

UK Steel Response to DIS Offset Written Consultation

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Introduction

UK Steel welcomes the opportunity to comment on the potential introduction of a UK offset policy. As the trade association representing the UK's steel producers, we recognise the Defence Industrial Strategy's emphasis on strengthening sovereign supply chains and ensuring industrial resilience. Steel is a foundational input into a wide range of defence platforms, and secure domestic capacity is critical to national security.

Indeed, the newly published Defence Industrial Strategy (DIS) recognises steel as an "industrial security priority," marking a pivotal shift towards on-shoring critical supply chains and strengthening the UK's domestic industrial base. We strongly support the stated aim of aligning defence procurement with broader national economic, industrial and security goals.

(a) What are the benefits and risks of introducing an offset policy in the UK?

Benefits

Strengthened sovereign supply chains

A UK offset regime could help ensure that primary materials - such as steel essential for ships, submarines, armoured vehicles, munitions, and infrastructure - are sourced domestically where possible. This reduces reliance on volatile global markets and enhances resilience during periods of geopolitical tension.

Support for UK industrial capacity and investment

Offsets that incentivise and encourage domestic content, co-production or technology transfer can drive investment into UK manufacturing, including steel production. This supports jobs, skills, and long-term capability building.

Enhanced productivity and innovation

Offsets tied to R&D, process modernisation, low-carbon steelmaking, or advanced materials would contribute directly to UK innovation priorities.

Stronger regional economies and SMEs

Offsets can encourage procurement from a wider range of UK suppliers, supporting SME growth and levelling-up objectives in steelmaking regions. Steel producers are based in some regions with lower overall GDP levels, while paying higher-than-average salaries, potentially allowing offset investments to support highly skilled, well paid jobs across the UK, spreading economic opportunity.

Risks

Risk of increased cost or procurement delays

If offset requirements are overly rigid or applied uniformly across all procurement categories, they could unintentionally increase costs or slow acquisition timelines. This risk can be mitigated by applying offsets only where strategic value clearly justifies them.

Capacity and deliverability risks

UK supply chains, including steel, must not be over-committed. The policy should include phased requirements, industry consultation, and flexibility for indirect offsets.

(b) What are the opportunities for greater international collaboration from introducing a UK offset policy? What can be learned from the offset policies of other countries?

Opportunities for international collaboration

- **Co-production and technology partnerships:** Offsets can incentivise foreign prime contractors to partner with UK manufacturers, including steel producers, on joint programmes that build domestic capability.
- **Attracting inward investment:** Clear, predictable offset requirements can encourage multinational OEMs to establish or expand manufacturing and R&D operations in the UK.
- **Export development:** Strengthening domestic capability in key materials and components increases the UK's potential participation in global defence supply chains, boosting exports.

Lessons from other countries

Observing offset frameworks in nations such as Australia, Norway, India, and South Korea, several lessons stand out:

- **Offsets should be flexible,** allowing both direct and indirect activities (e.g. local content, R&D, supply-chain development, skills).
- **Clear accountability and metrics are critical:** Countries with mature systems ensure consistent reporting, enforceability, and transparency.
- **Offsets can promote innovation:** Many countries link offset credits to investments in advanced manufacturing, sustainability, and skills - an approach highly relevant to UK steel's transition to low-carbon production.

(c) How would the introduction of an offset policy impact the defence market in the UK?

Increased demand and stability for UK manufacturers

A well-designed offset regime would create more predictable demand for UK-produced steel and components, supporting business confidence and investment decisions.

Improved supply-chain resilience

Embedding domestic sourcing requirements or incentives would diversify and deepen the UK's defence supply chain, reducing exposure to international disruptions.

Potential for competition and market diversification

Offsets can stimulate greater participation from new and smaller UK suppliers, increasing competition and reducing dependence on a small set of established primes.

Support for long-term national capability

Stronger domestic industrial capacity—especially in critical foundation industries such as steel—helps ensure the UK can respond to crises, scale up production, and support sovereign defence objectives.

Possible short-term adjustment pressures

Some suppliers may need time to expand capacity or adapt to new requirements. Phasing, proportionality, and collaboration with industry will minimise disruption and ensure the market adjusts smoothly.

Conclusion

UK Steel supports the introduction of a targeted, proportionate UK offset policy as a tool to enhance sovereign capability, strengthen industrial resilience, and secure long-term domestic capacity in critical sectors. Steel production is essential to UK defence output, and we stand ready to collaborate with the Ministry of Defence to ensure the offset framework effectively supports national security and industrial strategy objectives.