This 595 m/t gap and the excess capacity behind it explains the collapse of global prices, and why nations such as China, Turkey, Russia (and in it's own way the United States) have sought to use steel as a geo-political weapon, either dumping on the western market or erecting tariffs ostensibly to prevent it.

Of the eight million tonnes produced **3.5 million tonnes** is exported, with **2.6 million tonnes (74 percent)** exported to the EU or through EU-negotiated agreements each year. This is followed by the **seven percent** of exports to the United States, now subject to Trump's tariffs. Together this contributes a **£3.2 billion** p/a direct contribution to the UK's balance of trade

While steel manufacturing enjoys tariff-free protection, the threats to the industry from a hard Brexit include: tariffs on manufactured goods which include UK steel such as automotive; **disruption to import of raw materials** and export of finished product; **exclusion from existing free trade deals** and no longer being able to rely on EU-level **trade defences** against dumping or protectionism.

[3] Future capacities and capabilities of the UK Steel Industry, BEIS Research Paper, URL

All of those scenarios are highly likely if the UK industry is outside of a customs union – as Labour has argued. The severe disruption and additional costs is estimated to add **four to five percent** to the cost of a tonne of steel. UK Steel has estimated this cost to be **£70 million** per year.

Trade Deals Example: Turkey, China and Trump

The end of EU-negotiated trade deals and trade defences could cause a repeat of the 2015 steel crisis, with cheaper product dumped in the UK market

The loss of access to a range of EU free trade agreements (FTAs) would result in the imposition of tariffs to other important markets for steel, most significantly Turkey (15 percent average tariff impact).

Turkey exported **580,000** tonnes of steel to the UK in 2017. In the same year, Turkey was also the UK steel industry's third largest export market, with sales of over **300,000** tonnes, worth £130 million. This relationship will become extremely slanted to our disadvantage if the current trading arrangement ends without replacement on 31st October 2019.

This would mean that while Turkish steel producers will continue to enjoy **tariff-free access to the UK market,** UK steel companies will have to suddenly pay tariffs of up to **40 percent** on any sales to Turkey.

This raises the threat that cheap Turkish steel could be dumped on the UK market from 31st October 2019 – along with Chinese steel – which would crash the market and repeat the crisis of 2015.

- The Government's proposed trade and customs bills do not provide adequate protection.
- Unite is demanding that the UK matches existing EU-levels of safeguards and trade remedies *as a minimum.*

Similarly, the UK government has not committed to replicating or strengthening the steel protections and safeguards

"50% of British Steel customers are in the EU. The situation because many customers are leaving us and going to other EU steel producers in order to be certain of avoiding the tariffs that would be applied in the event of a no-deal Brexit. A no-deal Brexit would be highly damaging to British Steel and the wider steel industry. In order to guarantee the company's survival, we must leave with a deal, but it cannot be just any deal. It must be the right deal, which needs to include frictionless, tariff-free trading, with some sort of customs union. If a deal can be reached reasonably soon, we may be able to claw some of those customers back, but the longer this goes on, the more likely the damage will be permanent."
Martin Foster, Unite Conveyor, British Steel Scunthorpe

A Socialist Industrial Strategy for Steel

A 2019 equivalent of the Iron and Steel Acts of Attlee (1949) or Wilson (1967) would be welcome; however, it must also understand how the steel industry has changed. Today the UK metals industry comprises some 3,000 employers, often with multinational operations in production, downstream value-added manufacturing, the supply chain and distribution. An Act to bring the major operations, for example British Steel and Tata, into public ownership will still require an industrial strategy for the rest of the sector.

Alongside the fundamental question of ownership, such a strategy must include:

- Investment to increase capability to meet potential demand for specialist high-end products. (construction, automotive, defence and energy sectors)
- A public sector procurement strategy to improve on the 43 percent of the current 'Steel Pipeline'
- Address high energy costs of steel production, currently five times higher than continental Europe
- Address disproportionately high business rates, with fair access to finance through regional investment banks.

The multinational nature of the steel industry away from blast furnace steel production of the Big Three is seen in the following testimony from Phil Bray a Senior Unite Steward at Outokumpu Sheffield which manufacturers stainless steel.

"Outokumpu is a Finnish owned company with four other melting shops including Tornio with a capacity of making one million tons of slab. It has its own chromium mine, so most of its investment goes to these melt shops. SMACC (Sheffield operations) has become a swing shop and predominantly makes billets and blooms for long products, only making slabs when Tornio are fully loaded and have holidays."

"At the moment we are running at only 50% capacity, the reasons are the Trump tariffs; nickel prices are low at the moment so people are holding back buying; Torino are stockpiling so Sheffield is not getting any work from Italy; prices are too high at the moment because we are not fully loaded; we are finding it difficult to source stainless scrap hauliers are holding the scrap back because of Brexit."

Ownership: Greybull and the Case for Public Ownership

"Putting the main players of the UK steel industry (Tata UK, Liberty and British Steel) under public ownership would help secure the long-term future of the industry, allow much needed increased investment to take place and give us independence and peace of mind knowing that, as a member of the G8, we would not need to go cap-in-hand to other steel producers outside the UK for our infrastructure and defence projects, which would make us much more self-reliant. For me, public ownership of the UK steel industry would be the best option".
Martin Foster, Unite Convenor, British Steel Scunthorpe.

"*Greybull's and foreign owners have only one priority. To apply a constant bleed - a financial debt burden - until such time there is nothing left to take and they'll move onto the next victim. Under the failed Joint Venture (between Tata and Thyssenkrupp) the writing was on the wall for blast furnaces in Port Talbot. We have seen projections indicating a reduction in liquid steel capacity in the UK, supplemented by slab imports to support cyclical demand. My view is nationalisation and securing downstream sector portfolio is the only way to secure liquid steel capacity in the UK."*
Les Price, Unite Senior Rep, Tata Steel, Shotton

The case of private equity firm Greybull is the most extreme example of the crisis of ownership in the steel industry. British Steel operations were purchased from Tata Steel Greybull capital for a single Pound, but have now collapsed into insolvency three years later.

This is partly due to the impact of both Brexit and Trump's tariffs on the order book, but also the significant debt piled onto the business by Greybull.

Despite going to into receivership Greybull has announced it may attempt to register itself as a primary credit and bid for its former British Steel operations in France and the Netherlands, following their purchase of separate steel plant in France.

This would mean a private equity firm effectively accepted £120 million from the UK government after having extracted up to £9 million to the business in 'management fees,' only to endanger thousands of UK jobs, and then be allowed to 'cherry pick' assets and emerge with a profitable continental operation.

Similarly, Tata Steel has been in negotiations with Thyssenkrupp on a joint venture (JV), which appeared to be more of a takeover of Tata. The collapse of JV plans following a EU Commission competition inquiry, now places a question mark over the long-term ownership of the UK's Tata Steel operations.

"*In 2015 Greybull Capital made it known that they were interested in buying the Tata Steel Long Products division following it being put up for sale by Tata Steel. While we were wary of Greybull at the time we were also acutely aware that we didn't have many other options open to us, so in 2016 we were purchased by them for the princely sum of £1 and on June 1st that year we saw the British Steel brand make a welcome return to the global steel market. However, Greybull are not steelmakers, they are a private equity company.*

*Greybull claim that, "*employees share in the success of British Steel through the profit and share ownership schemes which Greybull has created*." This is untrue by the way, as although there is a share ownership scheme in place the employees have never seen any financial return on it. They also refer to long-term commitment on their website, but if you take a closer look at Greybull's history - which is only 9 years long - you find that the statements made above don't tend to support the reality.*

For me, there is a huge question over the ethics and business practices employed by Greybull and other companies of their ilk. This type of company, rather than being medium to long-term investors, are usually short-term, fly-by-night opportunists who, after their acquisitions have gone bust, rarely lose money and often walk away with a substantial amount in their back pocket. It's almost like they design businesses to fail."
Martin Foster, Unite Conveyor, British Steel, Scunthorpe

Unite believes the crisis of ownership in steel will only end when the principle assets of the industry – particularly blast furnace and immediate downstream operations – are seen as strategic national assets and taken into public ownership.

Significant reform of both the takeover code and corporate governance are required to protect the industry and the workforce against predatory takeovers.

This must mean a clear ability for the Government to intervene to prevent any takeover which would not be in society's interest and enhanced powers of oversight, transparency and consultation for workers during any takeover.

Similarly, Labour must continue to develop the work outlined in the 2017 *Alternative Models of Ownership* paper and investigate, in partnership with trade unions, how this could be applied to the UK metals industry. This should include worker buyouts of plants under threat, as the Tata Trostre plant was during the failed joint venture.

A greater role for workers management – extending democratic oversight into the board rooms is also required, especially if a publicly owned steel industry is to be run in the long-term public interest. A great short coming of the 1949 and 1976 Acts of nationalisation is that they did not extend democracy into the workplaces.

Investment:

"We are now at a point where that lack of investment means the plants at Port Talbot and Scunthorpe are operating with very old assets, which are unreliable and environmentally damaging, and this makes it extremely difficult for them to compete. With the right investment these plants could become environmentally and energy efficient, extremely competitive and make a much bigger contribution to the local and national economy. It would also secure increased and long-term employment, both in the industry and supply chain.

By way of an example, the Scunthorpe site has its own on-site power station, but it is currently only producing a fraction of the electricity we need to run our plant because of lack of investment. If we were to invest in modern turbines and boilers (which would run on the recycled gas created by our iron and steel making processes), we could become self-sufficient on energy and would even be able to supply any excess to the national grid. Win, win all round."

Martin Foster, Unite Conveyor, British Steel, Scunthorpe

Fundamentally investment to increase capability requires long term planning over short term profiteering and asset stripping. The opportunities to increase production to suit current and potential demand include, producing high strength steel for the construction industry, higher grade steel for offshore wind turbine production, military grade steel for Royal Naval vessels and, lighter weight metals for next generation electric vehicles (to offset the increased weight to the vehicle of the lithium-ion battery.)

The protracted crisis of ownership has meant that as far back as the late 1980's the UK steel sector has received significantly less investment than European counterparts. Annual investment per tonne of steel produced in the UK (between 1985-2000) was 18.6; that's **34 percent less than France, 45 percent less than Germany or Italy and 71 percent less than Spain**. All of which now produce more than double the yearly amount of steel than the UK.

Apprentices & Skills Retention:

"*There has been an increase in agency workers. New starters in production are now all agency workers, only skilled workers or brought in as Outokumpu employees. There has been an increase in apprentices, but the problem we have is that when the apprentices have qualified, they look elsewhere like Rolls-Royce, McLaren and Boeing because of the cleaner environment, pay and job security*."

Phil Bray, Unite Conveyor, Outokumpu Sheffield

"We have seen a decline in the number of applications for engineering apprenticeships at our Scunthorpe site, which in the past was up around 6-700. That number has shrunk steadily to about 300. We are also seeing a steady increase in engineering personnel leaving the company, and whereas in the past it was the older workers who were leaving via early retirement, we are now seeing this exodus through all age ranges. We are finding it increasingly difficult to find replacements for these highly skilled people."

Martin Foster, Unite Conveyor, British Steel, Scunthorpe

As these quotes demonstrate, the cyclical crises of the industry have hardly made it an attractive prospect for young workers. A skills plan for steel needs to be one part of a wider strategy to combat the skills gap which is growing across manufacturing. This has to mean overhauling the Apprenticeship Levy and linking public investment and contracts to high quality apprenticeships.

Ultimately the inability to attract or retain young steel workers is part of a wider issue of job insecurity, which ranked as the number one concern for Unite members in a survey of the sector.

Procurement

Unite is a signatory to the 'Steel Charter' for procurement and would endorse and develop the demands:

- For a future Steel Pipeline with increased scope for reporting government contracts which have the potential for using UK steel.
- For government to discard the austerity-era contract stipulation for the 'most economically advantageous tender' for 'the most socially advantageous tender.'
- For the introduction of a requirement for any tender applications to include supply chain plans
- To place a requirement in public contracts requiring the origin of steel to be provided, with the 'comply or explain' stipulation that the use of UK produced steel will be assumed.

Electricity & Business Rates

Unite has endorsed the call made by our sister trade unions, the trade federation UK Steel (Make UK) and the employers for a sector deal for the steel industry. In addition to the points outlined previously, Unite endorses the call made in the UK Steel document *A New Deal for Steel* (June 2019) for a sector deal to include fairer energy prices and a restructuring of business rates.

Electricity

The UK's electricity prices for large industrial energy users are higher than in any EU country. In 2018/19 UK steel producers paid 51 percent more than German producers and 110 percent more than French producers, even after the compensation and exemption schemes already provided by the Government.

This amounts to a £55 million/year additional expense for the UK steel sector, which places the industry at a competitive disadvantage and presents a barrier to the sector reaching the cutting edge of steel making.[4]

Business Rates Restructuring:

The UK business rates regime acts as a barrier to new inward investment, especially for large scale multinational manufacturers. Such manufacturers bear the brunt of 67 percent of all plant and machinery liability.

UK steel sites pay five to ten times more than their counterparts elsewhere in Europe and counterintuitively, the more the industry invests to enhance and improve facilities the more rates increase.[5]

Steel in a Green Industrial Revolution

Unite fully supports the UK's commitments to the Paris Climate treaty and the declaration for a Just Transition made at Katowice in 2018; however, it is clear the UK can go much further with an ambitious industrial strategy. Unite believes the steel sector must be the centre

[4] *A new deal for steel: Laying the foundations for a vibrant steel industry*, UK Steel, June 2019, URL
[5] *A new deal for steel: Laying the foundations for a vibrant steel industry*, UK Steel, June 2019, URL

piece of a Green Industrial Revolution and is in talks with our counterpart trade unions across the global steel industry to develop Just Transition strategies.

In the UK the sector currently emits 12 million tonnes of CO2 each year, around three percent of the UK total domestic emissions. While progress has been made, with 40 percent less energy required per tonne of steel production compared to the 1970's, it is clear that underinvestment presents a barrier to further progress.

Such investment should include carbon capture technologies or even completely new forms of steel making which are not yet commercially viable.

Unite notes the UK Steel observation: "…*that neither the UK nor the EU has yet devised a workable policy framework that will deliver the vast amounts of investment that decarbonisation will require whilst ensuring industry remains competitive. Instead policy makers have almost exclusively relied on the EU Emissions Trading System (ETS) that gradually increases the carbon costs to EU industry, whilst those elsewhere continue to operate without such costs*."

Unite believes that the UK must look beyond carbon trading schemes or a simplistic target-driven approach and commit to working on a tripartite basis with trade unions and industry to devise a more effective strategy.

Rather than a narrow focus on UK territorial emissions, such a strategy must consider the entire supply chain of the industry. For example, every 1,000 tonnes of UK steel saves 150 tonnes of CO2 compared to imported EU steel and 560 tonnes of CO2 compared to Chinese steel.

Examples of Government support across EU countries

For ideological reasons the Government continues to hide behind EU state aid regulations. However, as the table below sets out other European countries support their foundation industries including steel and other energy intensive sectors.

(Temporary) Renationalisation	In early 2015, the **Italian Government temporarily renationalised the Ilva Steel works in Taranto**, Southern Italy. The Italian government cited the unabated toxic emissions and very poor environmental standards, which had led to unusually high rates of cancer in the area around the plant. It is estimated that it will cost €1.8bn to make Ilva compliant with the Industrial Emissions Directive's standards.
Investment in strategic R&D facilities	The **French government provided state-aid to the ArcelorMittal plant at Florange** to support their ongoing R&D work, this followed a long running industrial dispute over the closing of two blast furnaces. This public support comes to a total of €20-50 million over four years, with a further 33 million been raised in public-private investment.
Support for energy efficiency/environ-mental technologies	In 2010, the European Commission accepted **German state aid of €19.1 million for an energy-saving steel production project** run by Salzgitter Flachstahl GmbH, a subsidiary of the Salzgitter AG group. The aid will allow Salzgitter to produce steel through an innovative production process, Direct Strip Casting (DSC), which consumes less energy than alternative processes. The aid is in line with EU guidelines on State aid for environmental objectives (see IP/08/80) because on balance, the positive effects for the

	environment largely outweigh potential distortions of competition.
Loan guarantees	In 2010, **the UK Labour government was willing to provide Sheffield steel producer Forgemasters with an £80m loan** to develop new technologies as part of a supply chain for nuclear reactors. While ultimately **the new government withdrew this offer**, the reasoning for a change of heart was ideological and not related to European State-Aid rules.
Taking a public stake in a steel company	Following the sale of 20.5 percent of shares in 'NLMK Belgium Sogepa Holdings SA' for 91.1 million euros ($123 million), the **Belgian public authorities** have a shareholding in a new company producing steel which owns steel plants in Belgium, France and Italy. NBH employs about 1,000 people in Belgium, while the European division employs 2,530 people in total. The engagement of the Belgian public authorities has helped strengthen the commitment of the Russian group, and transformed the company carrying the steel business in public private joint venture with the financial support of the Walloon region.
Compensation for energy costs	A range of **German Government industry policy interventions** provide German industry as a whole, including its energy intensive industries, with a range of long established reliefs from energy and climate change-related duties, levies and taxes: • Over the period 2010-2012 Germany's support for its EIIs were worth 26bn euros, or some 8bn euros (£6.4bn) a year. • Support covers thousands of firms. Unlike the UK package, support is not confined to specific sectors. • At company level, in Germany compensation is available for 90 percent (or in the case of larger and energy intense consumers, 100 percent) of electricity taxes. **In Sweden, the PFE programme aims to encourage, through incentives (reductions in the amount of energy taxes)**, energy-intensive industries to improve their energy efficiency. This is a long-term agreement involving the Swedish government, the energy-intensive industries and trade unions. The duration of this program is five years. 117 industrial companies are involved in this project (i.e. 250 plants). The Swedish Energy Agency monitors and controls the programme. The Programme Board, established in 2005, brings together representatives from government, business, trade unions and employers as well as research centres. Both with an advisory and regulatory purpose, the Board meets four times a year. After only two years of existence, more than 900 measures were implemented or underway. These measures cost the companies €110 million but benefited from a rapid return on investment (two years on average). They have saved about 1 TWh per year of electricity, i.e. from 500 kT to 1 million tons of CO2, and a total of €55 million. In 2010, it doubled its objectives.
Using the powers of the official receiver to support employment & attracting buyers	In November 2014, **the Italian government agreed to sell Italy's second-largest steelmaker** Lucchini's Piombino complex to family-owned Algerian conglomerate Cevital. Lucchini was previously owned by Russia's Severstal but was declared insolvent in 2012 and placed into special administration. The company

for troubled plants	received two offers for its core assets in Piombino, one from Cevital and the other from India's JSW Steel. The **government administrator said the Cevital offer was more attractive as it foresaw full employment at Piombino**. The Piombino complex employs about 2,000 people and can produce up to 2.5 million tonnes of steel a year.

A key concern in the UK steel industry is about the loss of skills and the consequent loss of industrial capacity in the case of an upturn in the cyclical market. **Statutory labour market instruments to support shortened working time at companies hit by the crisis, often interacting with collective agreements, have proved to be an effective instrument** to cushion the employment impact of the crisis in a number of European countries. In the case of closure, EU funds are available for the workforce. Here is a short overview of some measures used:

"Kurzarbeit" (short time working)	When flexibility through sectoral agreements & plant agreements are exhausted, many EU countries have short-time working, which as a statutory labour market instrument comes to the fore. As an example **in Germany, it guarantees employment by stipulating hours that fall short of the regular working hours regulated in collective agreements, while compensating for losses in income due to temporary inactivity for certain groups of employees** such as construction or seasonal workers. Losses of income due to a decrease in working time are compensated by state subsidies issued by the Federal Agency for Labour (*Bundesagentur für Arbeit*). In the case of complete temporary inactivity, 60 or 67 per cent – according to family status – of the last net wage is borne by the state, while the rest is paid by the employer. The employee retains all social security entitlements such as health, accident, pension and nursing care insurance. Conditions for the deployment of short-time work include economic difficulties, such as sharp declines in demand.
Solidarity contracts	In **Italy, solidarity contracts are agreements between the company and the trade unions which aim to reduce working hours in order to maintain company employment levels during a crisis.** The 2013 Ilva solidarity contract led to a reduction in the overall number of workers considered 'redundant' as a consequence of the restructuring process: 3,749 workers compared with the 6,417 affected originally. The maximum reduction in monthly working hours has been 34% (equivalent to the work of 3,749 'redundant' workers) and was distributed between all 11,000 employees at the Taranto plant starting from March 2013. Furthermore, the solidarity agreement foresees the setting up of an inter-ministerial table, including the Ministries of Welfare, Environment and Economic Development, in order to monitor the progress of the authorisation's instructions at the Taranto plant and the surrounding areas. The trade unions, the region of Puglia, the local bodies and the agencies that monitor the reclamation process participate in the meetings, which were originally planned to occur every six months or when requested by one of the parties.
European Globalisation	**EGAF provides support to people losing their jobs as a result of major structural changes in world trade patterns due to**

Adjustment Fund	**globalisation** e.g. where a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis. The EGAF has a maximum annual budget of EUR 150 million for 2014-2020 and can fund up to 60% of the cost of projects designed to help workers made redundant find another job or set up their own business. As a general rule, the EGAF can be used only where over 500 workers are made redundant by a single company (including its suppliers and downstream producers), or if a large number of workers are laid off in a particular sector in one or more neighbouring regions. EGAF cases are managed and implemented by national or regional authorities and projects can run for up to 2 years. Individual workers made redundant can benefit from EGAF projects. Over 2014-2020 this can include the self-employed, temporary workers and fixed-term workers. The UK has never applied to use EGAF funding because of the UK rebate. Here are some steel and sectoral examples: • In 2011, when the sector was hit by harsh economic conditions, the Dutch printing sector made a sectorial application to this fund - €5.8m helped 1,764 workers made redundant by 101 enterprises6. • In mid-2014, Romania asked for €3.6 million from the European Globalisation Adjustment Fund (EGF) to help 1 000 former workers of the steel products manufacturer SC Mechel Campia Turzii SA and the downstream producer SC Mechel Reparatii Targoviste SRL to find new jobs. • In late 2014, Belgium asked for €911,934 from the European Globalisation Adjustment Fund (EGF) to help 752 former workers of steel producer Carsid S.A. to find new jobs. The redundant workers are mostly in the area of Charleroi in the Walloon Region.