

Dear Paul Davies MS

**Subject: Future of Welsh Steel**

Thank you for your inquiry regarding the future of Welsh steel. As a significant player in the Welsh steel sector and an operator of an electric arc furnace (EAF), Celsa Steel is keen to share its perspectives on the industry's evolution and the potential pathways to a greener economy.

**Domestic Demand for UK Scrap Steel**

The anticipated shift from primary steelmaking to EAF steelmaking will indeed increase domestic demand for UK scrap steel, much of which is currently exported. This transition presents a unique opportunity to enhance the circular economy within the UK. To support this development, the Welsh and UK Governments could consider the following regulatory and policy measures:

1. **Scrap Export Regulation:** Introducing regulations that restrict the export of scrap steel to countries with lower environmental standards could help retain high-quality scrap within the UK. This approach aligns with similar measures being implemented in the EU and would help level the playing field for domestic steelmakers.
2. **Incentives for Domestic Processing:** Providing tax incentives and support for improving scrap sorting and recycling facilities in the UK would enhance the quality and availability of scrap for domestic EAF production. This can include grants for technological advancements in scrap processing and recycling.

**Government Actions to Support Welsh Steel Industry**

To ensure the future development and competitiveness of the Welsh steel industry, several key areas require attention:

1. **Competitive Electricity Prices:** The cost of electricity is a critical factor for the steel industry. The UK Government should work towards achieving parity with European competitors by reducing network charges and reforming the wholesale electricity market. This would involve delinking electricity prices from gas and making the most of renewable energy sources to lower costs for energy-intensive industries like steel.

2. **Decarbonisation Initiatives:** The steel sector's decarbonisation efforts need robust support from the government. This includes investing in infrastructure for hydrogen production and distribution, which is essential for replacing natural gas in steelmaking. Additionally, a dedicated Low-Carbon Steel Innovation Fund could accelerate the development of new technologies and processes that reduce CO<sub>2</sub> emissions and enhance energy efficiency.
3. **Public Procurement Policies:** Wales once led the way in public procurement but now seems to be lagging. The promise of a supply chain champion and the full implementation of the PPN 04/23 offer significant opportunities that are currently not being fully capitalized upon by the Welsh Government. Leveraging public procurement to favour domestically produced steel can significantly boost the industry. Setting local content targets for public projects, especially those related to green infrastructure such as wind turbines and hydrogen facilities, would stimulate demand for UK steel and ensure economic benefits are retained within the country.
4. **Trade Defence Measures:** Implementing a robust Carbon Border Adjustment Mechanism (CBAM) ahead of the EU's timeline can protect the UK steel market from high-emissions steel imports. Ensuring mutual recognition with the EU's CBAM framework will prevent trade diversion and maintain a level playing field for UK producers.
5. **Innovation and Skills Development:** Increasing investment in research and development specific to the steel industry is vital. Expanding the scope of the Industrial Energy Transformation Fund (IETF) and simplifying the application process would encourage innovation. Additionally, developing skills in areas like automation, digitalisation, and hydrogen economy is crucial for the industry's future.

Celsa Steel is committed to playing an integral role in the future of Welsh steel, contributing to a green economy, and supporting regional economic equality. We look forward to continuing our partnership with the government and other stakeholders to achieve these goals.

Thank you for considering our views. We are prepared to engage further and provide more detailed insights if required.

Yours sincerely,



Carles Rovira  
CEO, Celsa Steel