TUC

BRITISH STEEL

Why Brexit won't save our steel

Introduction

With the recent announcement by Tata Steel that it intends seek a buyer for its steel interests in the UK the latest in a series of crises for the British steel industry, some unscrupulous politicians are claiming that the crisis could be solved by the UK leaving the EU.

The TUC and steel unions reject this attempt to pass the buck. The UK Government should be taking practical steps to defend the UK steel industry and put it on the long-term road to recovery. And those attempting to use the crisis to promote Brexit should put saving British steel-making ahead of their anti-European obsession. It is the free market ideology that so many Brexit backers support that has brought British steel to this perilous position.

What can be done under EU rules...and what the government has chosen to ignore

State aid, including part-renationalisation

The EU regulates circumstances in which public investment can be put forward to rescue an industry in difficulty as well as the amounts: anything below €200,000 (£160,000) does not require the government to ask for prior authorisation to the European Commission.

When the SSI steelworks in Redcar went through a similar crisis in September 2015, the European Commission confirmed that the UK government could have granted state aid support to the ailing plant to finance research and development, innovation, training and support employment as well as protect the environment.

Before May 2010, the government at the time had offered an £80m loan to develop new technologies at the Sheffield steel producer Forgemasters. The newly elected government withdrew this offer even though it was compatible with EU state aid rules.

When some unions called for the government to buy stakes in the Tata plant, they were derided. This has not been the case in Belgium, where the state owns shares in a steel company that employees about 1,000 in the country. In Italy, the government temporarily renationalised steel works in the south on grounds of health and environmental concerns.

Even outside the EU restrictions on state aid would apply according to WTO rules.

Energy costs

Another common complaint is around the high energy costs that steelmakers have to face in the UK (estimated at around 80% higher than the EU average), and some blame these on the EU climate change targets.

However, these rules also permit compensation for energy costs, such as that given by the German government to its energy intensive industries in the form of reliefs from climate change-related duties – at company level such compensation can reach 100% of electricity taxes.

Similarly, Sweden encourages its energy intensive industries to improve their energy efficiency by reducing their energy taxes – 117 companies are currently benefiting from these incentives.

Trade and China

The crisis is exacerbated by the dumping of cheap Chinese steel onto the European market, but as part of the EU we can act against steel dumping far better than we could on our own.

The EU is actively using all trade policy instruments at its disposal to ensure a level playing field – 16 measures are specifically on Chinese imports. The EU is also using bilateral steel dialogues to engage the EU's main trading partners in policy exchanges and early discussion of possible trade frictions.

The EU is also contemplating trade sanctions against China, and it could have imposed a tax on Chinese steel sold at unfair prices much faster (and at a higher rate such as that applied by the US). However, it was the UK that did not want higher tariffs and it is the UK itself that has blocked EU-level measures that could have protected jobs.

The UK is also supportive of granting China market economy status, which would mean China would be considered as any other member of the WTO and we would be unable to impose tariffs on their unfairly priced products. Many other EU countries are against granting this status to China and we stand a better chance working with these countries in the EU to prevent China being eligible to the same favourable conditions as other WTO members.

Conclusion

More than half of UK steel exports are to the EU, so leaving would increase tariffs and barriers thus increasing the prices at which British exporters are able to sell.

Brexit would not save British steel – government intervention would.

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