

# Minutes of the CPG on Steel AGM

## Held on 2<sup>nd</sup> October 2018

### National Assembly for Wales

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**Present:** David Rees AM; Hannah Blythyn AM, Bethan Sayed AM, Suzy Davies AM, Eluned Morgan AM, Robert Edwards – Community Union, Steve Smith – Tata Steel, Paul Evans – Unite, Chris Haag – Celsa Steel, Sean Parsons – Liberty Steel, Jeff Beck – GMB, Kate Hearnden – Official to the Cabinet Secretary of Economy and Infrastructure,

**Apologies:** Kevin Bygate – SPECIFIC, Tony Brady – Unite, , Huw Irranca – Davies AM, Steve McCool – Community Union, Richard Warren – UK Steel, Euan

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**Chair: David Rees AM**

#### **Introduction**

**David Rees AM** welcomed members and representatives of the Steel Industry to the National Assembly for the AGM of the CPG on Steel.

#### **Item 3: Election of chair and Secretariat.**

David Rees AM was nominated for the role of chair by Eluned Morgan AM and seconded by Suzy Davies AM. There were no other nominations and David Rees AM was elected as Chair.

The office of David Rees AM (currently Angharad Thomas) was nominated as secretary of the CPG by Eluned Morgan AM and seconded by Suzy Davies AM, there were no other nominations and the office of David Rees AM (Currently Angharad Thomas) was elected as secretary.

#### **Item 4: Minutes of the Meeting held 3<sup>rd</sup> May 2017.**

Accepted as a true record.

#### **Item 5: Matters Arising**

David Rees AM asked the Union's for an update on the BSPPS and the group was informed that everything is OK with the scheme currently.

**Item 6: Update Kate Hearnden (Welsh Government) on the Welsh Governments work in relation to the Steel Industry.**

David Rees AM invited Kate Hearnden to give the group an update on the Welsh Government's work.

Kate Hearnden provided the group with an update on what the Welsh Government has been doing in supporting the Steel Industry in Wales and assured the group that there was a lot going on.

She additionally highlighted the following Key issues that remain:

- Energy Costs – the Welsh Government continues to push the UK Government on reducing the energy costs for the Steel Industry
- Trade – There have been trade issues in the past 12 months, particularly with the US sanctions that were imposed by President Trump. The Welsh Government has written to the UK Government on this issue
- ~~Decarbonisation for the~~**FOR THE** Steel Industry and Industry in general. There has been a focus on this and the importance of R&D to support decarbonisation. Swansea University has received £3m from HEFCW. And the Welsh Government is working to secure funding for an Industrial Strategy Fund for R&D.
- ~~There is a lot of activity around R&D – decarbonisation is important to the Welsh Government in the short and long term.~~
- Procurement – there was a PAN notice published in January on steel and the Welsh Government is working on taking forward the PAN notice with transport for Wales. As well as looking at other opportunities for Welsh Steel in big UK infrastructure projects.
- Celsa – has received Welsh Government support
- Tata – The Welsh Government have been looking at the Joint Venture and its implication for the plants in Wales.

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The Chair opened the floor to questions.

David Rees AM with regard to decarbonisation – the Welsh Government has set aside £18m to Tata for the Power Plant in Port Talbot. Where is the Welsh Government with that spend?

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Kate Hearnden We are still in discussions with Tata

David Rees AM has that money been held over into the next budget?

Kate Hearnden the money is still there and reaching agreement on conditions of funding is necessary before the funding can be released. once an agreement has been made with Tata it will be released.

David Rees AM asked the group if they wanted Kate to take anything back to the Cabinet Secretary.

Chris Haag PAN is useful, but the Welsh Government needs to be the vanguard of getting proper procurement procedures in place. The industry is reporting back that the reality on the

ground is that it needs more monitoring and controlling – particularly on government spending. The UK government is reporting later this year on similar and we need to get a reporting mechanism in place.

UK steel is republishing to UK Steel Charter which will be launched the beginning of 2019.

All UK steel producers are looking for support from government bodies and the supply chain on UK Melted and Poured Steel.

Rob Edwards Brexit is a big fear for the steel industry at the moment. What happens if we crash out of the WTO, what implications will that have for the steel industry? There are big concerns over tariffs. What staff/preparation is going on in readiness for this? The Welsh government needs to be forward thinking and have a position on this.

The car industry is where much of the end product from Port Talbot goes to and we are already seeing situations where car industry is holding back on making new models and sales are down on this time last year.

**David Rees AM** WTO tariffs for steel are quite low, it's the end products where the big issue and tariffs will lie. What are the Welsh Government doing in regards to getting the UK government to put in trade defence mechanisms?

**Rob Edwards** noted that we export 2.3m tonnes of steel to the EU, which is 30% of our production.

**Paul Evans** stated that there's no safety net at the moment.

**David Rees AM** expressed that we'll also be more at risk of dumping too.

**Rob Edwards** – there are currently retaliatory measure on tariffs within the EU – with the political agenda as it is currently this may not be the case after March 2019

**David Rees AM** we need clarification from Welsh Government on these matters and liaison with Westminster to see where they are currently and how best to protect the sector in Wales.

**Steve Smith** pressed that there are 5 main points from Brexit.

- Tariff free access to markets for customers – currently 2% to sellers in Turkey
- Trade measures – adequate trade defence and ensuing existing measures continue
- Frictionless movement of goods – Steel industries and our customers
- EU mechanisms work – Horizon 202 etc., we need access to these
- Clarity over transition
- And for the UK to be an attractive place for steel producers.

There is a positive message from BEIS on these areas.

**Chris Haag** with regard to trade defences – UK steel met with DIT and were ensured that trade defences will be put in place, it is however worrying that the trade defence authority is still to be set up, we've been told Nov/Dec as a time frame.

**David Rees AM** this is with the Lords at the moment, as is the Customs Bill.

**Chris Hagg** – the timescales are very short. There are 45 trade defence measures that they'll need to go through, work out which are suitable to the UK and there may be challenges that need to be looked at too.

The EU has over 200 safeguarding measures for Steel, the UK could be left defenceless in March 2019 – can the Cabinet Secretary push this with the UK Government.

**Steve Smith** – Could some of the money the Welsh Government has got for Brexit preparedness be put into the Steel Industry for preventative measures?

**David Rees AM** – £6m announced last week. It's important to ask the cabinet secretary what other sectors he is in discussion with particularly foundation industries.

**Rob Edwards** construction projects like the M4 relief road would use a lot of steel. News around this would be beneficial to the Industry

**David Rees AM** – the First Minister is due to make an announcement on this before Dec 2018

**Bethan Sayed AM** asked if it would be possible to arrange a briefing by Swansea University's Steel and Metal's institute.

#### **ITEM 7: UK Steel Update.**

David Rees AM asked Chris Haag to provide the group with and update.

**Chris Haag** – We mentioned last year that we put the Steel Sector Deal to the UK Government in September 2017, and there has been no movement on it. The UK government won't move on energy prices as an energy efficiency fund wouldn't be steel specific it would be for industry in general.

With regards to R&D proposals, those of the Steel industries have been amalgamated into foundation industry (glass, ceramics etc.) which has now made it a broader pot. A bid has been put forward by UK steel, but there are a number of other bids in the pot which will be narrowed down. 4/5 have been earmarked but none are related to steel. R&D is not focused to help the Steel industry

**Rob Edwards** the UK government position on this is quite shocking. Steel Industry gets coal and steel res fund – what will replace that? What is the specific position on R&D?

**Chris Haag** Energy prices, it's been reconfirmed that the difference is £17 mw an hour, in actuality its closer to £30 mw per hour between the UK and French/German producers. It's estimated that the cost is £45M a year, when in actual fact its closer to £70M additional costs for UK industries compared to continental competitors. We can be as efficient as we want as an industry, but we simply cannot make up that difference.

**David Rees AM** agreed to write to the Secretary of State to ask where he was with the Steel Sector deal and why he appears to be abandoning the industry.

There is a UK Steel paper to come and CH will send to AT to circulate to members of the CPG.

**Eluned Morgan AM** – asked for clarity – is the steel sector asking the UK Gov to plug the gap.

**Chris Haag** – asking for a level playing field, not a hand out. Energy prices make us uncompetitive.

**Sean Parson** the challenge is that they can't just plug £45M for steel as other energy intensive industries want the same. Did UK Steel have a figure of what it would be for all Industries?

**Chris Haag** looking at how other countries get around state aid rules.

**Sean Parsons** in Germany they supported consumers.

**Chris Hagg** UK Government could bring parity to prices, as whole sale prices have driven up costs.

**David Rees AM** Interesting points – we need to get the cabinet secretary to continue to fight the steel industries corner as it is the main energy intensive industry in Wales.

**David Rees AM** – Thanked Chris Haag for the update and explained that he is fearful that The UK government is slow in doing anything positive for the industry and we need to ensure that the Welsh Government fights for the Industry and continues to push the UK government on this.

#### **ITEM 8 – UPDATE from Welsh Steel Makers**

**David Rees AM** asked Steve Smith from Tata, to provide the group with and update on Tata

**Steve Smith** it's been a year of growth in Tata and we've invested £136M in capital expenditure in Wales. There is movement with TK for the joint venture. Extended Employment package to 2026 and blast to 2021. There is significant work taking place with the Blast at the moment.

With regard to energy costs – we need to accelerate the power plant, currently Port Talbot is 50% off grid, but with the power plant this will increase to 70%. Tata have ensured that the Welsh government has left the funding open for the power plant and this is important support for Tata in Wales.

**Chris Haag** – 2017 was been a good year for Celsa, 2018 less so as the construction industry lulls with certain projects ending and delays in new projects getting off the ground.

Demand is not great and there is a squeeze on margins – costs on certain things have leapt and it is difficult to recover these from the market.

Celsa is in expansion mode, Celsa is multinational and in certain areas Celsa UK is at the top within the group, however electricity costs are the most damaging to us. There is investment in France, as French Government have found a way around state aid regulations, and while Celsa want to expand in the UK we can't attract funds.

**Sean Parsons** – liberty are experiencing growth in the UK. Business development on power side is moving forward. Oystermouth Power Station and rolling mill in Newport is looking to secure conversion from coal to pelletized waste.

There has been £15M capital expenditure in Newport on updating kit.

There has been continued growth in the UK. Alloy wheel factory in Fort William is adding downstream, on shore windfarm is using plate made in Scotland. Liberty is looking at more movement in the UK with huge opportunities with exporting and importing scrap.

Global presence is up with Australia on board and the largest EU Smelter in the EU.

Our message to the Welsh Government is, what role we will have in the medium to long term. Wales and UK can be competitive if energy costs were down – the discussion and focus should be on how we grow, not a band aid.

**Rob Edwards** we are currently on a path of uncertainty.

Liberty members in Newport are happy with the progress going on there.

Elsewhere, Tata investment in the blast is well needed and sends a good message to staff.

There is still uncertainty surrounding the joint venture

Still concerns over packaging and orb. Tata have ensured unions that they will be good responsible sellers and put safeguards in place.

**Paul Evans** we've been observing changes to the demographics of our membership, there are more young people coming back into the industries, but membership has dipped in particular in smaller industries.

We've also noticed that more small man firms are going to the wall lately. Energy costs don't only affect steel, they also affect small industries, and they all need support with costs.

Also noticed that people are holding back investment with Brexit uncertainty, if we're not investing now, then we'll be behind everyone else.

**David Rees AM** – asked if there was anything to raise. There was no further business. David thanked the steel industries and unions for the updates, it is good to hear the positives within the industry as well as the concerns.

There is clearly still uncertainty over Brexit and Energy costs and we need to address these to ensure a healthy steel industry in Wales.

David thanked everyone for attending and asked that Kate Hearnden take the messages back to the Cabinet Secretary. AT is to contact the Cabinet Secretaries office to re-arrange his attendance for the next CPG.

Meeting formerly closed.

