Final stage impact assessment

Title: Steel Industry (Special Measures) Bill 2025: final impact assessment

Type of measure: Primary Legislation (Bill)

Department or agency: Department for Business and Trade

RPC reference number: RPC-DBT-25101-IA (1)

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Date: 22/01/2026

1. Summary of Proposal

The Steel Industry (Special Measures) Bill 2025 provides the Secretary of State with targeted emergency powers to secure the continued and safe use of strategic steelmaking assets in the UK (e.g. blast furnaces). Under this Bill, if the Secretary of State considers that there is a risk that such assets may cease to be used and it is in the public interest to secure their continued use, for example if a strategic steel plant is at imminent risk of closure or disorderly wind-down, the Government may issue binding directions to the operator (a “steel undertaking”) to ensure continued use of those assets (clause 2). Where the Secretary of State considers that a steel undertaking or a relevant person in relation to that undertaking has not complied with those directions, or there is a risk that the steel undertaking may not comply with those directions, the Secretary of State may take appropriate steps to ensure that continued safe use of those assets takes place, including stepping in to take the actions the steel undertaking had been required to take, entering into agreements, appointing officers of the steel undertaking to preserve safe steelmaking capacity (clause 3).

These powers are not subject to a time limit, but the powers are intended to be used as a last resort, providing a legal mechanism for government to make directions under the Bill intervention in the public interest when private actors are unable or unwilling to keep strategic steel facilities running safely. The Bill creates a statutory “special measures” regime to prevent the shutdown of steel assets, uphold safety and preserve critical production until decisions can be made with due consideration of economic and security impacts. The steel undertaking remains the owner of the steel assets and the provisions, but the measures ensure that critical steel facilities remain operational to protect the optionality for the nation’s manufacturing base, avoid strategic vulnerabilities, and secure key supply chains.

This Impact Assessment details the rationale, expected impacts for the Bill, in line with HMT’s Green Book and the Better Regulation Framework.

2. Strategic Case for Proposed Regulation

Context: The UK steel industry produced 4 million tonnes (<1% of global output) in 2024, but it is important for manufacturing, critical national infrastructure and defence. In 2024, the UK steel industry contributed **£2.5 billion** to the UK economy in gross value added (GVA) [1], directly supported 40,000 jobs[2] across 1,145 companies[3] and sustained a further 61,000 in the wider supply chain. The UK steel industry is facing acute risks due to global overcapacity and the fact that global economic conditions continue to be challenging for steel worldwide.

Problem under consideration: More recently, the UK's last remaining blast furnaces at British Steel's Scunthorpe plant were on the brink of shutdown after its owners indicated an intent to close them along with the site's rod mill and to reduce other rolling mill capacity. The concern was that when a blast furnace is shut down it cannot easily be turned back on and that any optionality for the future of the Scunthorpe site as well as consequential outcomes could not be properly considered or dealt with in an orderly way. This situation exposed a broader vulnerability: if the UK loses the ability to produce **"virgin" steel from iron ore**, it could undermine national infrastructure and economic resilience, including limiting the capacity to avoid supply shortages that might disrupt critical sectors and reduce the value-added in manufacturing.

Steel is widely used in critical sectors including construction and infrastructure (**52% of global steel use**) and manufacturing (**16% mechanical equipment, 12% automotive**)[4]. Due to its physical properties, steel is not easily substitutable with other materials. Therefore, an inability to source steel could hold up production and construction, leading to a loss in value added. In addition, steel is an essential input to many activities related to critical national infrastructure or defence. For example, the **Crossrail (Elizabeth Line) project relied heavily on steel for its 42 km of tunnels and station structures**, while HS2's delivery challenges have highlighted the risks of supply chain fragility for large-scale rail infrastructure[5]. In defence, steel is indispensable for naval vessels, armoured vehicles, and energy security assets.

The requirement to act decisively is set in the broader context of serious geo-political change, generating a need for nations, including the UK, to shore up defence capabilities. This, in turn, increases uncertainty about the UK's ability to secure future imports of steel products to replace domestic production. In the event the global situation deteriorates, it may become essential that the UK can meet a

[1] Office for National Statistics. (2025). GDP output approach – low-level aggregates
[2] Office for National Statistics. (2025). Workforce Jobs by Industry
[3] Office for National Statistics. (2025). Business employment register
[4] World Steel Association. (2025). World Steel in Figures 2025, World Steel Association
[5] World Steel Association. (2024). Ambitious Crossrail project leans on steel to boost UK transport networks.

relatively large share of our domestic steel needs from domestic production, for which avoiding the sudden loss of the last remaining blast furnaces at the Scunthorpe plant would naturally be important.

The government needed to take action to maintain operation of those assets until it had conducted a thorough assessment and to maintain optionality for the future of the Scunthorpe steelmaking plant. Previous legislation lacked any mechanism to prevent a sudden, permanent private sector closure of steelmaking capability: the Government could not compel a company to continue operating an unprofitable steel plant, even temporarily, in the national interest. The Steel Industry (Special Measures) Bill responds to the imminent threat of closure of significant steelmaking assets and empowers the Secretary of State to direct a "steel undertaking" to resume or continue use of specified assets if their closure would harm the public interest. Thus, without targeted intervention to maintain the steel assets, market forces were on course to permanently erase strategic industrial assets, as occurred with past closures.

Evidence of the problem: Recent history underscores the risk of unmanaged closures. For example, the 2015 Redcar (SSI) steelworks closure, resulted in permanent loss of industrial capability. **The closure** was attributed to global oversupply (especially cheap, subsidised steel flooding the market) and high operating costs[6]. The Redcar case demonstrates that once a major steel asset is closed and its blast furnaces go cold, reversal is likely impossible, and the industrial capability is irretrievably lost.

Reason for government intervention: Government action is necessary because the market, left alone, will not safeguard the wider public interest in this sector. Private owners facing financial losses as a result of market developments may rationally choose to close assets, prioritising their short-term viability over the UK's long term industrial resilience. This poses significant public risks and externalities that only government can address. Key risks from an unmanaged collapse of steel capacity include:

- **National interests and Critical National Infrastructure vulnerabilities**: Steel is critical for defence, infrastructure, and energy security. Losing the ability to produce steel domestically could have a negative impact on our defence, resilience and sovereign industrial base, it would leave UK dependent on imports for essential materials like construction sections and military-grade alloys. In a time of trade wars or conflict, reliance on foreign (potentially adversarial) suppliers is a strategic liability. The Government's

[6]Eurofound. (2016). Redcar and Cleveland Council: Internal restructuring in United Kingdom (Factsheet No. 89401).

ability to equip the armed forces and critical infrastructure could be compromised if supply lines are cut. In addition, sectors such as transportation (rail, automotive), energy, and construction rely on domestic steel supply and expertise. A sudden global supply disruption could create shortages or delays in CNI projects and maintenance, undermining economic stability and growth.

- **Loss of foundation industry and supply chain impacts:** Steelmaking is an anchor for manufacturing, its closure could ripple through supply chains (metal fabricators, engineering firms, raw material suppliers, etc.), potentially causing further business failures.

- **Local community and safety risks:** Abandoned steel plants pose environmental hazards and public safety concerns if not properly maintained (e.g. risks of industrial site accidents, unmanaged waste). A controlled intervention can ensure sites remain secure and compliant with safety and environmental regulations, rather than becoming derelict liabilities.

Government is best placed to intervene because it can take a holistic view of these public interest considerations. No private actor has the mandate or incentive to preserve industrial capacity for strategic or social reasons when the market develops in such a manner that leads that private actor into financial loss. Existing legal frameworks (e.g. insolvency law) prioritise creditors' interests, not national resilience. Unlike those, a government intervention can balance economic, social and security factors. Without this Bill, Government tools are limited to offering temporary financial aid. For instance, prior to this legislation, the Government had shown willingness to act by offering emergency funding to British Steel which was intended to help keep blast furnaces operational. However, it lacked the statutory authority to direct operations or prevent closure if an owner refused support.[7] The "special measures" regime created by the Bill provides a structured, legally backed process to step in for the limited purpose of maintaining the safe running of the blast furnaces before irreversible decisions are executed. It effectively establishes an enforceable safeguard against unmanaged closures of significant steel assets. This not only buys time to evaluate options (e.g. restructuring the steel plant, securing raw materials or negotiating with stakeholders) but also signals to all parties (owners, employees and foreign governments) that the UK will act decisively to protect industrial capacity when appropriate, even when it is purely the market and an undertaking's management that has caused that undertaking to reach the point of closure.

[7] House of Commons Library. (2019). Future of the UK Steel Industry.

Key Alternative Options Considered: Several alternatives were explored before introducing this legislation:

- **Financial Incentives:** In advance of the Bill, the Government had offered financial incentives to avoid pre-emptive closure of the blast furnaces, in particular offering to provide funding for the raw materials to keep the blast furnaces operating, which was not accepted.

- **Civil Contingencies Act 2004**: This was assessed but found to be unsuitable as the view was that the trigger requirements for the use of this legislation were not satisfied.

- **New Primary Legislation**: It became clear that new powers would be required in primary legislation in order to allow for the special measures to be taken. The measures would allow directions to be made to allow for the continued safe use of steel assets for steel undertakings. The Bill measures were drafted in this way so that the Bill did not become a hybrid Bill. Hybridity would attract additional parliamentary procedures which would mean that the Bill could not proceed at the pace required with the emergency situation at Scunthorpe.

Counterfactual ("Do Nothing") scenario: In the absence of this legislation, the Government would lack any rapid intervention mechanism. The likely outcomes from allowing market outcomes and management decisions to unfold, under a "do nothing" approach, would have been:

- **Collapse of domestic steelmaking capability**, with abrupt closure or a significant reduction in the production capability of one or more major steelworks. Such closure or reduction in production could have a negative impact on supply of steel to critical national infrastructure, leaving the UK dependent on imports for essential materials like rail and sections used in construction and electricity networks. This would result in immediate job losses numbering in the thousands, and skills displacement that would be hard to reverse. Restarting a blast furnace is costly and there is a risk that it would not succeed. Even if a blast furnace could be restarted, once facilities are shuttered, workers dispersed and customers lost, future attempts to rebuild steel production capacity would face greater barriers.
- **Risk of a disorderly closure of blast furnaces**, creating significant health and safety hazards. The Health and Safety Executive (HSE) has identified that unmanaged shutdowns of large industrial installations, such as blast furnaces, present serious risks. [8]A sudden cessation of operations without proper planning can lead to uncontrolled cooling, structural instability, and

[8] Health and Safety Executive. (2006). The safe isolation of plant and equipment (HSG253)

exposure to hazardous materials. These conditions pose dangers to workers, nearby communities, and the environment, and can also result in long-term damage to critical industrial assets, making safe restart extremely difficult and costly.

- **Disruption to CNI and dependent industries,** potentially leading to delays or cost increases in major projects (e.g. infrastructure builds that require large quantities of steel could face supply issues or higher costs). The reliability of supply to key sectors could be compromised, at least in the short to medium term until import supply chains adjust.
- **Strategic dependence on imports** for all basic steel needs, increasing the UK's exposure to global market volatility and hostile trade behaviour. For example, without any domestic producer, even routine needs (like steel for rail tracks or construction beams) would be met by imports, leaving the economy vulnerable to import price spikes or export restrictions by other countries. This dependence could also widen the trade deficit.
- **Missed opportunities for decarbonisation and industrial transition:** While some domestic steel production will continue (e.g. through Tata's planned transition to electric arc furnace technology[9]), the loss of other UK-based capacity would reduce the country's ability to adopt green steel technologies onshore. It would limit the potential to repurpose existing steel assets or gradually transition them to lower-carbon production (e.g. electric arc furnaces or hydrogen-based steelmaking). Increased reliance on imported steel often produced with higher carbon intensity could lower UK's territorial emissions but raise global emissions associated with UK steel use. By relying on imported steel, the UK would effectively offshore its steel emissions and have less influence over global steel sustainability.

[9] Tata Steel UK. (2025). Plans approved for electric arc furnace.

3. SMART Objectives for the Intervention

Policy objectives: The aim of the Steel Industry (Special Measures) Bill is to ensure the continued and safe use of strategic steel assets to safeguard the public interest. The aim can be broken down into specific objectives that are aligned with wider HMG goals (such as economic security, resilience, and regional growth). These objectives can be expressed in a SMART way as follows:

- ***Specific***: Identify a steelmaking installation of national importance at major risk and intervene to keep them operational and safe and maintain operations while a long-term solution is implemented. Each intervention will be case-specific but guided by the general goal above in section 2.

- ***Measurable*:** Success will be assessed through indicators directly linked to the regulatory intervention, including operational continuity attributable to the intervention (e.g. avoidance of unplanned shutdowns), effective oversight (e.g. timely reporting and cooperation from the operator), and the stability of core site functions. Where relevant, we will also monitor the retention of specialised roles essential to maintaining critical operations (e.g. steel production), while recognising that wider employment impacts fall outside the direct scope of this regulation.

- ***Achievable*:** The powers are designed to be used in rare and exceptional instances where it is in the public interest for the Secretary of State to act. The objective is achievable because it targets a manageable number of scenarios (the UK has only a handful of such large steel assets).

- ***Realistic**:* The powers are intended to be used to support the continued safe use of assets of a steel undertaking so that all options remain viable for its future. An intervention using powers in the Bill would aim to buy time and manage risks while longer-term decisions are made, and operations can be sustained at least at a minimum level (e.g. to keep blast furnaces running and retain essential workers).

- ***Time-limited***: Although the Act does not include a formal sunset clause, the directions issued by the Secretary of State following Royal Assent remain in effect for the period required to maintain safe operation of the blast furnaces at the Scunthorpe site. Discussions with British Steel's owners are ongoing to find a way forward. During the Bill's passage, DBT Ministers agreed to hold a Lords debate within six months, subject to discussion in the usual channels and this was held on 23 October 2025. Ministers have also been providing Parliament with updates every four sitting weeks.

Intended outcomes and indicators of success: If the policy is successful, we expect the following outcomes:

- **Continuation of steel production at protected sites:** Any assets subject to a notice under the Act are in an operational state. *Indicator*: all specified assets named in a direction under **Section 2 of the Act** remain operational until the notice is revoked.

- **Preservation of strategic capabilities:** The UK retains its ability, in the UK's national interest, to produce critical steel grades domestically through the intervention period. *Indicator*: Continued operation of steelmaking assets, which have capacity to deliver X million tonnes per year.

- **Jobs and skills safeguard:** A significant proportion of the specialised workforce at the affected site remains employed during and after the intervention, avoiding redundancies that would likely have occurred in the absence of regulatory action. *Indicator:* e.g. XX specialised jobs retained at [Plant], that would have been lost in a closure.

- **Stabilisation or improvement in site safety and compliance:** Under government oversight, the site's environmental, health and safety compliance is maintained or improved. *Indicator:* The number of serious accidents or regulatory breaches is reduced, and necessary checks, training, and maintenance that may have been neglected previously are carried out routinely (e.g., equipment safety inspections, pollution controls). This ensures the "safe use" aspect of the objective is met.

- **Progress toward a long-term solution:** By the end of the intervention period there is a clearer path forward for any assets subject to a direction. *Indicator:* e. g. "A clear resolution regarding the future use of the assets may be indicated by outcomes such as plans for future **conversion** to Electric Arc Furnace (EAF) or hydrogen steel at the site" or, In the case of closure, the objective would be to ensure it is completed under a full decommissioning plan rather than leaving unacceptable health and safety risks.

4. Regulatory Scorecard for the Preferred Option (Steel Industry Special Measures)

The following section provides an overview of expected impacts of the preferred option on different groups and criteria, following the Better Regulation Framework (BRF). Given that this is a targeted contingency measure, many impacts are qualitative or contingent on if/when the powers are used. Where precise quantification is not available, we provide reasoned qualitative assessment. Directional ratings are indicated as **Positive, Negative, Neutral or Uncertain** (reflecting the net impact and confidence in outcome). These ratings consider the sign of expected effects on welfare, businesses, e.tc. using the BRF definitions (green for positive, red for negative, amber for neutral/negligible, blue for uncertain).

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		**Directional rating**
Description of overall expected impact	• **Overall social welfare may be** higher under the preferred option than it would be under the do-nothing scenario. By averting a collapse of steelmaking capability, the policy prevents potentially large economic losses in downstream sectors related to instability in steel supplies. It also preserves valuable strategic options for the future steelmaking assets (some of which may produce a welfare gain over time), including allowing decisions to be made on the UK's primary production capability requirements. In addition, avoiding a disorderly shutdown reduces health and safety risks for workers and surrounding communities, which represents a significant social benefit alongside economic and strategic considerations. • However, there are also costs to consider: implementing special measures likely requires government expenditure (for example, covering a loss-making plant's operating deficit for a period, such as the reported **£0.7 million per day at Scunthorpe in**	**Uncertain** **Based on all impacts (incl. non-monetised)**

	early 2025). [10] These costs represent a fiscal outlay by government that, if not offset, impose a burden on public finances. Importantly, these fiscal costs should be assessed alongside the full range of potential benefits—such as safety and health benefits, sustaining supply chains, and maintaining strategic industrial capacity—when evaluating the overall case for intervention. • Moreover, intangible benefits like national security, regional stability and the resilience of industrial supply chain are hard to monetise, as are the health and safety benefits from avoiding a disorderly shutdown, which could otherwise pose significant risks to workers and surrounding communities. • Taking all impacts into account, the net effect on total welfare is somewhat ambiguous in strictly monetary terms- if a shortage of steel with negative impacts on downstream sectors is avoided, the welfare gain could be substantial. If the intervention only delays closure, the welfare improvement is smaller and mainly derives from the health and safety benefits from preventing an unmanaged shock. **Directional rating: Uncertain (overall welfare impact is blue-uncertain**, given the mix of significant non-monetised benefits and the contingent nature of costs).	
Any significant or adverse distributional impacts?	• Yes, there are distributional impacts. The policy will affect certain areas (steel communities) and groups (namely steelworkers). This means the benefits associated with avoiding the sudden closure of steel assets are concentrated in those areas and groups, which is a positive distributional effect. No particular group is adversely impacted by the policy itself. • Overall, we flag the distributional effects as being significant - the intervention protects certain areas from	**Positive**

[10] Chatham House. (2025). The UK's last-minute takeover of British Steel exposes its reactive approach to economic security

	a sudden economic shock, contributing to regional equity. Therefore, **the directional rating is Positive (Green).**	

(2) Expected impacts on businesses		
Description of overall business impact	• **The primary businesses affected are large-scale strategic assets**—typically integrated steelworks or major facilities of the steel companies under special measures. • **For these specific businesses, the impact is mixed**. On one hand, they may experience an administrative and operational burden when under special measures. On the other hand, one could argue the policy helps those businesses in the long run by preventing them from failing outright. In the case of British Steel, special measures enabled continued operations and access to essential inputs. While structured to avoid direct shareholder benefit, this intervention may still preserve enterprise value and jobs, potentially enabling restructuring and survival despite short-term constraints. • There are no **Small and Micro Businesses (SaMBA**) in the UK directly engaged in primary steelmaking. Smaller firms in the steel sector tend to be in a downstream, processing or niche segments and they are not the intended target of these emergency powers. Therefore, we assessed that **small and micro businesses** would not be directly in scope of the Special Measures regime. • **However, some SME steel processing businesses** could indirectly benefit from the regime if it helps secure continuity of steel supply during a geopolitical crisis or other severe disruption. While these businesses are not directly regulated under the Special Measures, the overall objective of maintaining domestic steelmaking capacity would support stability	**Positive**

	in the wider supply chain, which could in turn benefit SMEs reliant on consistent steel availability. • **For the wider business community,** impacts are generally limited. No new requirements are placed on businesses at large. Indirectly, businesses in the steel supply chain or customer industries benefit from continuity (e.g. rail contractor benefits if the domestic rail steel supplier remains in business rather than having to import). There is a potential negative perception impact on investors in UK industries: some businesses (especially large multinationals) might perceive an increase in regulatory risk- the willingness of government to intervene in a company might make investors cautious, particularly in sectors deemed "strategic". This is difficult to quantify, and likely minor given the rarity of such interventions. The government has stressed the exceptional nature, which should limit any chilling effect on investment, especially when an undertaking affected was operating at significant losses. • **Overall business: For the directly affected steel business**, the intervention may be viewed as moderately negative in the immediate short term, due to both operational constraints and the fiscal costs involved in sustaining operations under special measures. However, these firms are usually in financial distress at the point of intervention, so the downside is limited and the intervention offers a clear benefit by enabling survival, restructuring or transition rather than collapse. For other businesses: largely positive (supply chain stability) or neutral. Considering all businesses (including the one subject to the intervention and its networks,) this measure likely avoids a larger negative impact on the business sector (e.g. avoids the steel sectors collapse affecting manufacturing). Therefore, on balance, **the directional rating is somewhat Positive (green)**	

(3) Expected impacts on households		
Description of overall household impact	• The households most directly affected are **steelworkers and the communities surrounding steel plants**. For these households the impact is likely to include reduced risk of sudden unemployment and associated income loss compared to a closure scenario. There are also broader community-level benefits: preserving the local economic base supports nearby shops, services, and property values, indirectly benefiting other households in the area. If a steel plant were to close, the social costs could be significant, including increased unemployment, greater reliance on welfare, and the potential migration of workers seeking jobs elsewhere. • For **households as consumers**, the impact is negligible to slightly positive. While the intervention may involve a cost to taxpayers it could also help stabilise prices or ensure the supply of certain goods. For example, maintaining a domestic steel supply might prevent price spikes in sectors like construction, which could otherwise trickle down to consumers. These effects are likely minimal in the short term. Importantly, the policy does not involve any direct deregulation affecting households or consumers. • **Overall, for households**: The benefits such as job security and community stability are substantial for a specific group of households, particularly those connected to the steel industry. Importantly, there are no direct costs imposed on any households. Any taxpayer contribution is widely distributed and can be seen as an investment in national economic security, which indirectly benefits all households. Therefore, **the directional rating is Positive (Green).**	**Positive**
Any significant	• Yes, the policy is particularly beneficial to specific regions within England such as parts of the North,	**Positive**

or adverse distributional impacts?	where steel production is concentrated. It may also indirectly support manufacturing sectors that rely on domestic steel. However, this is not an unfair advantage but rather a correction of a potential market failure, ensuring critical supply chains remain intact.	

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: **Does the measure impact on the ease of doing business in the UK?**	• This measure has a nuanced effect on the UK's business environment. On one hand, it signals a more interventionist approach by the government, which could raise concerns among certain investors. Some firms—particularly in strategic sectors—might worry that the government may intervene during financial difficulties, as in the extraordinary case of British Steel. • On the other hand, the policy can be seen as enhancing the long-term business environment by preserving industrial capabilities that support a wide range of sectors. By preventing the collapse of domestic steel production, it maintains resilience of steel supplies (as opposed to reliance on imports) and preserves a foundation for future innovation—such as the development of green steel technologies. If successful, the intervention could lead to a more robust and resilient steel industry, benefiting the broader manufacturing ecosystem. • **Overall Directional Rating: Neutral (Amber)** in the immediate term, due to the signal of state intervention that may reduce the UK's attractiveness to some investors. However, this is counterbalanced by the potential long-term benefits—such as safeguarding critical industrial capacity, supporting future innovation, and enhancing economic resilience—which could improve investor confidence in downstream sectors over time.	**Neutral**

International Considerations: **Does the measure support international trade and investment?**	• While this measure is primarily domestic in focus, it does carry international implications. If the UK government's intervention in a steel company is perceived as an implicit subsidy or market distortion, or contrary to investment protection commitments, trade partners may raise concerns. It is essential to ensure compliance with international obligations. Given the strategic nature of the sector, there is precedent for such measures being treated as legitimate in the context of broader economic and security considerations. • Importantly, the policy does not involve tariffs or import restrictions, so it does not constitute a direct trade barrier. While preventing the closure of domestic steel production may reduce the need for increased imports, this is not a violation of trade rules, as it does not involve discriminatory or protectionist measures. • **Directional rating is Uncertain/Neutral.** The international impact of this measure is best rated as **Uncertain**, due to the presence of both potential risks and neutral outcomes. On the negative side, there is a possibility that foreign investors may be deterred, or that diplomatic criticism could arise if the intervention is perceived as market distortion. However, if the action is justifiable and trade flows remain largely unaffected, the outcome could be neutral. • Given that the policy does not impose direct import restrictions and any interventions under the powers are likely to be justified (in line with WTO obligations), we assess the overall risk as limited. **Therefore, the Uncertain (Blue) rating** reflects this ambiguity while acknowledging the slight potential for negative repercussions.	**Uncertain**
Natural capital and Decarbonisation:	• The immediate environmental impact of the policy is mixed. By keeping an older steel plant operational—likely using blast furnace technology—it may prolong the use of a high carbon-emitting process, potentially increasing domestic CO_2 emissions in the short term.	**Neutral**

Does the measure support commitments to improve the environment and decarbonise?	In contrast, if the plant were to shut down, domestic emissions would fall. However, this comparison is incomplete: the UK would likely need to import more steel, often from countries with higher carbon intensity in steel production. This could result in carbon leakage, where global emissions remain unchanged or even increase despite domestic reductions. • Moreover, an unplanned shutdown would forfeit the opportunity to implement a managed decarbonisation strategy—such as transitioning to an electric arc furnace powered by renewable energy or developing hydrogen-based steelmaking. Maintaining operations in the short term could preserve the industrial base needed for such future investments. • The special measures policy can also help support continuity of operations where there is a credible pathway to long-term sustainability. For example, if there is a long-term plan to convert a plant to use electric arc furnaces within a few years, keeping it operational now prevents demolition and allows that conversion to happen. In this way, emergency intervention and green investment are complementary. • Therefore, the policy does not have a significant inherent environmental downside, aside from a possible short-term extension of current emissions. There may even be environmental positives: preventing a sudden closure avoids the risk of an abandoned site, which could otherwise lead to uncontrolled access to contaminated areas and potential pollution. Under managed special measures, the site's environmental liabilities remain addressed (e.g. waste, chemical by-products), rather than potentially being left unmanaged. • **Directional rating: we assign a Neutral (Amber) rating for** Natural Capital & Decarbonisation. The measure itself neither significantly improves nor worsens environmental outcomes at the point of intervention; it maintains the status quo in emissions until a decarbonisation plan is in place. Any major	

	environmental change will depend on what policy follows—potentially positive if a green transition is implemented. Thus, a Neutral rating is appropriate at this stage.	
Other wider impacts (national security and resilience)	• This is a core driver of the policy, and the impact is assessed as positive. By preserving domestic steel production capability, the UK enhances its ability to maintain critical infrastructure. • The policy also reduces exposure to geopolitical risks, including potential embargoes or hostile pricing strategies from foreign suppliers. In this sense, the Bill functions as a strategic tool to protect national security assets embedded within the economy. • While this impact may not be fully captured in traditional economic metrics, it represents a significant positive externality. Therefore, from a national security standpoint, **the directional rating** is **Positive (Green).**	**Positive**
Other wider impacts (e.g. public sector finance)	• The financial impact on government could be significant if the powers are exercised. Funding will be agreed with HMT with reference to the manifesto commitment of **£2.5bn** to rebuild the steel industry, this envelope does not currently sit in the department's budgets • Importantly, this spending is planned and budgeted as a contingency, meaning it should not destabilise public finances. Rather, it represents a reallocation of resources aimed at preventing larger economic disruptions. If successful, the policy could also reduce future government spending on unemployment benefits and regional support. • On balance, we assess the immediate impact on the public purse as **Negative (red),** due to the front-loaded costs. However, the impact is likely to be manageable, especially given that the per-household cost is minor, and the intervention serves broader economic and social objectives.	**Negative**

5. Illustrative Value for money quantification

This section provides an illustrative view of the potential costs and benefits of exercising time-limited emergency powers under the Bill, in line with HM Treasury Green Book principles. Figures are indicative and intended to show the possible scale of impacts; they do not replace a detailed plant-level business case. The decision to use these powers would be made on a case-by-case basis, weighing both costs and benefits. Intervention would only occur where the assets are judged to have strategic importance for the UK's economic resilience or national security and where unmanaged closure would pose unacceptable risks. To explore the implications of an illustrative 12-month intervention, we present monetised ranges for key benefit categories—such as safety, supply chain continuity, and security—and explore a break-even analysis to identify the circumstances under which intervention would at least offset its costs or deliver a net gain.

Table A — Annual cost requirement (illustrative, £)

Category	Annual range	Notes
Loss-per-tonne benchmarks (UK operators)	£ £100–£130/t	Tata Steel UK (FY 2023/24): EBITDA loss £364 m on 2.8–3.0 Mt → **£120–£130/t**. British Steel (early 2025): reported loss **£700k/day**; annualises to £255 m. Assuming 2.3–2.6 Mt output → **£100–£115/t**.
Illustrative cost to offset losses at 1.5 Mt	£150 m – £195 m/yr	Computed as 1,500,000 t × (£100–£130)/t. Excludes capex and site-specific risks.

1) Intervention cost (illustrative cost proxy)

Operating a major integrated Blast Furnace/Blast Oxygen Furnace (BF-BOF) facility at a notional 1.5 Mt/yr would entail multibillion-pound cash requirements (raw materials, energy, labour, maintenance), even before accounting for capital repairs or site-specific- risks.

A simple parameterisation is:

- **UK Integrated BF-BOF Loss Benchmarks:** Recent evidence from UK producers shows persistent operating losses per tonne, reflecting structural disadvantages such as higher UK industrial electricity prices compared to EU peers and carbon compliance costs:

- **Tata Steel UK (FY 2023/24):** Reported an operating loss of £364 million on approximately 2.8–3.0 million tonnes, equating to losses of around £120–£130 per tonne. [11]
- **British Steel (early 2025):** Reported losses of about £700,000 per day[12], which annualises to roughly £255 million on output of 2.3–2.6 million tonnes[13], equating to £100–£115 per tonne.

- **Government Exposure:** Applying these benchmarks to a representative 1.5 Mt per annum blast furnace site indicates that annual support would need to be in the range of £150–£195 million simply to offset operating losses, excluding any capital expenditure or decarbonisation investment.
- These figures demonstrate that even a smaller BF-BOF footprint remains economically fragile without intervention. Actual UK loss data provides a clear and realistic basis for estimating financial requirements because it reflects real-world operating performance under current structural conditions.

Table B— Benefit Categories and Reference values

Category	Reference Values	Notes
Safety & health	Fatality: £2.14 million; Major injury: £46,000	Based on HSE appraisal guidance for valuing risk reduction during controlled operations versus unmanaged closure
Supply chain continuity	Delay cost: £1–3 million per day	Derived from Flyvbjerg's megaproject benchmarks (e.g., Crossrail case study). Highlights potential disruption costs for major projects like HS2, Sizewell C, and offshore wind farms.
Strategic resilience premium	UK steel trade contribution: £3.4 billion; Government resilience agenda: £2.5 billion Security premium concept supported by observed 20–40% uplifts for low-carbon primary steel.	Confirms that resilience carries additional societal value beyond market price and is embedded in policy and procurement practice.

[11] Tata Steel UK. (2024). Annual results show continuing UK losses.
[12] UK Parliament. (2025). British steel industry: transition to electric arc steelmaking
[13] Companies House. (2025). British Steel Limited annual report and financial statement 2023.

2) Benefit estimates (illustrative benefit proxy)
We identify three monetised benefit categories—Safety and Health, Supply Chain Continuity, and Strategic Resilience—that collectively underpin the strategic rationale for maintaining domestic BF–BOF steelmaking capability under government oversight.

A. Safety & health (on-site)
Continued operation under enhanced oversight (avoiding disorderly closure) plausibly prevents a small number of serious incidents.

- Maintaining controlled operations under government oversight during the transition period is critical to reducing safety risks. A disorderly wind-down of blast furnace operations introduces hazards such as uncontrolled depressurisation, unplanned equipment shutdowns, and workforce dislocation—all of which increase the likelihood of serious incidents. Process safety data show that up to 65% of major accidents occur during startup or shutdown phases in heavy industries, when systems operate outside normal conditions.[14]
- Historical UK cases— such as the fatal explosion at the Redcar steelworks site in 2019, which killed two contractors during planned decommissioning—highlight the serious safety risks that can arise during industrial closures, especially if not carefully managed. [15]
- The Health and Safety Executive (HSE) provide appraisal values for these risks, with a single fatality valued at £2.14 million and a major injury at £46,000[16]. These figures underscore the strategic importance of managing closure in a controlled manner, as even low-probability events carry significant societal and economic implications. The emphasis here is not on precise forecasting but on recognising the materiality of safety risk mitigation during industrial transitions.

B. Supply chain- continuity & disruption avoided
If the blast-furnace plant closed, the UK would face heightened risk of supply chain disruption, with major projects dependent on steel exposed to procurement delays and qualification bottlenecks.

- **Delay/disruption cost avoided**: For a single large project requiring approximately 100 kt of steel, even a 30-day delay can impose severe schedule and cost pressures. Industry benchmarks, such as Flyvbjerg's

[14] Baker Institute for Public Policy. (2020). Policy considerations for energy infrastructure resilience.
[15] Construction Management. (2024). Teesworks steelworks blast: No manslaughter charges, HSE to continue investigation.
[16] Health and Safety Executive. (2024). Appraisal values or 'unit costs'

analysis of megaprojects (including Crossrail at $3.3 million per day), illustrate the magnitude of potential disruption when critical materials are delayed. [17]

- **Projects at Risk**: Flagship UK megaprojects such as HS2, Sizewell C, and major offshore wind farms are highly steel-intensive.
    - HS2 alone has procured over **£100 million worth of imported steel** in the year to April 2024, highlighting its reliance on imported material for critical components. Maintaining domestic steelmaking capability helps reduce exposure to import-related risks and supports continuity for these projects.[18]
    - Sizewell C, a nuclear project in Suffolk, has committed to a steel pipeline worth more than **£700 million** over the next decade, including around **50,000 tonnes of structural steel and 230,000 tonnes of reinforcement steel**, highlighting its heavy reliance on steel supply. [19]
    - Offshore wind represents an even larger future demand: up **to 25 million tonnes of steel** will be needed over the next 25 years, creating **a £21 billion opportunity for the UK steel sector**[20].
    - This scale underscores the strategic importance of maintaining domestic steelmaking capability to avoid procurement delays and cost volatility in critical infrastructure project.
- **Logistics & Quota Risks**: The European Commission has proposed cutting tariff-free steel import quotas and raising out-of-quota tariffs to 50% from next year. While not yet in force, the lack of clarity on coverage and duration could feed into supplier pricing and delivery plans, increasing the risk of delay and cost volatility. Maintaining domestic blast-furnace supply cushions UK projects by reducing import exposure to these external shocks.[21]

C. Strategic resilience ('option value')

Maintaining domestic steelmaking capability reduces exposure to trade shocks, tariffs/quotas and geopolitical risks (not captured in simple price comparisons). This resilience is important for national security, industrial continuity, and macroeconomic stability. Ways to proxy this:

- **Trade/sector anchor:** Industry materials frequently cite a **£3.4bn** [22]steel contribution to the UK balance of trade and emphasise government plans for **£2.5bn** to "build up steel" within a broader resilience agenda. (*We treat this as an indicator of the sector's macro salience, not a cash flow.*)

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[17] Bent Flyvbjerg. (2017). Introduction: The Iron Law of Megaproject Management.
[18] Department for Business and Trade. (2025). Steel public procurement 2025.
[19] Make UK. (2023). News from UK Steel – Sizewell C signs UK Steel Charter
[20] Energi Coast. (2024). Offshore wind represents £21bn UK steel opportunity. Energi Coast.
[21] European Commission. (2025). Recommendation for a Council Decision authorising the opening of negotiations to modify the Union's WTO concessions on import tariffs for certain steel products (COM (2025) 727 final
[22] UK Steel. (2024). Marcegaglia Stainless Sheffield to invest £50 million in new Electric Arc Furnace creating 50 jobs.

- **Security premium concept**: Policy and industry literature often reference the idea of a "security premium," reflecting society's willingness to pay above market price for guaranteed supply during crises. This concept underscores the insurance-like value of maintaining domestic capability to ensure critical sectors—such as defence, rail, and energy—are not vulnerable to foreign supply interruptions. Evidence from multiple sources supports the existence of such premiums in practice:
    - **Market observations**: Studies have observed uplifts of 20–40%[23] for low-carbon primary steel, driven by sustainability and compliance with net-zero commitments.[24] While these premiums are not security-driven, they demonstrate that buyers are willing to pay significantly more to achieve strategic objectives—such as environmental compliance—which is analogous to paying for resilience in a crisis.
    - **Defence procurement frameworks:** UK legislation, including the Procurement Act 2023 and Single Source Contract Regulations, explicitly allows flexibility provisions to secure resilient supply chains. This reflects a policy-level recognition that resilience carries additional value beyond market price.[25]
    - **Government appraisal guidance:** HM Treasury's Green Book (2022) advises incorporating **"option value"** for resilience and national security in economic assessments, reinforcing the principle that strategic capability should be valued as an insurance-like asset.[26]

3) Overall cost/benefit range and break-even considerations

Illustrative government support to sustain domestic BF–BOF steelmaking is estimated at £150–£195 million per year for a theoretical 1.5 Mt site, based on observed operating losses at UK producers. This defines the potential scale of intervention required to maintain capability under current structural conditions. While the benefits of intervention are not expressed as a single monetised range, three distinct streams—Supply Chain Continuity, Strategic Resilience, and Safety & Health— could provide the basis for assessing whether an intervention can deliver a positive net social value. In addition, there are other potential benefit areas worth noting—such as:

- Employment impacts, particularly in regions with high dependency on steel jobs, can support local economies and reduce welfare costs.
- Carbon benefits, which would only materialise if the intervention leads to a successful transformation to low-carbon steelmaking, aligning with net zero objectives and unlocking future funding streams.

[23] Breakthrough Energy. (2025). Cleantech Reality Check 3: Steel.
[24] CRU Group. (2024). How will the green steel premia be determined?.
[25] House of Commons Library. (2024). Defence procurement reform: The single source contract regulations.
[26] HM Treasury. (2022). The Green Book: Central government guidance on appraisal and evaluation.

Taken together, these benefit streams offer a multi-dimensional justification for intervention. While no single stream may fully offset the annual support cost, their combined value — especially when disruption avoidance and strategic resilience are realised — can deliver positive net social value, particularly in scenarios where national capability and economic continuity are at risk

Table C — Illustrative Break-even Components

Benefit Stream	Assumption	Unit Value	Illustrative Contribution
Supply Chain Continuity	Avoiding delays on major projects such as HS2, Sizewell C, and offshore wind	£1–£3 million per project-day (benchmark)	£75-£198 million
Strategic Resilience	Applying 10–15% security premium to £500/tonne for 1.5 Mt annual output	£500/tonne × 10–15%	£75–£113 million
Safety & Health	Avoid 0.1–0.5 fatalities + 2–6 major injuries during controlled wind-down	Fatality: £2.14million; Injury: £46k	£0.3–£1.35 million

- **Break-even heuristic:** To offset the estimated financial requirement of £150–£195 million per year, each benefit stream would need to deliver significant contributions, either individually or in combination:

  (i) Supply Chain Continuity

  This is the most elastic lever because avoided delays on major projects can generate very large savings. Industry benchmarks indicate that delays cost **£1–£3 million per day** for megaprojects. For example:

  - One major project avoiding a **30-day delay at £2.5 million/day** would deliver **£75 million**, covering a substantial portion of the intervention cost.
  - To reach the upper bound of £195 million, three 30-day delays at **£2.2 million/day** or two 30-day delays plus a smaller 10-day delay would deliver around **£198 million.**
  - This stream is highly sensitive to the number, scale, and timing of disruptions avoided. Even modest improvements in supply chain reliability can unlock significant value, especially in sectors where steel

is a critical input and project timelines are tightly coupled to material availability.

- Importantly, this benefit is not just fiscal — it also supports broader economic and strategic goals by ensuring continuity in energy transition infrastructure, transport connectivity, and national resilience. Given its scale and responsiveness, supply chain continuity is the most influential driver of breakeven and a key justification for targeted support.

(ii) Strategic Resilience Premium

This reflects the insurance-like value of maintaining domestic steel capacity for critical sectors such as defence, rail, and energy particularly during periods of geopolitical instability or severe supply chain disruption. Evidence from markets shows 20–40% uplifts for strategic or low-carbon steel, supporting the concept of a resilience premium.

- Applying a notional security premium of **10–15%** to a representative steel price **of £500 per tonne**[27] for an annual output of 1.5 million tonnes gives an indicative annual range of **£75–£113 million.**
- This figure represents society's implicit willingness to pay above market price for guaranteed supply in a crisis and aligns with HM Treasury's Green Book guidance on incorporating option value for resilience. However, even at the upper bound, this contribution falls short of the estimated **£150–£195 million** annual intervention cost.
- To achieve break-even, the resilience premium would need to be combined with other benefit streams—most notably avoided supply chain disruption, which can deliver very large savings when major project delays are prevented. In practice, resilience provides a stable baseline contribution, reducing the reliance on highly variable disruption-avoidance benefits and becoming decisive in scenarios where national security risks materialise.

(iii) Safety and health benefits

A structured wind-down process offers insurance-like value by significantly lowering the risk of serious incidents during transitional phases, particularly in high-risk industrial environments. While such events may be statistically infrequent, their consequences — including fatalities and major injuries — can be severe and long-lasting. The HSE assign a societal value of **£2.14 million to** a single fatality and **£46,000** to each major injury.

- In a conservative scenario, where the wind-down avoids just 0.1 fatalities and two major injuries, the societal benefit is approximately **£306,000**.

[27] Eurometal. (2025). European steel HRC producers slowly push price increases through.

    - In more impactful cases, where the process averts half a fatality and six major injuries, the societal benefit exceeds **£1.35 million**.
    - These figures, while modest compared to the estimated **£150–£195 million annual intervention cost** required to sustain domestic BF–BOF steelmaking, are strategically significant. They represent society's implicit valuation of risk reduction and align with HM Treasury's Green Book guidance on accounting for low-probability, high-impact outcomes.
    - To reach breakeven, the safety premium would need to be combined with other benefit streams — such as strategic resilience and avoided supply chain disruption.

- Ultimately, these figures should be viewed as indicative rather than definitive. Decision-makers need to weigh them alongside qualitative strategic considerations—such as national resilience, industrial sovereignty, and the continuity of critical infrastructure—which often carry greater weight than conventional economic metrics. Given the high uncertainty and the wide range of possible outcomes, the case for intervention rests on the precautionary principle: that the potential cost of inaction—namely, the irreversible loss of a strategic national capability—would likely exceed the fiscal cost of temporary support when all public interest factors are taken into account.

6. Monitoring and Evaluation Plan for the Preferred Option

The Steel Industry (Special Measures) Bill 2025 confers contingent powers intended solely for use in exceptional scenarios. Given this contingency there is significant uncertainty about if, when or how any intervention under the Bill might occur. As a result, it is not feasible to specify detailed monitoring metrics or evaluation methods in advance for this Impact Assessment.

If these powers are ever triggered, the government will design and implement a tailored monitoring and evaluation (M&E) approach appropriate to the specific context and outcomes of that intervention. This bespoke evaluation would capture relevant data on the intervention's execution and effects allowing for an informed assessment of the policy's effectiveness such as:

- Monitor industry indicators (production volumes, employment, import share).
- Collect data on the costs incurred and benefits realised during any period of special measures (jobs saved, safety incidents, supply continuity, environmental compliance).
- Seek stakeholder feedback (workforce, unions, customers) on the effectiveness and burdens of the intervention.
- Evaluate unintended consequences (e.g. moral hazard or investor perceptions) and compare actual outcomes to the break-even scenarios presented in section 5.
- Recommend whether the legislation should be retained, amended or sunsetted.

In line with the Better Regulation guidance, a Post-Implementation (PIR) is planned within five years of the Bills enactment. This review will examine whether the contingent powers have been used and if so, evaluate the impact of their use on the steel industry and wider stakeholders.

7. Minimising administrative and compliance costs

The preferred option has been designed to minimise administrative and compliance costs for businesses and individuals wherever possible, especially given its emergency-use nature. Key steps to reduce burden include:

- **Targeted Scope:** Only where the Secretary of State determines that intervention is in the public interest does this regulation apply and only in situations where there is risk of specified assets ceasing to be used or they have ceased to be used. There are no broad new reporting requirements or ongoing compliance duties imposed on the sector. As a result, nearly all businesses and individuals remain unaffected in their day-to-day activities. Only a small number of companies would be directly affected by this regulation and then only if a triggering event occurs**.**

- **Use of Existing Processes and Information:** In implementing a special measures intervention, the Government will, wherever feasible, use information that companies already produce—such as existing safety reports, financial statements, and operational data—rather than requiring entirely new reports. For example, if a company is directed to provide details of its maintenance activities, it can likely rely on internal maintenance logs or health and safety reports it already maintains, rather than creating new documents from scratch.

- **Support for the company's management:** Rather than simply imposing requirements, the Government will work collaboratively with the company's existing staff. For example, if an existing procurement system is needed to buy materials, this will be used by those already familiar with the operations in collaboration with Government. However, HMG reporting and delegation systems (e.g. for transparency on use of taxpayer funds) will be substantially different from that of a private company and will require changes to management approaches and systems. Where HMG identifies gaps in the current management suite, these may be filled by Government identified and appointed representatives. In practice, once Section 2 Directions are in place, some senior administration activities could also shift from company employees to Government-appointed management. This has the potential to relieve a subset of the company's executives and/or owners of those duties—both a necessity and a reduction in burden. Some staff may be required not to intervene, whilst others will see an increase in burden resulting from any change to internal systems and practices. As a result, compliance costs during the intervention period are largely borne by the Government, not the business, but there will be a cost to changed practices.

- **Time-limited measures to reduce prolonged burden:** Because any directions issued under special measures are intended to be temporary, businesses are not subject to indefinite compliance costs.

8. Conclusion

The Steel Industry (Special Measures) Bill 2025 introduces targeted emergency powers to prevent the unmanaged closure of strategic steelmaking assets, primarily blast furnaces, in the UK. The Impact Assessment demonstrates that existing legal frameworks cannot safeguard national resilience when market forces drive closure decisions. While intervention entails significant fiscal costs, the potential benefits include preserving critical infrastructure, avoiding severe supply chain disruptions, mitigating health and safety risks, and maintaining strategic options for decarbonisation. Monetised benefits could exceed costs under scenarios involving major project delay avoidance or heightened geopolitical risk, though outcomes remain uncertain. Ultimately, the case for intervention rests on precautionary principles: the irreversible loss of domestic steelmaking capability would pose far greater economic, security, and societal risks than the temporary cost of support. The Bill is designed as a last-resort, mechanism aligned with wider government objectives on economic security and industrial transition.