



Welsh Government Evidence Paper

Steel in Wales

29/01/2026

Contents

1.	Introduction	3
2.	Steel in Wales.....	3
3.	7 Steel UK	3
4.	Tata Steel UK (TSUK)	3
5.	TSUK Transition Board.....	4
6.	Welsh Government Support.....	4
7.	Steel Trade.....	5
8.	The UK Steel Strategy	6
9.	The National Wealth Fund (NWF).....	6
10.	Scrap Metal	7
11.	Procurement.....	7

1. Introduction

This paper provides further evidence for the Economy, Trade & Rural Affairs Committee's Inquiry into the steel industry in Wales.

Domestic steel production is of strategic importance to Wales and the rest of the UK. It underpins key sectors of critical importance to the economy of Wales, including manufacturing, construction, and the renewable energy sectors.

2. Steel in Wales

Operating conditions for the Wales-based steel sector continue to be challenging. These include matters affecting trade, energy prices, carbon mitigation measures, and global overcapacity. All of these impact on the sector's ability to compete both domestically and internationally.

The EU Carbon Border Adjustment Mechanism 2026 introduced on 1 January will create additional costs and increase the administrative burden for steelmakers.

Following the change of ownership of Celsa Steel UK, which was completed in April 2025, 7 Steel UK continues to invest in technologies which support decarbonisation and the production of low-carbon steel.

Tata Steel UK (TSUK) is now in the construction phase of its transition to electric arc furnace (EAF) steel production. By 2028 both Wales-based steel producers 7 Steel UK and TSUK will be producing low-carbon steel using scrap-fed technologies which enables the recycling and reuse of steel products.

Liberty Steel is no longer operational in Wales.

3.7 Steel UK

In addition to the investment in a state-of-the-art shredder, which became operational last year, 7 Steel is advancing its Hydrogen Energy Mill project by installing new furnace infrastructure which can operate on up to 100% hydrogen as an alternative energy source.

The company is operating within challenging trading conditions, especially concerning the construction market and is looking to grow its EU export markets.

4. Tata Steel UK (TSUK)

The First Minister and I attended TSUK's ground breaking ceremony at the Port Talbot site on 14 July, along with the Secretary of State for the Department of Business and Trade and the Secretary of State for Wales. This marked the start of the construction phase of Tata's £1.25bn EAF project.

Several other previously announced projects as part of the transition work are also underway at Port Talbot - the Thin Slab Caster life-extension project, the upgrade to the Hot Strip Mill and the Acid Recovery Plant project, part of the new pickle line. A new contractor village is also under construction at the site. In addition, a major project is being undertaken by the National Grid to build new electrical

infrastructure capable of powering the EAF. Piling is beginning in January to underpin the installation of the new assets at the site.

The EAF is expected to be operational in December 2027. According to TSUK, the construction phase could create up to 500 new jobs, providing opportunities for local workers and supply chain companies. Several contracts have been awarded to local firms, as well as specialist contractors to install new infrastructure at the site.

5. TSUK Transition Board

We continue to support the Transition Board and its partners to deliver the required support to the people impacted by Tata's transition.

We welcomed the additional £22m funding provided by the UK Government, which will consolidate the existing funding for skills training, business start-ups and business growth.

Business Wales

Working with Neath Port Talbot Council, the Welsh Government's Business Wales service plays a critical role in supporting the delivery of Transition Board funds, which include Supply Chain, Business Start-Up, and Resilience and Growth Funds. Business Wales provide dedicated advisors and expertise to support individuals starting a business and impacted businesses, including supply chain companies to prepare business plans and undertake relevant diagnostics prior to referral to the Council, who lead on the applications and funding awards.

6. Welsh Government Support

The Welsh Government continues to directly support skills development in the Wales-based steel sector, including for employees affected by TSUK's decision to move from blast furnace steelmaking to lower-carbon EAF production.

Support for People Impacted by Redundancy

Employability and Skills Programmes

In the period prior to the launch of the UKG-funded Employment and Skills Support Fund, the Welsh Government's ReAct Plus Programme was able to provide immediate support to 58 Tata employees and employees in the Tata supply chain facing redundancy (Tata 17, Supply Chain 41).

The Welsh Government modelled additional budget for employability programmes in readiness for the reduction in the Tata workforce. However, the introduction of the Employment and Skills Fund meant the demand for Welsh Government support was lower than anticipated. When the UKG funds end, Welsh Government support will continue to be available to those who require it from ReAct Plus, Communities for Work Plus, and Working Wales.

The Community Union Support Centre

In September 2024 Community Union set up a Support Centre in Aberafan Shopping Centre for anyone affected by the changes at Tata, including family

members. The set up of the Centre was supported by £78,318 from the Welsh Government to cover rental costs for a 3-year period. More than 3,000 people have attended the Centre since it opened.

In Work Support for Steel Companies and Supply Chain Employees

Personal Learning Accounts

The situation at TSUK is an example of how the Welsh Government's Personal Learning Account (PLA) Programme can be used as an effective programme to support emerging issues and attempt to get ahead of potential periods of unemployment by reskilling or up-skilling those impacted at Tata and its supply chain into different areas of work. Since the introduction of the Tata PLA intervention in April 2024, the latest data shows that more than 1,000 Tata and supply chain employees have accessed over 1,300 learning programmes.

Wales Union Learning Fund (WULF)

In addition to PLA support, through the steel unions WULF has provided invaluable support to Tata workers and its supply chain employees. The latest available data indicates that since April 2024 WULF has supported more than 800 Tata workers to enhance their skills.

Workers at 7 Steel UK (formerly Celsa Steel) have also received support, bringing the total number of workers in the Wales-based steel sector supported by WULF since April 2024 to more than 900.

Apprenticeships

Over the last eight years the Welsh Government has provided continuity to apprenticeship delivery for more than 1,400 Tata Steel apprentices, equating to funding of more than £12.2m. Over the same period, more than £1.5m has been provided to 7 Steel UK to support more than 140 apprenticeship starts.

7. Steel Trade

Matters affecting steel trade are the number one priority for Wales's steel producers in our dialogue with them. The EU proposals have the potential to affect the UK now, even before they are formally enacted, by diverting excess steel into the UK market, placing further pressure on domestic producers as they continue to navigate challenging market conditions. In addition to resolution on the EU's proposal an immediate – and workable – resolution is needed on the US steel quota arrangements that have been long promised under the UK-US Economic Prosperity Deal.

EU Measures on Steel

The EU is our closest and strongest trading partner on steel, and a strong case needs to be made for the EU to preserve our existing arrangements, especially at a time when our sector is transitioning to net zero.

The Cabinet Secretary for Economy, Energy and Planning has engaged with UK Government Ministers on the steel measures with the most recent exchange on the 08 December.

Welsh Government officials discuss the new EU proposals regularly with their UK Government counterparts, with the most recent meeting taking place on 12 December. We will maintain close liaison with the Department for Business and Trade on this matter.

The EU Carbon Border Adjustment Mechanism has been in force since 01 January. This will also impact the export of steel goods to the EU. The UK does not plan to introduce the UK Mechanism until January 2027. This leaves the UK open to further trade diversion in the year where no UK equivalent is in place.

US Tariffs on Steel and Aluminium

The US is the UK's second largest steel export market after the EU. We welcomed the announcement by the US in June that tariffs on UK steel into the US will remain at 25%, rather than the 50% that the US has imposed on other countries.

The inclusion of melted and poured rules regarding the origin of steel in either the EU or US trade measures will affect TSUK while the Company continues to import steel slab and coil from within the Tata Steel Group either from the Netherlands or India during its transition to EAF steelmaking.

The First Minister and Cabinet Secretary for Economy, Energy and Planning have held meetings with the UK Government and asserted the need for both governments to work together on the UK's negotiation on the US tariffs to reflect the impact they have on the steel sector in Wales.

8.The UK Steel Strategy

The UK Government is due to publish the UK Steel Strategy in late January. Its aim is to establish a clear and ambitious long-term vision for the steel industry and set out the actions needed to get there. It will articulate what is needed to create a competitive business environment in the UK with the aim of attracting new private investment to expand UK steelmaking capability.

The Welsh Government continues to work with the UK Steel Council and looks forward to attending the Council's Working Groups on policy development to ensure Wales has full engagement in ensuring future UK Government decision-making will support the steel industry in Wales to prosper and grow.

9.The National Wealth Fund (NWF)

The NWF provides the opportunity for strategic investment by our steel companies to support the future of steelmaking in Wales. Both steel companies in Wales, 7 Steel UK and TSUK, are already investing heavily in decarbonisation projects and have received a significant amount of UK Government grant funding (rather than NWF support) towards these costs.

Current trading conditions for steelmaking are difficult. Opportunities for further investment are being considered, although the timing is uncertain.

We understand there have been broad discussions between steel companies in Wales and the NWF. However, the share of the fund made available to the steel sector in Wales is not guaranteed and is dependent on the steel companies

applying to the programme. As such the mechanism does not provide a source of funding or investment in the sector more broadly.

10. Scrap Metal

When TSUK transition to EAF in late 2027 both Tata and 7 Steel will be reliant on scrap metal. Therefore, the supply of sufficient high-quality scrap for UK steel producers, including those in Wales is of increasing importance. Work is underway through the Steel Council to look at how domestically produced scrap metal can be secured by our steel companies from what is currently an export driven market. We understand the UK Steel council will establish a dedicated Working Group regarding the reuse of scrap steel.

Wales has well-established capability and expertise regarding steel research and development, which provides a strong base to support the current technology changes within the steel industry. Switch Net Zero Wales, a network of Welsh universities is driving research and innovation for industry's decarbonisation and Net Zero transition.

Given that scrap metal is a strategic raw material and will be in increasing demand, especially in South Wales, we would like to see steel research and development prioritised within the Steel Strategy. We believe Wales's academic capability should also play a full role in supporting the industry to adopt the technology changes necessary for decarbonisation.

11. Procurement

The Welsh Government's policy on steel is set out in Welsh Procurement Policy Note (WPPN) 008, which applies to projects with a value of more than £3m and aligns with the Well-being of Future Generations (Wales) Act 2015, Procurement Act 2023 and relevant Wales Regulations, and the Social Partnership and Public Procurement (Wales) Act 2023. This promotes key principles such as sustainable procurement and early engagement with UK steel producers to strengthen domestic industry and reduce carbon emissions.

The Welsh Government is introducing annual steel demand reporting in early 2026. A revised WPPN will be published, detailing a structured approach to reporting, aligning with national policy to support domestic industry. This policy will apply to projects with a value of £3 million and above.

Forward-looking, and retrospective reporting by Welsh public contracting authorities aims to encourage early and open engagement with the steel sector, ensuring both the Welsh Government and suppliers have the information needed for effective planning and delivery.