

042SOS24

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E: Correspondence@ukgovwales.gov.uk**Councillor Andrew Morgan OBE**

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20 May 2024

Dear Andrew,

Re: TATA Steel

Thank you for your letter of 1 February to the Prime Minister. He has asked me to respond on his behalf as the Chair of the Tata Steel/Port Talbot Transition Board

An alternative plan was proposed by the Unions which included continued running of Blast Furnace No.4 throughout the transition to the electric arc furnace. Tata Steel UK and the unions' adviser reached a common conclusion that this plan would involve significant additional costs of at least £1.6 billion. The company have discussed the Unions' alternative proposal for several months and ultimately have reached the conclusion that it would not be feasible. It is important to acknowledge that decisions regarding investment and operations are made by Tata Steel UK alone. However, the UK Government remain committed to working with all partners and will ensure Tata has undertaken meaningful consultation with its staff.

I recognise this is a deeply concerning time for the community of Port Talbot and those across Wales, and as Secretary of State for Wales and Chair of the Transition Board, I am committed to doing everything I possibly can to save jobs and support anyone who loses their job. Therefore, while it is ultimately for Tata Steel UK to manage commercial decisions for the company's future, we are supporting staff affected by the transition including up to £100 million of funding for a dedicated Transition Board which will focus on both immediate support for the people, businesses and communities directly affected by the proposed transition, and a plan for local regeneration and economic growth for the next decade. This, as part of record support for the sector shows just how much the UK Government values the Welsh steel industry and the people and communities whose livelihoods depend on it.

The point raised in your letter that the £500 million of UK Government funding is contributing to a direct loss of 2,800 is incorrect. This decisive action has helped prevent mass closure of Tata Steel in Port Talbot, saving as many as 5,000 direct jobs and thousands more across the supply chain. Tata Steel UK have stated that their UK operation centred on Port Talbot is losing an enormous amount of money -

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hundreds of millions of pounds a year - and the whole business was at risk of closure with a loss of over 8,000 jobs without UK Government support. The UK Government has worked tirelessly to provide practical and financial support, saving thousands of jobs and guaranteeing a sustainable future for people in Port Talbot.

The claim that the UK would be the only G20 country without virgin steel production is factually incorrect, as Saudi Arabia's (member of the G20) steel industry is 100% EAF. UK Steel also point to Italy where 84% of its production is EAF, 18.1 million tonnes, three times the UK steel output. The UK is not an outlier investing only in EAF technology for new capacity.

Moreover, it is important to note that our national security will not be impacted. Electric arc furnaces are tried and tested technology, already used to produce defence-quality steel products and, unlike with blast furnaces, the majority of input materials can be sourced within the UK.

Once again, thank you for your letter. I am copying this letter to the Prime Minister the Secretary of State for Business and Trade, and the Secretary of State for Levelling Up, Housing and Communities.

Yours sincerely,

**Rt Hon David TC Davies MP**
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru