



International Steel Trade Association

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To whom it may concern at the Trade Remedies Authority

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We make reference to the submission from UK Steel which has brought about a review to current safeguarding. As one would expect, their submission is heavily weighted in favour of the steel producers both in choice of the data selected and elements omitted.

We have no doubt, however, that the TRA review will consider the steel sector AS A WHOLE when reaching its conclusions. This will include that most important group, the customer, steel stockholders, service centres and processors, end-user industries, as well as ancillary businesses such as port operators, hauliers and importing companies.

Any alterations which reduce the current quota system will have a disproportionately adverse effect on those customers who are independent, i.e. not mill-owned. TSUK have their own downstream operations and service centres, British Steel has its own stockholding network and Celsa has its own downstream fabricators, which have a significant position in the rebar processing sector.

Those downstream businesses all have the unfair benefit of being part of the producers who enjoy the protection of quotas, whereas the independents - their competitors - need to source competitively priced and freely available material but are restricted in their opportunities by the quotas. Take as an example, Category 16 - omitted from the UK Steel submission, the Other Countries quota has remained static at a fraction over 3000t per quarter whereas demand for this product has multiplied since the original quota calculation period as more and more rebar processors have invested in the automation of their lines to use reinforcing bar in coil form. The only UK producer of rebar in coil is Celsa, with their own in-house downstream processing. This quota needs to be increased to reflect this change.

The review must also take into account the current state of the UK mill situation;

British Steel - it seems clear that the company will become a roller of imported semis for the foreseeable future. The unavoidable blast furnace closures will cost jobs, but there are many businesses in the North East, particularly the Scunthorpe area, who would welcome skilled steelworkers. Those businesses have invested heavily in recent years in stock facilities and processing, and will be adversely impacted if quotas are in any way downgraded. Such businesses are to be encouraged rather than restricted.

TSUK - now a reroller of imported semis and HRC, but still protected as if they were a virgin steel producer by the quotas, so that their downstream businesses have an advantage over their competitors. It would create a further unfair advantage if existing quotas are in any way reduced or restricted. Imports of hot rolled coils, category 1, are restricted but there is huge ongoing demand for 2000mm Wide Hot Rolled Coil for many structural end-uses, including yellow goods manufacturers, in the UK. Tata Steel UK do not produce any widths over 1830mm wide, therefore these HRC widths **MUST** be imported. Hot Dipped Galvanised Steel Coil (Metallic Coated Sheets), category 4, is also restricted but there is currently no appetite and none envisaged for the foreseeable future for TSUK to produce 0.50mm thickness, which is the most popular size used in the UK, mainly for drywall construction, in all forms. They also do not produce any thicknesses over 2.00mm and cannot offer the full range of Structural Grades and heavy zinc coatings. All of these products, grades, sizes **must** be imported.

Hot Dipped Galvanised Steel Coil (Metallic Coated Sheets), Category 4, also covers the products Aluminised Steel Coils, Aluzinc or Zinalume Coils, Zinc-Magnesium Coils and Electro-Galvanised Coils, which are imported on a monthly/quarterly basis. All four of these product groups are **NOT** produced by TSUK, therefore should not be included within this product group, this makes no sense and is not fair. Any notion of a cap on any origin in this category would have a disastrous effect on the downstream manufacturing, automotive and construction markets and industry as a whole.

Liberty Plate - we are unclear as to their future plans, but currently there is only Spartan as the sole plate producer - a reroller of imported semis with a limited size range. Given the Government commitments to the expansion of wind power and defence spending, it would be totally without any logic to attack plate quotas. Again in huge demand is hot rolled reversing mill plate in widths of over 2 metres but there is currently no manufacture of this size in this country.

Celsa UK - our sole producer of rebar in straight lengths and coil with its own large share of the downstream fabricating market. Independently-owned businesses need imports to compete, especially for coil where investment in more equipment has been increasing but Other Countries quota (Cat 16) is limited to just 3k/quarter. This has to be increased and the Cat 13 quotas at least left untouched so that there is a level playing field for all.

Construction projects are increasingly calling – quite rightly – for low carbon steel. We no longer produce low carbon flat products in the country. At a recent conference, a large steel processor who traditionally bought steel manufactured in the UK spoke of being forced to import steel because the projects they are working on call for low carbon production. We can't force construction to utilise low carbon steel to satisfy our quite justified aspirations then restrict their access to it.

1.US Tariffs

The price of steel in the USA increased exponentially in 2018 when the USA imposed a 25% tariff duty on imports of steel (the Section 232 measures). These conditions were gradually relaxed for some countries, including UK. The same has happened since the 25% duty was reinstated last month. Were it to be competitive, there is every chance that steel manufactured in the UK could be exported to the USA, the tariff paid and the business still be profitable. Of course, now that neither British Steel nor TSUK are producers of steel and are re-rollers of imported slab, billet and blooms, who could say what capacity they would have to export and whether they could be competitive.

According to our information, since the 25% duty was announced, American mills have been increasing domestic prices and it is likely that some countries will still be able to sell steel there even with a 25% + duty. For example, the latest Nucor Yamato sections pricelist, puts an 8"x8" (203x203mm) section at just over £1100 per metric tonne ex-works. European prices are around £700 per metric tonne for the same product so would still be competitive after adding freight duty.

2. Demand

WTO rules allow only for annual increments, not reductions to TRQs – there is no need to break those rules. The UK Steel submission refers to reduced demand but does not take into account Government intentions to increase housebuilding, defence spending and infrastructure projects, all of which will stimulate demand and maintain the need for imported steel.

3. EU Safeguarding

The EU has a large number of steel manufacturers so their safeguarding requirements are different to ours. There is a risk that their increased restrictions may cause some producers to attempt to sell more in the UK, but we have our own robust safeguarding measures in place, and always have the option of anti-dumping to defend ourselves against any actual undue surges from specific origins. The new EU measures will actually restrict Other Countries sales to N.Ireland, where EU as well as UK quotas have to be followed.

The measures will have minimal effect on UK exports to the EU, as the main UK producers are unlikely to be competitive anyway.

4. Crowding out

We cannot maintain 'traditional trade flows' when the world is changing and those traditional trade flows date back to 2015-2017. We have not received complaints from any ISTA Members relating to certain origins dominating imports in any Categories. The market requires reliable and regular supply of quality, low carbon steel at competitive prices and if this happens to have been from certain origins with **no evidence** that this has been to the detriment of other producers, then we can see no cause for any concern. To use this as a reason for putting a cap on those origins is simply an excuse to restrict supply, especially for the three categories mentioned, where the UK has only one reroller of Cat 4, one reroller of plates (Cat 7) with a limited dimensional range, and one rebar producer (Cat 13 and 16) who have their own very considerable network of downstream processors. We remind you of our comments regarding category 4 above.

Proposed Modifications

1. Quotas have been fulfilling their function perfectly well with the existing redistribution of Russian and Belarussian quota volumes. Government intentions to increase housebuilding, defence spending and infrastructure projects will stimulate demand so now is not the time to discontinue quota liberalisation and certainly not any quota reductions. The Cat 16 quota for Other Countries should be increased to satisfy increased demand.

2. The carry-over of unutilised quota from quarter to quarter is essential to the smooth running of import supply; it helps to avoid import surges and enables traditional trade flows. It is often the case that steel is sourced to cover a particular project at a fixed price. If projects become delayed or shipments are delayed for any unforeseen circumstances, it is essential to have the flexibility to use the carry over facility.

3. As stated above, there is no justification whatsoever for country caps on **any** residual quotas, including categories 4,7,and 13. This is purely and simply a pretext to reduce import supply.

4. We would submit that it is not within the TRA remit to decide what is classed as a Developing Country and what is not. Whether or not there is a WTO definition of a 'Developing Country', there is certainly no WTO definition or limitation as to what products that country may manufacture. This is in any case irrelevant as there are rules in place to ensure that this status is taken away once their imports exceed 3% - a system which is already proven to be effective.

In summary, now is most definitely not the time to attack quotas and their implementation processes if we are to sustain and encourage our steel industry as a whole. To quote our Prime Minister at JLR yesterday "Our plans for growth are going to require more steel' demand for steel will go up, not down"

Yours faithfully

Simone Draper
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International Steel Trade Association.