

## UK Steel

# HM Treasury Consultation on Reform of Landfill Tax in England and Northern Ireland

For attention of: [LfTpolicy@hmtreasury.gov.uk](mailto:LfTpolicy@hmtreasury.gov.uk)

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## Introduction

**UK Steel, the trade association representing the UK's steel producers, fully supports the government's overarching objectives of improving environmental outcomes and tackling waste crime. However, following our assessment of the negative impact these proposals would have on our sector - without delivering any meaningful environmental benefit - we strongly urge HM Treasury not to proceed with the introduction of a single standard landfill tax rate, the removal of the Qualifying Fines Regime, or the phasing out of water discounts. UK Steel and its members call for further consultation with affected industries to better understand the policy objectives behind these changes, which currently appear to serve only to increase the tax burden on already struggling businesses.**

While UK Steel and our members agree with the need to prevent abuse of the landfill tax system and ensure that reliefs and discounts are not exploited, the current proposals do not adequately reflect the technical and regulatory constraints inherent in steelmaking. Certain inert and non-recyclable residues generated during production have no feasible alternatives to landfill. Penalising the responsible disposal of such materials will not drive innovation or sustainability - instead, it will undermine the sector's competitiveness, increase the risk of offshoring, and work against broader decarbonisation and regional regeneration efforts.

It is vital that any changes to the Landfill Tax regime are developed in coordination with wider government policy for the steel sector. The proposed reforms are misaligned with the goals of the forthcoming Steel Strategy, which aims to strengthen the UK steel industry through a more competitive and streamlined business environment. For instance, the additional costs from these landfill tax changes could partly cancel out recent positive interventions such as the increase in support under the Network Charges Compensation Scheme to 90%.

In this response, UK Steel will focus on those consultation questions most directly relevant to our sector.

## Questions and Answers

### 1) In what capacity are you responding to this consultation?

Trade association.

### 2) If you wish to, please enter the details of the business or body you represent?

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.

### 3) Would you like your response to be confidential?

No.

### 4) What impact do you think a single rate of landfill tax would have on environmental outcomes, including ensuring more materials are reused, recycled and repurposed?

By introducing a single standard rate by 2030, the cost per tonne for landfill use by our members could increase four- or five-fold. These changes impose further and unnecessary costs on steelmakers, that they will be unable to pass on to customers and result in further imports of steel entering the UK economy. The reforms fail to differentiate between genuinely harmful wastes and industrial byproducts that pose little environmental risk and indeed can often be used to regenerate land that has previously been mined. By removing the lower rate, the proposals would penalise essential steelmaking processes and be seen as a revenue generating move, without achieving meaningful environmental benefit.

### 5) Alongside these proposals, what steps could government take to improve the circularity of materials which are currently subject to the lower rate of Landfill Tax?

Making it easier for steel wastes to be re-used as secondary aggregates would be very helpful in improving the circularity of materials. There is currently a secondary slag protocol, but this restricts where materials can be used as it holds them to an unfair comparison with virgin quarried stone.

An acknowledgement that secondary aggregates will contain trace elements from previous uses that will not lead to gross land contamination, needs to be part of the regulatory approach and broaden the non-landfill use for these materials – but without this happening, there is no current alternative for these wastes to go to landfill.

### 6) What impact would a single rate of landfill tax have on your organisation? How would your business adapt in response to this change?

The proposed changes to landfill tax would impose significant additional costs on the UK steel industry, particularly in relation to the disposal of unavoidable process residues such as slag and refractory materials. These by-products, which are often inert and have no viable recycling or reuse routes, must be safely

landfilled. Increasing charges on their disposal would unfairly penalise essential industrial processes and further erode the competitiveness of UK steel producers—especially when compared with international counterparts who do not face similar costs.

It is also concerning that this consultation was not widely publicised, and UK Steel's input was only sought at a late stage. As a result, many of our member companies are still in the process of assessing the full financial impact. However, preliminary estimates from several major UK steel producers suggest that the removal of the lower rate of landfill tax alone could add around £1 million per company per year in additional costs. This figure does not yet include the separate cost increases expected from the phasing out of water discounts, which are addressed later in this response. We will continue to work with our members and share updated figures with HM Treasury as soon as they are available.

These costs would come at a particularly challenging time for the sector. UK steel production is currently at historically low levels, but is expected to rise as new investment, particularly in low-carbon electric arc furnace capacity, comes online. The financial burden imposed by these proposals risks undermining this recovery and future growth.

The steel industry is already under sustained pressure from uncompetitive energy costs, high carbon pricing, and intense global competition. The continued oversupply of subsidised Chinese steel into global markets is depressing prices and flooding open economies such as the UK. Adding further cost pressures through landfill tax reforms could deter future investment, threaten jobs, and accelerate the offshoring of production. This would run counter to the UK government's industrial decarbonisation goals, weaken the domestic steel sector, and hinder progress toward a more circular and resilient economy.

## **7) Are there technological or practical barriers to reusing, re-purposing and recycling any of the materials which are currently subject to the lower rate of Landfill Tax? And how could these be overcome? AND 8) Are there any lower rated materials for which landfill is the only waste management option?**

In terms of re-purposing materials, as referenced above in question 5, the existing steel slag protocol is very risk averse and excludes several applications for secondary slag-based aggregates. This appears to be based on a comparison with virgin materials which sets the bar too low. If we are serious about re-purposing waste materials we must understand they will not be chemically identical to quarried stone, and accept a calculated higher degree of risk without causing pollution of the environment.

Although it should be easy to allow exemptions to waste management licensing for re-users of near-inert solid wastes, in practice the Environment Agency has always objected and made it very difficult for businesses to convert waste inputs into saleable products. Unless such users are mandated to include a percentage of "waste" in their product, they will have very little incentive to take it and even if they were they'd likely focus on construction waste, which arises in far larger volumes.

As a result, landfill remains the only viable and lawful route for managing certain steelmaking residues - despite efforts by the industry to minimise waste and improve resource efficiency. There are currently no markets for refractory fines and secondary steelmaking fines. These are the size fractions too small to meet any aggregate standard.

The industry has gone as far it can over the years, with the application of Best Available Techniques and genuine efforts to implement circular economy principles. As such, UK Steel member companies do not believe we can realistically reduce the inert wastes going to landfill any further, meaning that despite best efforts, we would have no option but to pay the vastly increases rates of landfill tax as a result of the lower rate being removed.

**13) Do you agree that removing the qualifying fines regime would: i) improve environmental outcomes ii) reduce misdescription during the period of transition to a single rate? AND 14) Do you agree that all fines should be subject to the standard rate? What impact would this have on your organisation?**

The proposed removal of the Qualifying Fines Regime (QFR) poses a threat to the viability and operational efficiency of the UK steel industry. The QFR currently allows certain fine waste materials - typically under 10mm in size and generated as a by-product of industrial processes - to be landfilled at the lower rate of landfill tax, provided they meet specific contamination criteria. This includes steel production residues such as slag fines, refractory dust, and other small particulates that are inert, non-hazardous, and have no feasible route to recycling or recovery.

Steelmaking unavoidably produces these fine materials through high-temperature processing, furnace lining breakdown, and secondary treatment activities like crushing and filtration. While the industry continuously seeks ways to improve circularity and resource efficiency, many of these fines are technically unsuitable for reuse. In some cases, recovery infrastructure does not exist, or certification and regulatory hurdles make reuse commercially unviable. As a result, landfill remains the only lawful and environmentally responsible disposal route for these residues.

Eliminating the QFR would subject these fines to the standard rate of landfill tax, which is over 30 times higher than the lower rate. This would cause a significant and immediate increase in operating costs for steel producers, especially those managing large volumes of unavoidable inert fines. Unlike other sectors that might have short-term flexibility to change disposal methods, steel manufacturers would absorb these costs without viable alternatives, undermining competitiveness and putting further strain on a sector already impacted by high energy prices, carbon compliance costs, and volatile global markets. As mentioned above, subsidised Chinese steel is flooding international markets as their own demand weakens; this pressure is driving prices down and forcing steel to find a home in open markets such as the UK.

**15) Are there any wider potential impacts associated with removing the qualifying fines regime?**

The removal of the QFR risks creating perverse incentives, such as the misclassification of waste or environmentally inferior disposal methods. It also undermines the intent of landfill tax - to discourage unnecessary disposal and promote sustainable waste management - by penalising industries that are already disposing of low-risk materials responsibly and in the absence of realistic recycling options.

In conclusion, the QFR serves as a critical, targeted relief that recognises the unique nature of industrial fines and the absence of alternative treatment pathways. Removing it would impose unjustified financial penalties on the UK steel industry without delivering corresponding environmental benefits. If the government is serious about supporting strategic industries, encouraging sustainable domestic

manufacturing, and advancing a just transition to net zero, the QFR should be retained or reformed - not eliminated.

**17. Do you agree with the proposal to increase the rate of Landfill Tax applied to unauthorised waste sites and simplify the penalties and interest which applies?**

Yes, we would support any action against illegal sites.

**28) What impact would removal of the water discounting scheme have on your organisation?**

Phasing out water discounts would impose unjustified costs on the UK steel industry by taxing a non-polluting, non-displacing component of industrial waste. It would undermine competitiveness, raise operational costs, and distort the purpose of landfill tax - all without driving meaningful environmental improvement. We estimate that members may have to pay on average around £10k each more in tax a year on top of costs of removing the lower rate of landfill tax. The addition of water to certain wastes makes these materials safer to transport from an ecological point of view, reducing dust runoffs, for example. As such, this proposal not only increases the tax take unnecessarily, but also would result in a negative environmental impact.

This is again at a level where steel production is currently at a historic low. Numbers can be estimated to be higher in years of higher production. The steel sector needs a practical and fair regulatory framework, not one that penalises the physical properties of essential process residues.

**30) Do you have any alternative proposals?**

**UK Steel reemphasises the point made at the start of our submission to these proposals. Following our assessment of the negative impact these proposals would have on our sector - without delivering any meaningful environmental benefit - we strongly urge HM Treasury not to proceed with the introduction of a single standard landfill tax rate, the removal of the Qualifying Fines Regime, or the phasing out of water discounts.**

**UK Steel and its members call for further consultation with affected industries to better understand the policy objectives behind these changes, which currently appear to serve only to increase the tax burden on already struggling businesses.**

As UK Steel and its members have consistently stated in previous consultations - most recently regarding increased charges for waste exemption registrations - government should adopt a more proportionate, risk-based regulatory approach. Resources should be directed toward known high-risk operators, rather than applying blanket policies that remove incentives indiscriminately. The removal of such reliefs will penalise responsible operators, drive up costs where no viable landfill alternatives exist, and ultimately undermine efforts to promote a circular economy and reduce burdens on businesses.

We therefore urge HM Treasury to reconsider the current proposals. At a minimum, the removal of the lower rate of landfill tax should be reconsidered or exemptions introduced for non-hazardous inert wastes, where no alternative disposal routes are viable. The introduction of tax credits for material recovery from landfill could also incentivise innovation and support circular economy goals, as demonstrated by steel companies already engaged in recovering landfilled materials where markets allow.

Crucially, these changes must be assessed in the broader policy context, including commitments made across government to foster a competitive UK steel industry and develop a comprehensive Steel Strategy. The additional costs arising from these proposals risk offsetting recent support measures - such as the uplift in Network Charges Compensation to 90% - and run counter to the government's stated ambition of revitalising the steel sector and strengthening the wider industrial base.

**For further information, contact:**

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