



Trade Remedies
Authority

Final Determination

Case No. TQ0052

**Review of the Tariff Rate Quota on Category 1 steel
products**

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Section A: Introduction

1. This tariff rate quota (TRQ) review concerns the safeguard measure applying to Category 1 steel products. The [Notice of Initiation](#) (NOI) was published on 9 February 2024. The scope of the goods subject to review is defined in [Section B3](#).
2. The Statement of Intended Final Determination (SIFD), which set out the essential facts the Trade Remedies Authority (TRA) established during this TRQ review, was published on 9 August 2024 and is available on the [public file](#).
3. Interested parties and contributors made submissions on the SIFD via the [Trade Remedies Service](#). These submissions have been addressed in this final determination.
4. For further guidance and information regarding TRQ reviews, please see our [public guidance](#).

A1 Legal framework

5. This TRQ review was initiated pursuant to Regulation 35B(2)(a) of the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019¹ (as amended) (the Regulations).
6. In conducting a TRQ review, the TRA must determine whether there has been a change in circumstances since the application of the relevant TRQ, in accordance with regulation 35B(6)(b). Regulation 35B(9) sets out what may constitute a change in circumstances for the purposes of regulations 35B(1) and 35B(6)(b).
7. The SIFD was made pursuant to regulation 29 of the Regulations. It included:
 - (i) The determination that the TRA intends to make;
 - (ii) A summary of the facts considered during the review;
 - (iii) Details of the facts and analysis that formed the basis of the intended determination.

¹ [Trade Remedies \(Increase in Imports Causing Serious Injury to UK Producers\) \(EU Exit\) Regulations 2019](#)

Section B: Summary & Findings

B1 Background

8. The steel safeguard measure applying to 15 product categories² was extended from 1 July 2022 following the reconsideration of the transition review TF0006. The [Trade Remedies Notice 2022/01](#) was published by the Secretary of State on 30 June 2022.
9. The TQ0030 TRQ review amended the quota volumes for product category 1 from 1 July 2023, having recommended varying the developing country exemptions and resulting TRQ allocations. The [Trade Remedies Notice 2023/10](#) was published on 30 June 2023.
10. The steel safeguards measure was extended following the extension review SE0041. The [Trade Remedies Notice 2024/06](#) was published by the Secretary of State on 30 June 2024 and the measure will apply for a further two years, until 30 June 2026.
11. The TRA received TRQ review applications relating to Category 1 of the steel safeguards measure from a UK producer³ and a UK importer⁴ alleging there has been a change in circumstances since the application of the TRQ. The applications contained sufficient evidence to justify initiating this TRQ review and, in accordance with Regulation 35B, the TRA initiated this review on 9 February 2024.
12. The TRA also initiated a related review on 9 February 2024 in relation to suspending the safeguard measure on Category 1 steel products. In our [Notice of Initiation](#) relating to that review we indicated we were minded to recommend a suspension of the safeguard measure for a period of nine months and sought comment from interested parties. The review has not reached the point of decision yet and the safeguard measure is not currently suspended.

B2 Interested Parties and Contributors

13. The following interested parties and contributors registered to the TRQ review:

Name	Abbreviation	Country	Category
TATA Steel UK Limited	TSUK	UK	Producer
Kromat Trading Limited	Kromat	UK	Importer

² UK Parliament Research Briefing ([UK Steel Safeguards](#)) Page 18-19

³ Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](#)) TATA Steel UK

⁴ Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](#)) Kromat

Duferco UK Limited	Duferco	UK	Importer
Salzgitter Mannesmann UK Limited	Salzgitter	UK	Importer
Sebden Steel Service Centres Limited	Sebden	UK	Importer
Stemcor Distribution Limited	Stemcor	UK	Importer
Thyssenkrupp Materials (UK) Limited	Thyssenkrupp	UK	Importer
Withheld by request	Anonymous	UK	Importer
Trasteel International SA	Trasteel	Switzerland	Exporter
Ministry of Trade of Republic of Turkey	Government of Türkiye	Türkiye	Foreign Government
Embassy of Switzerland in the UK	Swiss Embassy	Switzerland	Foreign Government
EEF Limited	EEF	UK	Trade Association
International Steel Trade Association	ISTA	UK	Trade Association

14. The submissions made to this TRQ review are available on the [public file](#).
15. Following the publication of the SIFD on 9 August 2024, interested parties and contributors had 10 days to provide submissions. Non-confidential versions of submissions received by the TRA in response to the SIFD are available on the [public file](#).

B3 Description of the goods subject to review

16. As set out in the Notice of Initiation, the description of the goods subject to review are as follows:

Category 1 steel – non-alloy and other alloy hot rolled sheets and strips.

17. The goods subject to review are currently classifiable within the following commodity code(s):

72081000, 72082500, 72082600, 72082700, 72083600, 72083700, 72083800, 72083900, 72084000, 72085210, 72085299, 72085310, 72085390, 72085400, 72111300, 72111400, 72111900, 72126000, 72251910, 72253010, 72253030, 72253090, 72254015, 72254090, 72261910, 72269120, 72269191, 72269199.

B4 Summary

18. In this determination, we will refer to “downstream processing” and “commercial applications”. In the context of this document, these phrases should be read as follows:
 - a. “Downstream processing” means the process of transforming Category 1 steel products into those steel products as defined in [Annex 4](#).
 - b. “Commercial applications” means all other uses of Category 1 steel products not falling within the definition of "downstream processing" as set out above.
19. In accordance with regulation 35B(6)(b), the TRA must determine whether there has been a change in circumstances since the application of the relevant TRQ.
20. [Section C](#) contains our assessment of whether there has been a change in circumstances since the application of the TRQ on Category 1 goods. We find that there has been a decreased domestic supply of Category 1 goods, which has resulted in a change in demand for imports of Category 1 products used in downstream processing. In accordance with regulation 35B(9)(a), the TRA finds that parts of the Category 1 TRQ have been repeatedly exhausted. This has affected the ability of UK importers to obtain Category 1 products without having to pay the safeguard duty.
21. [Section C](#) also contains our assessment of factors we consider relevant to the change in circumstances. We considered the end use of Category 1 steel products and find that there are separate uses, both in specific commercial applications as well as for downstream processing.
22. In accordance with regulation 35B(6)(c)(i) the TRA may also consider whether the amount or allocation of the TRQ is appropriate for domestic market conditions. Our findings in this respect are set out at [Section C](#).
23. Following our analysis, we find the neither the amount nor the allocation is appropriate in the light of the reduction in domestic production of Category 1 steel products. The TRA has determined that the TRQ for Category 1 is no longer fit for purpose and needs to be modified to account for this. Section C includes the analysis conducted to determine the amount and allocation that we recommend as being appropriate for domestic market conditions.
24. In summary, we recommend duplicating current Category 1 to create Categories 1A and 1B. Reflecting the change in circumstance of an increase in demand for imports, the quota amount in Category 1B will be varied to match the predicted decrease in domestic production.
25. Our preferred option in this final recommendation is that the amount and allocation of the TRQ applied to Category 1A will remain the same as currently applied to Category 1 under Taxation Notice 2024/06. However, the amount and allocation of the TRQ applied to Category 1B will be varied to allow organisations access to these goods solely for the purposes of downstream processing. As well as recommending an increase in the amount of the Category 1B quota, we also recommend the allocation

for this category be a global quota to allow for the establishment of new trade flows in this unprecedented situation.

26. As part of the preferred option of a global quota for Category 1B within our final recommendation, we also propose introducing a cap of 40% on exports from any single country or territory of the Category 1B global TRQ in each quarter.
27. We are also including an alternative option in our final recommendation, that a global TRQ for exports is applied to Category 1B with no cap. Annexes to this document set out the specific quota amounts we are recommending.

Section C: Assessment

C1 Introduction

28. In accordance with regulation 35B(6)(b) of the Regulations, the TRA must determine whether there has been a change in circumstances since the application of the relevant TRQ. Regulation 35B(9) contains a non-exhaustive list of what may constitute a change of circumstances.
29. The applications provided by the UK producer and a UK importer indicated that there has been a change of circumstances. The application by the UK importer highlighted that parts of the TRQ – and specifically the residual quota – have been repeatedly exhausted. The application by the UK producer noted that it has reduced production levels, which has resulted in a change in its demand for imports of Category 1 steel products used in downstream processing.

C2 Change in circumstances

30. Prior to the alleged change in circumstances, Category 1 steel products were produced by one major UK producer, TSUK, which used its production to supply the domestic market and its own downstream processing. We are also aware that Liberty Steel UK, Marcegaglia and Pipe Manufacturing Solutions use Category 1 steel products as inputs for downstream processing.
31. TSUK stated in its application⁵, that it has previously produced between 3 million tonnes and 4 million tonnes of Category 1 steel products annually, selling between 400,000 tonnes and 600,000 tonnes in the UK domestic market and consuming the rest in the downstream processing of other steel products. The TRA verified the accuracy of this data as part of the latest extension review, SE0041⁶.
32. The UK market is also composed of a number of importers, stockists and distributors which have previously imported up to 960,000 tonnes per year under the Category 1 TRQ for commercial applications.
33. Category 1 steel products are the raw material which TSUK, Liberty Steel UK, Marcegaglia, Pipe Manufacturing Solutions and potentially others use in the downstream processing of other steel products including: Cold-rolled steel (Product Category (PC)2); Metallic coated steel (PC4); Organic coated steel (PC5); Packaging steel (PC6); and Tubular steel (PC20, PC21, PC24, PC25A, PC25B and PC26). These downstream steel products are also supplied to the UK market in various sectors, including automotive, construction and engineering.
34. In its application, TSUK stated that there has been a change in circumstances as it “has been severely impacted by stability issues on its Blast Furnaces causing a significant volume loss for liquid steel, which has had a knock-on effect on TSUK’s hot-rolling mill due to insufficient supply of slab for processing”.

⁵ Non-Confidential TRQ Application (trade-remedies.service.gov.uk) TSUK

⁶ SE0041 Steel Safeguard Extension Review (trade-remedies.service.gov.uk) TSUK Verification Report

35. As noted above, Category 1 steel products are utilised as the raw material for downstream processing, therefore TSUK claimed that the “insufficient supply of steel substrate has already negatively impacted TSUK’s downstream assets.”
36. TSUK stated that “in order to remedy the above-described situation, TSUK has imported HRFS [Hot-rolled flat steel products (Category 1)] from several sources in third countries over the last year.” These sources include, inter alia, TSUK’s associated companies in the Netherlands and India⁷.
37. As the “continuous stability issues of its steelmaking assets” worsened, TSUK closed its coke ovens in Port Talbot in March 2024⁸ due to concerns of their “operational stability” and closed its first blast furnace on 5 July 2024⁹. As a result, TSUK has recognised that “it may have to import a more significant volume of HRFS from third countries. TSUK expects that such imports may exceed the current quota levels for HRFS, especially as far as the ‘other countries’ quota is concerned.”
38. The current Category 1 TRQ allocates quota amounts to the European Union, Türkiye and Taiwan based on the traditional trade flows from the reference period 2017-2019. All other countries fall under the residual quota, which is just less than 10% of the total quota amount.
39. Therefore, as TSUK began to experience stability issues in its steel making assets, it sought to replace its reduced production of Category 1 steel products with imports, in order to maintain its downstream processing of other steel products¹⁰. These imports have largely come from the Netherlands – covered by the EU quota – and India¹¹ – which as noted above, is covered by the residual quota of the Category 1 TRQ.
40. Prior to the alleged change in circumstances, the Category 1 TRQ enabled UK importers, stockists and distributors to import the required amount of Category 1 steel products, while maintaining protection against a surge in imports which would cause serious injury to the UK producer.
41. However, as TSUK have been importing Category 1 steel products to replace reduced production, this has resulted in parts of the TRQ – and specifically the residual quota – being repeatedly exhausted. This has had an adverse impact on UK importers, stockists and distributors who have found themselves unable to obtain their required products.
42. In its application¹² the UK importer, Kromat, referred to a change in circumstances since the application of the TRQ, with the residual quota regularly being exhausted. Kromat stated that it was unable to obtain the products on which its business operates, without incurring the 25% safeguarding duty, as the residual quota of the Category 1

⁷ TATA Steel ([TATA Steel Transformation Plan FAQs](#)) Answer to question 10

⁸ BBC News ([TATA Steel: Port Talbot coke ovens closing amid stability fears](#))

⁹ BBC News ([Noise and steam as first blast furnace closes in Port Talbot](#))

¹⁰ Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](#)) TSUK

¹¹ TATA Steel ([TATA Steel announces... transformation from blast furnaces](#))

¹² Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](#)) Kromat

TRQ was being fully utilised each quarter. This claim has been supported by several interested parties and contributors who had also raised this issue in their registration forms¹³.

43. To establish the veracity and extent of the claims, the TRA requested import data from His Majesty's Revenue and Customs (HMRC) who administer the TRQ. We requested data on the volume of Category 1 steel products imported under each quota allocation for the four quarters listed below:
 - (i) Year 5, Quarter 4, April to June 2023;
 - (ii) Year 6, Quarter 1, July to September 2023;
 - (iii) Year 6, Quarter 2, October to December 2023; and
 - (iv) Year 6, Quarter 3, January to March 2024.
44. The TRA has conducted an analysis on the data to understand the quota utilisation between April 2023 and March 2024. The analysis has shown that the residual quota has been repeatedly exhausted across all four consecutive quarters. This reaffirms the claim made by Kromat and other interested parties and contributors.
45. Therefore, in accordance with regulation 35B(6)(b), the TRA finds that there has been a change in circumstances since the application of the TRQ. In accordance with regulation 35B(9)(a), the TRA has found that the TRQ, or any part of the quota, has been exhausted. We have also found that in accordance with regulation 35B(9)(b) there has been a change in demand for imports of the relevant goods, which are used for downstream processing into other steel products.

C3 Market Conditions and Other Factors

46. In accordance with regulation 35B(6)(c)(i) the TRA may also consider whether the amount or allocation of the TRQ is appropriate for domestic market conditions. In assessing whether both TRQ factors are appropriate for domestic market conditions, we considered the domestic production and consumption of Category 1 steel products.
47. TSUK still produces some Category 1 steel products and has indicated that it does not intend to cease production of these goods while it builds its Electric Arc Furnace. In the meantime, the gap between the production levels of Category 1 steel products prior to the change in circumstances, and the current and future production levels will be met with imports of Category 1 steel products which will be used for downstream processing into other steel products.
48. To understand the UK consumption of Category 1 steel products, we requested import plans and projections from interested parties during the registration phase of the case. Data provided by interested parties has been considered and cross-referenced with HMRC importer level data to build an understanding of imports to the UK. Non-confidential summaries of these submissions are available on the public file¹⁴.

¹³ TQ0052 Category 1 TRQ Public File (trade-remedies.service.gov.uk)

¹⁴ TQ0052 Category 1 TRQ Review (trade-remedies.service.gov.uk) Public File

49. We found that while UK consumption of Category 1 steel products has remained consistent, there has been and will be a reduction in UK domestic production of Category 1 steel products as evidenced by the increase in imports in Category 1 steel products which have exhausted part of the TRQ for the four quarters up to 31 March 2024. It has consistently been the case that the residual quota has been exhausted and not other parts of the TRQ. Therefore, we find that the amount and allocation of the TRQ is no longer appropriate for current and future domestic market conditions and will need to be modified to accommodate the imports required by UK entities.
50. In accordance with regulation 35B(6)(c)(iii), the TRA may, in conducting the review, also consider any other factors that it considers relevant. The TRA considers the uses of Category 1 steel products to be relevant.
51. As noted above, Category 1 steel products are utilised as the raw material in the production of other steel goods defined in Annex 4 (downstream production), and there are a small number of UK companies which have the facilities to process Category 1 steel products into other steel products. Liberty Steel UK, Marcegaglia (UK) Limited, Pipe Manufacturing Solutions Ltd and TSUK are four such companies with this capacity.
52. As indicated above, the majority of UK importers, stockists and distributors have a different use for Category 1 steel products, as they do not use Category 1 goods as input to produce other steel products defined in Annex 4, but rather onward sell Category 1 steel products commercially, for example Category 1 steel products can be used to create agricultural machinery or water heaters¹⁵.
53. As we have already highlighted above, prior to the change in circumstances, UK importers, stockists and distributors were able to access the required supply of Category 1 steel products, without incurring the 25% safeguarding duty. This ceased to be the case when TSUK's reduced production meant that it also began importing Category 1 steel products from third countries.
54. Therefore, the TRA finds that there are two different markets for Category 1 steel products, one being specific commercial applications as supplied by UK importers, stockists and distributors, and the other being downstream processing by those UK entities with the facilities to do so.

C4 Variation of TRQ and creation of Categories 1A and 1B

55. As stated above, Category 1 steel products are the raw material that feed many downstream products. TSUK has historically used approximately 85% of its Category 1 steel production in downstream processing. TSUK has indicated in a recent submission that due to the change in circumstances, it intends to import between 1,000kt – 1,700kt per year of Category 1 steel products to provide input products for its downstream industries. TSUK has also stated that all imports will be used for downstream processing.

¹⁵ [What is the application of Hot Rolled Steel? | Tata Steel DigEca](#) (accessed 2 August 2024)

56. Therefore, the change in circumstances leading to increased imports of Category 1 steel products is caused by TSUK looking to account for its shortfall in domestic production ability to provide the input for its downstream processing requirements.
57. The TRA believes that it is appropriate to recognise this distinction between imports intended for commercial applications and those intended for downstream processing and to vary the TRQ by duplicating Category 1 to create new Categories 1A and 1B. Category 1B will be for use by businesses importing goods for downstream processing.
58. In accordance with regulation 35B(6)(c)(ii), the TRA may consider the desirability of maintaining, as far as possible, traditional trade flows. The Category 1 steel product market faces an unprecedented situation with a substantial change to the ability of the UK producer to provide input for its downstream processing. However, outside of the changes in demand created by reduction in domestic production, the market for Category 1 steel products does not appear to have changed, in that the demand remains constant.
59. The TRA therefore recommends that traditional trade flows as established in the reference period of 2017-2019 are maintained for Category 1A, namely that this category will retain the country / territory quota amounts and allocations as those recommended in the SE0041 safeguard extension review.
60. However, to account for the unprecedented demand for Category 1 goods to be used in downstream processing, the TRA recommends that the traditional trade flows previously established in the TRQ are not appropriate. The TRA therefore recommends varying both the amount and allocation of the TRQ for Category 1B.
61. The quota amounts for Categories 1A and 1B have been calculated on the basis of UK production and UK consumption. This analysis has been supported by data provided by interested parties, as noted above.
62. The TRA has not seen evidence to suggest that the demand in goods being sold for commercial applications has increased and Category 1A will therefore retain the quota amount recommended by the TRA in the Safeguard Extension review (SE0041), and implemented by the [Trade Remedies Taxation Notice 2024/06](#) on 30 June 2024. The quota amounts for Category 1A can be seen in [Annex 2](#). This amount is deemed to be appropriate and in accordance with the findings of the Safeguard Extension review, which noted that this measure is necessary to prevent serious injury and facilitate adjustment by UK producers. Our recommendation should result in those Category 1A imports being more accessible to UK importers, stockists and distributors using the goods for commercial applications because those who use Category 1 steel products for downstream processing will have access to a separate Category (1B).
63. For Category 1B, we recommend that the quota amount for this category is increased from the current Category 1 amount by 132% to around 2.3 million tonnes. We reached this figure by considering the evidence provided in response to the publication

of the SIFD. That evidence¹⁶, provided by TSUK, related to updated import plans and projections and stated that it planned to import from various sources, but a significant volume would be sourced from its sister companies in the Netherlands and India. Although only TSUK has registered as an interested party for this review and provided data, we have also accounted for the potential usage of other companies that have the facilities for downstream processing. Having conducted our own assessments, a 132% increase in the Category 1B TRQ appears sufficient to address the reduction in domestic production, and account for the necessary domestic supply for downstream processing. Increasing the Category 1B TRQ by this amount should limit the need for importers to access Category 1A to obtain goods to be used in downstream processing.

64. We also recommend that this quota is allocated globally to allow companies to establish reliable supply chains in this unprecedented situation.
65. Increasing the Category 1B quota by this amount and making the allocation global will allow the gap in the market caused by the change in circumstance to be addressed, while not allowing additional Category 1 steel goods to flood the market.
66. However, to bring more stability to the market, prevent crowding out and hence ensure that the effectiveness of the measure is not undermined by market developments, we consider that imposing a limitation to the maximum per quarter volume that one single country or territory can export to the UK under the Category 1B TRQ is the most appropriate solution.
67. In setting the cap, the TRA has considered the balance of a cap set at the highest percentage of imports from any individual country or territory might potentially limit access to the market to only a few sources while a lower cap would still provide other exporting countries or territories with access to the UK market.
68. Therefore, we recommend a 40% cap for any individual country or territory. This will help to balance the increased UK demand for Category 1B imports with the need to ensure fair access to the market for overseas suppliers.
69. While a global quota with a 40% cap is the preferred option in our recommendation, we consider that given the unique circumstances of this case we should maintain flexibility on options.
70. In addition to our preferred option, the TRA's recommendation includes an alternative option of a global quota for Category 1B without applying a cap for individual countries and territories. Apart from removal of the cap on Category 1B, the alternative option is otherwise the same as our preferred option.
71. The TRA considers that use for downstream processing is a new market for Category 1 goods imported into the UK with no clearly defined global market at this stage, these goods having previously been supplied by the UK producer. As a result, there are no traditional trade flows that we are seeking to maintain through the TRQ. Introducing a

¹⁶ TSUK Submission ([Trade-Remedies-Service.gov.uk](https://www.trade-remedies-service.gov.uk))

global TRQ for Category 1B with no cap on export volumes by individual countries or territories would enable this new market to establish its own trade flows through subsequent exports. However, as explained in paragraph 67 above, not having a cap risks limiting market access to a few countries. For this reason, it is not our preferred option.

C5 Comments in response to the SIFD

72. Following publication of the SIFD on 9 August 2024, the TRA received a number of comments from interested parties and contributors. In its submission in response to the SIFD, Kromat highlighted that certain commodity codes included under Category 1B could not be used for downstream processing. However, we note that it would be for the party importing the product under Category 1B to be able to demonstrate that it is compliant with the specified use.
73. In their response to the SIFD, Sebden noted that Category 1 products could be processed into steel products falling within Categories 2-6 and thereby provide parties with an opportunity to avoid the safeguard measures that currently apply to these categories. However, prior to the change in circumstances, there was already domestic processing of Category 1 steel products into steel products in other categories, including Categories 2-6. This review aims to address the shortfall in domestic production of Category 1 steel used for downstream processing, and there is no evidence that this will lead to an increase in the overall production of goods falling within Categories 2-6.
74. We acknowledge the concerns raised in response to the SIFD by Kromat, Stemcor, Sebden, ISTA and the Government of Switzerland around access to these Categories and the need for control and monitoring. We anticipate that there will be control and compliance measures in place to ensure that imports under Category 1B are being used for downstream processing. The TRA would be open to further discussion with industry about the TRQ, if there is evidence that our recommendation, if accepted, does not lead to the intended outcomes.
75. We acknowledge the concerns raised that there is a risk that Category 1A will continue to be exhausted. However, as set out in paragraph 63, we anticipate that the recommended quota size for Category 1B should limit the need for Category 1A to be accessed for downstream processing.
76. We note the submission made in response to the SIFD by Stemcor, who stated that the reference period does not reflect modern market conditions. However, in line with Article 5.1 of the WTO Agreement on Safeguards, this period is based on the last three representative years for which statistics are available¹⁷. The 2017-2019 period is deemed to be representative of traditional trade flows, as this predates the implementation of the safeguard measure in the UK, and therefore is not artificially affected by the measure. Furthermore, the last three years for which data is available (2020-2023) may be distorted as a result of COVID-19.

¹⁷ WTO ([Agreement on Safeguards](#))

77. In its submission made in response to the SIFD, Sebden comment that the residual quota has been exhausted while the EU quota is often underutilised. While paragraph 44 notes that the residual quota had been exhausted since Quarter 4 of 2023, the TRA has not seen evidence that the residual quota had been exhausted prior to the increase in imports experienced from April 2023.
78. We also note Stemcor's submission regarding the purpose of this review and the suggestion that the review favours a single business. The intention of this review was to consider the shortfall in UK domestic production of Category 1 steel products and the associated supply issues facing the whole UK industry, including importers/stockists and distributors.
79. We note the submissions made in response to the SIFD by Kromat, Stemcor, Sebden and ISTA who have argued that Category 1A should be also be a global quota. However, we have found that demand for Category 1 products for commercial applications has remained stable and we have received no evidence to suggest that, prior to the change in circumstances, the allocation was in need of review. By creating a separate category, 1B, for imports used in downstream processing, we consider that the allocation of new Category 1A will allow sufficient access to products imported for commercial applications.

C6 Conclusion

80. The TRA examined the state and structure of the UK Category 1 steel market and considered evidence provided by the applicants to the review, evidence provided by interested parties and contributors, as well as official HMRC import data.
81. In accordance with regulation 35B(6)(b), the TRA considered whether there has been a change in circumstances since the application of the TRQ. Regulation 35B(9) states that a change in circumstances may, among other things, be:
 - (a) The fact that the tariff rate quota, or any part of the quota, has been exhausted; and
 - (b) A change in demand for the relevant goods.
82. We found that there is evidence of parts of the quota – specifically the residual quota – being repeatedly exhausted across four consecutive quarters, which has had an adverse impact on UK importers, stockists and distributors.
83. We found that there is evidence of a change in demand for the import of Category 1 steel products used for downstream processing into other steel products.
84. In accordance with regulation 35B(6)(c)(i), the TRA considered whether the amount and allocation of the tariff rate quota is appropriate for domestic market conditions.
85. In light of the change of circumstances, we found that neither the amount nor the allocation of the TRQ is appropriate for domestic market conditions and should be adjusted to reflect an increased demand for imports intended for downstream processing, to facilitate a functioning steel supply chain in the UK market.

86. In accordance with regulation 35B(6)(c)(iii), the TRA considered other factors it considered relevant. Specifically, we also considered the end uses of Category 1 steel products.
87. We found that there are different markets for Category 1 steel products and concluded that it would be appropriate to vary the TRQ by duplicating the Category into two Categories, 1A and 1B.
88. In accordance with regulation 35B(6)(c)(ii), the TRA considered the desirability of maintaining traditional trade flows and concluded that it was desirable to maintain them for Category 1A. However, so far as Category 1B is concerned, the TRA considered that there was no clearly defined global market at this stage for goods imported into the UK to supply downstream processing. As a result, Category 1B required a different approach.
89. Therefore, for the reasons set out above, we recommend a global allocation of the TRQ for Category 1B with a cap on exports from any single country or territory. The cap we recommend will be 40% of the maximum export volume per quarter for any individual country or territory. Additionally, our final recommendation includes an alternative option of applying a global quota for Category 1B without implementing a cap for individual countries and territories.

Section D: Final Recommendation

D1 Varying the TRQ

90. In [Section C](#) we established that there has been a change in circumstances since the application of the TRQ, due to the fact that the TRQ, or any part of the quota, has been exhausted and there has been a change in demand for the import of Category 1 steel products used for downstream processing.
91. The TRA has found that it is appropriate to duplicate Category 1 into Category 1A and Category 1B. For clarity, Category 1A will retain the country allocations and quota amount established in [Taxation Notice 2024/06](#), where the total quota amount is around 1 million tonnes, allocated to the EU, Turkey, Taiwan and a residual pot. Category 1B will be increased by 132% above the current Category 1 TRQ to around 2.3 million tonnes and will be allocated on a global basis. The proposed quota allocations and amounts are in [Annex 2: Proposed Category 1A](#) and [Annex 3: Proposed Category 1B](#).

D2 Final Recommendation

92. Paragraph 21(6)(a)(ii) of Schedule 5 of the Taxation (Cross Border Trade) Act 2018¹⁸ ('the Act'), provides for regulations to be made enabling the TRA to recommend that a TRQ to which goods are subject should be varied.
93. Paragraph 21(9) of the Act, states that the variation of a TRQ which the TRA may recommend to the Secretary of State by virtue of regulations made under subparagraph 6 may take the form of one or more of a number of options including (a) increasing the amount of the quota and (b) varying the allocation of the quota.
94. Regulation 35B(7)(b) of the Regulations states that, following a TRQ review, the TRA may determine that the TRQ to which goods are subject should be varied.
95. Therefore, the TRA recommends to the Secretary of State, that the TRQ on Category 1 goods of the Safeguard measure is varied by duplicating Category 1 to form Categories 1A and 1B. Category 1A will retain the country allocations and quota amount established in [Taxation Notice 2024/06](#), while the TRQ amount for Category 1B will be increased by 132%. In addition, the allocation of the TRQ for Category 1B will be varied to create a global quota, and a cap introduced on exports per quarter under the Category 1B TRQ. The cap we recommend will be 40% of the maximum export volume per quarter for an individual country or territory. This is our preferred option.
96. As an alternative option, we recommend the introduction of a global quota for Category 1B without a cap on quarterly exports for any individual country or territory. Apart from removal of the cap on Category 1B, the alternative option is otherwise the same as our preferred option. The respective quota amounts we recommend for those categories are set out in [Annex 2](#) and [Annex 3](#).

¹⁸ [Taxation \(Cross Broder Trade\) Act 2018](#) Schedule 5, Paragraph 21

Annex 1: Current Category 1 Quota

Commodity codes subject to this Category:

72081000, 72082500, 72082600, 72082700, 72083600, 72083700, 72083800, 72083900, 72084000, 72085210, 72085299, 72085310, 72085390, 72085400, 72111300, 72111400, 72111900, 72126000, 72251910, 72253010, 72253030, 72253090, 72254015, 72254090, 72261910, 72269120, 72269191, 72269199.

[Trade Remedies Taxation Notice 2024/06](#) established the quota amount and allocations for year 7 and 8:

Quota amount and allocation for year 7:

- Quarter 1: 1 July 2024 to 30 September 2024
- Quarter 2: 1 October 2024 to 31 December 2024
- Quarter 3: 1 January 2025 to 31 March 2025
- Quarter 4: 1 April 2025 to 30 June 2025

Country	Q1 quota (in tonnes)	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
EU	187,484	187,484	183,409	185,446
Turkey	24,616	24,616	24,081	24,349
Taiwan	13,704	13,704	13,407	13,556
Residual	23,587	23,587	23,074	23,331
Total	249,391	249,391	243,971	246,682

Quota amount and allocation for year 8:

- Quarter 1: 1 July 2025 to 30 September 2025
- Quarter 2: 1 October 2025 to 31 December 2025
- Quarter 3: 1 January 2026 to 31 March 2026
- Quarter 4: 1 April 2026 to 30 June 2026

Country	Q1 quota (in tonnes)	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
EU	193,109	193,109	188,911	191,010
Turkey	25,355	25,355	24,804	25,079
Taiwan	14,116	14,116	13,809	13,962
Residual	24,295	24,295	23,766	24,030
Total	256,875	256,875	251,290	254,081

Annex 2: Proposed Category 1A

Commodity codes subject to this Category:

72081000, 72082500, 72082600, 72082700, 72083600, 72083700, 72083800, 72083900, 72084000, 72085210, 72085299, 72085310, 72085390, 72085400, 72111300, 72111400, 72111900, 72126000, 72251910, 72253010, 72253030, 72253090, 72254015, 72254090, 72261910, 72269120, 72269191, 72269199.

Proposed quota amount and allocations for year 7 and 8:

Quota amount and allocation for year 7:

- Quarter 1: 1 July 2024 to 30 September 2024
- Quarter 2: 1 October 2024 to 31 December 2024
- Quarter 3: 1 January 2025 to 31 March 2025
- Quarter 4: 1 April 2025 to 30 June 2025

Country	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
EU	187,484	183,409	185,446
Turkey	24,616	24,081	24,349
Taiwan	13,704	13,407	13,556
Residual	23,587	23,074	23,331
Total	249,391	243,971	246,682

Quota amount and allocation for year 8:

- Quarter 1: 1 July 2025 to 30 September 2025
- Quarter 2: 1 October 2025 to 31 December 2025
- Quarter 3: 1 January 2026 to 31 March 2026
- Quarter 4: 1 April 2026 to 30 June 2026

Country	Q1 quota (in tonnes)	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
EU	193,109	193,109	188,911	191,010
Turkey	25,355	25,355	24,804	25,079
Taiwan	14,116	14,116	13,809	13,962
Residual	24,295	24,295	23,766	24,030
Total	256,875	256,875	251,290	254,081

Annex 3: Proposed Category 1B

Commodity codes subject to this Category:

72081000, 72082500, 72082600, 72082700, 72083600, 72083700, 72083800,
72083900, 72084000, 72085210, 72085299, 72085310, 72085390, 72085400,
72111300, 72111400, 72111900, 72126000, 72251910, 72253010, 72253030,
72253090, 72254015, 72254090, 72261910, 72269120, 72269191, 72269199.

Proposed quota amount and allocations for year 7 and 8:

Quota amount and allocation for year 7:

- Quarter 1: 1 July 2024 to 30 September 2024
- Quarter 2: 1 October 2024 to 31 December 2024
- Quarter 3: 1 January 2025 to 31 March 2025
- Quarter 4: 1 April 2025 to 30 June 2025

Country	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
Total	578,587	566,013	572,302
40% cap (Maximum quota amount sourced from any individual country / territory, before incurring safeguarding duty)	231,435	226,405	228,921

Quota amount and allocation for year 8:

- Quarter 1: 1 July 2025 to 30 September 2025
- Quarter 2: 1 October 2025 to 31 December 2025
- Quarter 3: 1 January 2026 to 31 March 2026
- Quarter 4: 1 April 2026 to 30 June 2026

Country	Q1 quota (in tonnes)	Q2 quota (in tonnes)	Q3 quota (in tonnes)	Q4 quota (in tonnes)
Total	595,950	595,950	582,993	589,468
40% cap (As above)	238,380	238,380	233,197	235,787

Annex 4: Downstream Steel Products

For the purposes of the definition of “downstream processing”, we have specified the steel products and associated commodity codes below:

Steel Product	Commodity Codes
Non Alloy and Other Alloy Cold Rolled Sheets	72091500, 72091690, 72091790, 72091891, 72092500, 72092690, 72092790, 72092890, 72099020, 72099080, 72112320, 72112330, 72112380, 72112900, 72119020, 72119080, 72255020, 72255080, 72262000, 72269200
Metallic Coated Sheet	72102000, 72104100, 72104900, 72106100, 7210690020, 7210690080, 72109080, 72122000, 72123000, 72125020, 72125030, 72125040, 72125061, 72125069, 72125090, 72259100, 72259200, 72259900, 72269910, 72269930, 72269970
Organic Coated Sheets	72107080, 72124080
Tin Mill Products	72091899, 72105000, 72121090, 72101100, 72107010, 72124020, 72101220, 72109040, 72101280, 72121010
Gas Pipes	73063041, 73063049, 73063072, 73063077
Hollow Sections	73066110, 73066192, 73066199
Other Seamless Tubes	73041910, 73041930, 73041990, 73042300, 73042910, 73042930, 73042990, 73043120, 73043180, 73045181, 73045189, 73049000, 73043950, 73043982, 73043983, 73043988, 73045982, 73045983, 73045989
Large Welded Tubes	73051100, 73051200, 73051900, 73052000, 73053100, 73053900, 73059000
Other Welded Pipes	73061100, 73061900, 73062100, 73062900, 73063012, 73063018, 73063080, 73064020, 73064080, 73065021, 73065029, 73065080, 73066910, 73066990, 73069000