# UK government reviews green taxes on steel industry to boost competitiveness



The UK Government is reconsidering the impact of green taxes on the steel industry following its recent intervention to take control of British Steel’s Scunthorpe blast furnaces from its Chinese owner Jingye. Business Secretary Jonathan Reynolds indicated to The Mail on Sunday that climate change levies, which currently impose significant costs on steel producers, are under review amid concerns that they may be hindering competitiveness.

Reynolds acknowledged that while the levies have a legitimate purpose in encouraging investment in cleaner and more efficient technology, the process of decarbonisation must not lead to the deindustrialisation of the UK steel sector. He stated, “Decarbonisation can’t be deindustrialisation,” and explained the industry lacks the “competitive platform” it requires. He added, “It’s got to be better. That’s the basis of the industrial strategy I’ve been working on.”

Currently, firms face a climate change levy of £18 per tonne of carbon dioxide emitted, a charge which has nearly quadrupled over the last decade. Senior figures within the steel industry have openly criticised this levy. Sir Andrew Cook, head of William Cook, the UK’s largest steel castings company, described the levy as “barmy” and “taxing a necessity,” arguing that it places undue financial pressure on domestic producers relative to their international competitors. Speaking to The Mail on Sunday, Sir Andrew said the steel industry resembles a “three-legged stool” that risks collapse without blast furnaces to produce virgin steel, supported by other mechanisms to strengthen the industry and address unfair foreign competition, notably from China. He added, “Without them, I don’t think you can ever put the industry on a long-term footing.”

Sir Andrew proposed focusing on the advancement of carbon capture technology as the preferred method for greening steel production rather than imposing punitive taxes. “If Britain wants to lead in some green move, let’s apply carbon capture to these blast furnaces. It would be a perfect test bed,” he said.

He further criticised past government decisions, attributing the crisis in part to policies under former Prime Ministers David Cameron and Boris Johnson. Sir Andrew pointed to the 2019 approval of Jingye’s takeover of British Steel as a “reckless decision” that ignored the broader reality of China’s intent to dominate global steel markets.

The challenges facing the sector include the reliance of blast furnaces on coking coal and the vulnerability of electric arc furnaces to high electricity costs. Government data for 2023 reveals that electricity prices charged to very large UK firms are on average 63% higher than in the European Union, exacerbating the cost disadvantage for UK steelmakers.

In response to these issues, the Government has invested £500 million in constructing one of the world’s largest electric arc furnaces in Port Talbot, South Wales. There are additional plans supported by Lord Houchen, Conservative mayor of Tees Valley, to establish a further electric arc furnace on the former Redcar steelworks site in the North-East, which retains electricity connections and planning consent for a new facility.

Reynolds emphasised the importance of steel to the UK economy, rejecting the notion that it is a “sunset industry.” He observed, “Across most G7/G20 countries, the size of their steel sector domestically is broadly comparable to the size of their economies. The only outlier is the UK.”

The involvement of Chinese companies in key UK industries has generated a tense history. Apart from Jingye’s ownership of British Steel, Chinese investment in other sectors such as telecommunications and nuclear power has faced increasing scrutiny, leading to restrictions and government buyouts over national security concerns.

In the context of preserving domestic steel production, Reynolds underscored the Government’s commitment to purchasing British-made steel, framing it as a pragmatic and fair policy rather than a subsidy. He said, “Do not regard spending British taxpayers’ money on UK steel products as a subsidy. It is simply a wise and fair purchasing policy, for the benefit of the taxpayer and the nation’s wider economy.”

Industry advocates suggest a multi-pronged approach that includes boosting domestic procurement—currently accounting for 40% of UK steel demand compared with 80% in the EU—maintaining the production of virgin steel through blast furnaces alongside the development of electric arc technology, addressing unfair global competition particularly from China, and reducing the UK’s significantly higher energy costs and green taxes.

This policy review and renewed government focus aim to stabilise and potentially revitalise the UK steel sector amid the complex challenges posed by environmental targets, global competition, and energy market dynamics.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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