

UK Steel – Submission to Green Industries Growth Accelerator Consultation

Date: 15th April 2024 - Consultation deadline date 23rd April 2024

To: GIGA.CCUSH2@energysecurity.gov.uk

About UK Steel

UK Steel, is the trade association for the UK steel industry. It represents all the country's steelmakers and a number of downstream steel processors.

Introduction

UK Steel and its members welcome the aspiration to progress towards a decarbonised energy system utilising hydrogen and CCUS capability by 2035. With the move towards electric arc furnace production across the UK steel industry, our members will require affordable, competitively priced green energy to make this important transition. The UK steel industry can also contribute directly to this plan by supplying steel products directly to the construction of our hydrogen and CCUS infrastructure.

For the United Kingdom to become a world leader in the production of hydrogen and CCUS components, it needs to develop secure, reliable domestic supply chains – and the procurement of UK-made steel is vital to this. As such, the Green Industries Growth Accelerator should look to support domestic supply chains, UK-based manufacturing and development of UK capacity to produce the products needed to develop in-scope infrastructure.

UK Steel and the industry stands ready to work with Government and other stakeholders to realise significant opportunities for UK steelmakers to supply the steel required for CCUS and hydrogen products over the coming decade. We must ensure British companies are given every opportunity to support our green energy and decarbonisation priorities.

Our response to this consultation will focus on the questions and issues relevant to UK steel producers seeking to supply into these projects.

Supply Chain Capability

Steel will play a critical role in helping the UK deliver the ambition highlighted above. Hydrogen and CCUS projects such as Project Union, Hynet, Northern Endurance Partnership & Hyline Cymru will require thousands of tonnes of steel. A selection of UK Steel producers have the ability to produce steel for column vessels and pipelines to assist in building these major projects across the network. Not only is early engagement key, but even more vital is consistency across technical specifications.

Opportunity: CCUS & H2 Testing Centre of Excellence

A key gap within the CCUS and particular the Hydrogen landscape is availability, consensus and agreement on the material requirements and technical qualifications thereof. As such a significant amount of material testing will be required to validate the integrity of the material (steel). UK steel producers have limited avenues to conduct these tests due to the lack of testing availability in the UK and European markets, This is restraining the UK it's desire to transition to Net Zero. Funding is required to purchase state of the art testing equipment to conducts these tests in a consistent, competitive and clear way. A CoE in this regard could also be used by global organisations ensuring the UK remains at the forefront of CCUS and H2 testing.

Consideration of wider societal impacts

UK steel producers sit at the heart of their communities, in many cases in areas identified as priority development areas for CCUS and hydrogen infrastructure in Teesside, the North East of England and Wales. By ordering steel from domestic producers, contractors would support more local jobs, invest in local economies, and make a tangible impact to the vitality of the UK steel industry and its wider supply chain. Products would be produced close to the seas of their deployment, shortening supply chains.

Steel jobs are concentrated in Wales, Yorkshire and Humberside, paying wages 56% higher than the regional median and 43% higher than the UK national median. This is clearly hugely significant not only for the 40,000 people directly employed by the sector but also some further 50,000 jobs in supply chains, from fabricators to stockists, input suppliers, processors and logistics.

UK steel production sites are also less carbon-intensive than the global average for both blast furnace and electric arc furnace steelmaking, and therefore import increases will likely lead to a rise in UK greenhouse gas emissions¹.

Adherence to the Public Procurement Notice for Steel (PPN)

Administrators of the GIGA fund should be mindful that, as public money is being spent, they should adhere to the Department for Business and Trade's PPN for Steel, which states that, where possible, public bodies should procure UK-made steel where possible for projects².

As such, for the products listed in **Questions 1 and 3** we believe that all those incorporating steel should be considered priorities for GIGA, if the steel can be procured in the UK and the funds used to support and grow our domestic supply chains, helping our energy and carbon infrastructure become more resilient.

As well as the column vessels specifically mentioned (**Question 4**), the Hydrogen Delivery Council has identified pipes as a priority area for investment and supply chain support given the capacity and capability of the UK steel industry to provide these products. As the consultation states, providing support for the fundamental delivery system for hydrogen will help develop 'world class sustainable supply chains' as per Government policy.

Early engagement with the steel industry

In the latest Steel Pipeline 'backward look' at steel purchased over the last year, there is continued improvement in data reporting by Departments and an increase of steel purchased from the UK. However, there remained approximately £16mn of steel orders that could have been purchased in the UK, but ultimately were purchased by contractors from sources abroad – depriving the UK economy of the benefits of domestic procurement.

GIGA should consider where investment could improve this procurement gap – but critically, also encourage early engagement with the steel industry by contractors and project managers. The current Steel Pipeline documents contain several examples where projects have been listed as 'not available in the UK' when in fact, our member companies produce them here.

'Capability and capacity' forums should be hosted by GIGA and DESNZ to facilitate this early engagement between projects and industry, and help identify where GIGA investment could make the most impact for our domestic steel industry.

¹ World Steel, Co2 Data Collection Summary Report 2018

² PPN 04/23 Department for Business and Trade

For more information, please contact Jon Harrison, Regulatory Affairs Manager, UK Steel. T: 07743829613 E: jharrison@makeuk.org