

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Blaenoriaethau ar gyfer y Chweched Senedd / Priorities for the Sixth Senedd
PR112
Ymateb gan Tata Steel / Evidence from Tata Steel

Llyr Gruffydd MS
Chair, Climate Change, Environment and Infrastructure Committee

17 September 2021

Priorities for the Senedd Climate Change, Environment, and Infrastructure Committee

Dear Llyr,

I am writing on behalf of Tata Steel UK to respond to the Committee's recent consultation on its priorities for the Sixth Senedd. We are grateful for the opportunity to inform the work of the Committee during an important phase of the transition to a net zero economy in Wales.

Tata Steel is the largest steel manufacturer in the UK, employing over 6,000 people at 5 production sites in Wales. We are supportive of the priorities recently set out by the Minister and Deputy Minister for Climate Change and are committed to making a substantial contribution to their attainment, but believe the Committee should ensure the Department continues to work closely with the steel industry to ensure that collective net zero ambitions are met.

Tata Steel welcomes the Welsh Government's ambitious 2050 net zero emissions target, and interim targets including 63% reduction by 2030. Decarbonising steel production in South Wales is fundamental to reaching these targets, and we are keen to continue to work closely with the Welsh Government and Department for Climate Change and to act as a responsible partner in the development of an ambitious policy environment within which Welsh businesses are able to show leadership in climate action whilst remaining competitive and financially sustainable. Tata Steel has committed to reducing its CO₂ emissions by 30% by 2030, and to reach net zero for its steelmaking operations by 2050.

Tata Steel welcomes the departmental priorities set out in the Minister's letter to the Committee, including plans to move to cleaner sources of electricity. All options for decarbonising the steel industry will result in increased electricity usage, so it is important that Welsh industry has access to abundant and affordable electricity from renewable sources. We therefore strongly support the Welsh Government's target for 70% of electricity to come from renewable sources by 2030. However, high electricity prices remain a barrier for many energy intensive users and the Department's plans should include a strategy to address high prices faced by Welsh manufacturers, so the issue does not undermine the competitiveness of electricity consumers and the transition towards a decarbonized grid. This will be supported by the Department's plans to target more locally-owned renewable capacity to address high costs for energy users on a regional basis.

The Department also notes the potential value of hydrogen as a "nascent but very promising" source of low carbon energy. The use of hydrogen in steel production does have exciting potential, both as a replacement for fossil fuels used in heating and, perhaps more importantly, as a replacement for carbon-based reductants in iron ore

smelting. However, in order for the steel industry to be able to seize the opportunities afforded by hydrogen, substantial investment will first be required in technology and enabling infrastructure. We anticipate that hydrogen-based steel production may be an option from the mid-2030s onward, with an enabling regulatory and finance landscape. To advance this, the Department should take an active role in facilitating multi-sectoral partnerships within the South Wales Industrial Cluster (SWIC), working in conjunction with the UK Government as it further develops its recently published Hydrogen Strategy.

Tata Steel continues to explore a number of options for decarbonisation of its operations at Port Talbot. Among these options, Carbon Capture Usage and Storage (CCUS) options offer an opportunity to support industrial decarbonisation in the medium term, with work currently underway within SWIC to develop the necessary infrastructure. These technologies will inevitably only be affordable with significant public and private investment, and it is important that the Department supports this wherever possible.

As the Minister's letter notes, it is important that the implementation of the new UK Emissions Trading Scheme in Wales be managed effectively. While ETS is a UK-wide scheme, its management under the Common Framework approach provides the Welsh Government with significant opportunity to influence its future development. The Department should continue to work closely with businesses subject to UK ETS (Tata Steel has four installations in Wales that are subject to UK ETS), ensuring the system operates effectively to support decarbonisation without placing punitive and unavoidable costs on users that would hinder their ability to invest in decarbonisation. Tata Steel is in principle supportive of the UK Government's stated intention to explore options for replicating the EU's proposed Carbon Border Adjustment Mechanism (CBAM), albeit that any such system needs to be carefully designed. We urge the Department to engage with operators of UK ETS installations in sectors at risk of carbon leakage to assess the risks and opportunities of a UK CBAM and to influence the eventual UK policy direction in this regard.

The Department recognises the role of public sector procurement in reaching net zero targets, and we welcome Welsh Government plans to introduce its own public sector procurement measures and to adopt the UK Government's upcoming Procurement Bill. Public sector procurement is central to delivering the modern infrastructure required to reach net zero, and has the potential to act as a driver for strengthening Welsh industry and the contribution it makes to the communities in which it operates in. The Welsh Government must ensure these ambitions are reflected in the guidance it provides to other public sector bodies, alongside a strong system for transparency and monitoring of steel procurement.

Tata Steel would be happy to meet the Committee to discuss further how the new Climate Change Department can best support industrial decarbonisation and to explain how the steel industry is transitioning to a decarbonised future. If this would be of interest, please don't hesitate to contact me.

Kind regards,

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