



Trade Remedies  
Authority

## **Statement of Intended 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. This is a Statement of Intended Final Determination (SIFD) which sets out the essential facts the Trade Remedies Authority (TRA) established during this TRQ review, and upon which it has based its Intended Final Determination. This SIFD should be read in conjunction with other documents available on the [public file](#).
3. Interested parties and contributors are invited to make submissions in response to this SIFD by 23:59 on 19 August 2024. Submissions must be made via the [Trade Remedies Service](#) and must be accompanied by a non-confidential version or summary for the public file.
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 2019<sup>1</sup> (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. This SIFD is made pursuant to regulation 29 of the Regulations. It includes:
  - (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.

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

## Section B: Summary & Findings

### B1 Summary

8. The steel safeguard measure applying to 15 product categories<sup>2</sup>, 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 producer<sup>3</sup> and a UK importer<sup>4</sup> 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](#) 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
<a href="#">TATA Steel UK Limited</a>	TSUK	UK	Producer
<a href="#">Kromat Trading Limited</a>	Kromat	UK	Importer

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

<sup>3</sup> Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) TATA Steel UK

<sup>4</sup> Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) Kromat

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

14. The submissions made to this TRQ review are available on the [public file](#).
15. After our assessment was concluded, we received a submission from TSUK on 8 August 2024 relating to an update of its import plans. A non-confidential version of this submission is available on the [public file](#). We have been unable to address this submission in advance of the publication of this SIFD, as to do so would have significantly impacted on our ability to deliver this review. We will consider this submission when we assess any comments we may receive on this SIFD.

### **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 Assessment of the change in circumstances**

18. 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.
19. [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 for other product categories covered by the Safeguard measure. In accordance with regulation 35B(9)(a), the TRA finds that parts of the Category 1 TRQ have been repeatedly exhausted which is impacting the UK industry through the inability – of both UK importers, stockists and distributors and the UK producer – to have access to Category 1 products through normal channels.
20. [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.
21. 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](#).
22. Following our analysis, we find the neither the amount nor the allocation is appropriate in 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 intend to recommend as being appropriate for domestic market conditions.
23. In summary, we intend to recommend duplicating current Category 1 to form Categories 1A and 1B and reflecting the change in circumstance of an increase in demand for imports, the amount will be varied to match the predicted loss of domestic production.
24. Our preferred option in this intended recommendation is that the amount and allocation of the TRQ applied to Category 1A will remain the same as that applied to Category 1 under Taxation Notice 2024/06 and goods imported under this category will be accessible by those looking to import Category 1 steel products for commercial applications. 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. The allocation will also be changed to allow for the establishment of new trade flows in this unprecedented situation.
25. As part of the preferred option of a global quota for Category 1B within our intended recommendation, we also propose introducing a cap on exports from a single country

or territory of the Category 1B global TRQ in each quarter. We intend to recommend a cap that will fall within a range of 37% to 42% of the maximum export volume per quarter for an individual country or territory. We are also intending to include an alternative option in our recommendation, where a global TRQ for exports is applied without implementing a maximum export volume per quarter for individual countries or territories. Annexes to this document set out the specific quota amounts we intend to recommend.

# Section C: Assessment

## C1 Introduction

26. 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.
27. 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

28. Prior to the alleged change in circumstances, the Category 1 steel market in the UK was composed of one major UK domestic producer, TSUK, which used its production to supply the domestic market and its own downstream processing of other products.
29. TSUK stated in its application<sup>5</sup>, 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 product categories. TSUK had previously submitted this data as part of the latest extension review, SE0041, and it was duly verified in February 2024<sup>6</sup>.
30. 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 specific commercial applications.
31. Category 1 steel products are the raw material which TSUK use to produce nine of the 15 product categories under the safeguard measure, including: Cold-rolled steel (Product Category (PC)2); Metallic coated steel (PC4); Organic coated steel (PC5); Packaging steel (PC6); and Tubular steel (PC20, PC21, PC25A, PC25B and PC26). These products are also supplied to the UK market in various sectors, including automotive, construction and engineering.
32. The UK importers, stockists and distributors import Category 1 steel products only for sale into the UK domestic market for specific commercial applications. They do not import for use in downstream processing of other product categories covered by the safeguard measure.

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<sup>5</sup> Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) TSUK

<sup>6</sup> SE0041 Steel Safeguard Extension Review ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) TSUK Verification Report

33. 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”.
34. 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.”
35. 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 India<sup>7</sup>.
36. As the “continuous stability issues of its steelmaking assets” worsened, TSUK closed its coke ovens in Port Talbot in March 2024<sup>8</sup> due to concerns of their “operational stability” and closed its first blast furnace on 5 July 2024<sup>9</sup>. 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.”
37. 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.
38. 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 product categories<sup>10</sup>. These imports have largely come from the Netherlands – covered by the EU quota – and India<sup>11</sup> – which as noted above, is covered by the residual quota of the Category 1 TRQ.
39. 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 injury to the UK producer.
40. 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.

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<sup>7</sup> TATA Steel ([TATA Steel Transformation Plan FAQs](#)) Answer to question 10

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

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

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

<sup>11</sup> TATA Steel ([TATA Steel announces... transformation from blast furnaces](#))

41. In its application<sup>12</sup> 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 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 forms<sup>13</sup>.
42. 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.
43. 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.
44. 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 product categories.
45. 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.
46. 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 product categories.
47. 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

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<sup>12</sup> Non-Confidential TRQ Application ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) Kromat

<sup>13</sup> TQ0052 Category 1 TRQ Public File ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk))

HMRC importer level data to build an understanding of imports to the UK. Non-confidential summaries of these submissions are available on the public file<sup>14</sup>.

48. 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 residual quota that 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 in order to accommodate the imports required by UK entities.
49. 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 end uses of Category 1 steel products to be relevant.
50. As noted above, Category 1 steel products are utilised as the raw material in the production of other steel goods covered by different product categories (downstream production), and there are a small number of UK companies which have the facilities to process Category 1 steel products into other product categories. Liberty Steel UK, Marcegaglia (UK) Limited, Pipe Manufacturing Solutions Ltd and TSUK are four such companies with this capacity.
51. As indicated above, UK importers, stockists and distributors have a different end use for Category 1 steel products, as they do not use Category 1 goods as input to produce other types of steel but rather onward sell Category 1 steel products commercially, for example Category 1 steel products can be used to create agricultural machinery or water heaters<sup>15</sup>.
52. 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.
53. Therefore, the TRA finds that there are two different end uses for Category 1 steel products, one being specific commercial applications as supplied by UK importers, stockists and distributors, and the other being downstream processing into other product categories by those UK entities with the facilities to do so.
54. As stated above, Category 1 steel products are the raw material that feed many downstream products and TSUK has historically used approximately 85% of its Category 1 steel products in downstream production. 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

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<sup>14</sup> TQ0052 Category 1 TRQ Review ([trade-remedies.service.gov.uk](https://trade-remedies.service.gov.uk)) Public File

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

downstream industries. TSUK has also stated that all imports will be used for downstream processing.

55. 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.
56. 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 Category 1A for commercial applications, and Category 1B for downstream processing into other product categories.
57. 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, the market for Category 1 steel products intended for commercial applications does not appear to have changed in that the demand remains constant.
58. The TRA therefore intends to recommend 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 allocations as established in the original Safeguards measure, namely the European Union, Türkiye and Taiwan, with the remaining countries falling under the residual quota. Therefore, we intend to recommend that the quota allocations in this category remain the same as those recommended in the SE0041 safeguard extension review.
59. However, to account for the unprecedented demand for Category 1 goods to be used in downstream processing, the TRA intends to recommend that the traditional trade flows established for the commercial applications market in Category 1A are not appropriate. The TRA therefore intends to recommend varying both the amount and allocation of the TRQ for Category 1B.
60. 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.
61. 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. This quota amount 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).

62. For Category 1B, we intend to recommend that the quota amount for this category is increased from the current Category 1 amount by 89% to account for the downstream processing demands of those entities which use Category 1 steel products to produce other product categories. In addition, we intend to recommend that this quota is allocated globally to allow for companies to establish reliable supply chains in this unprecedented situation.
63. Increasing the 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. We have reached this figure by conducting an analysis on the import plans and projections, and accounting for the reduction in domestic production of Category 1 steel products. 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 may wish to use Category 1B to import products for downstream processing.
64. 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 can export to the UK under the TRQ is the most appropriate solution.
65. TSUK provided projected import plans and volumes in its submission to the TRA of 31 July 2024. Within that submission, we found that TSUK planned to import from a range of sources, but a significant quantity would be from its sister companies in the Netherlands and India. Its total projected imports are between 600-900 kilo tonnes per year from these countries, which represents between 32-48% of the total global quota for Category 1B. 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.
66. Therefore, we intend to recommend a cap that will fall within a range of 37% to 42% of the maximum export volume per quarter for an 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.
67. While a global quota with a 37%-42% cap is the preferred option in our intended recommendation, we acknowledge that given the unique circumstances of this case we should maintain flexibility on options.
68. Therefore, in addition to our preferred option, we also intend to recommend the alternative option of a global quota for Category 1B without applying a cap for individual countries and territories.
69. The TRA considers that use for downward 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 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. In turn, the global TRQ would provide the necessary support to UK industry in being able to address the reduction in domestic supply through imports.

### **C3 Conclusion**

70. 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.
71. 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.
72. We found that there is evidence of the quota – and specifically the residual quota – being repeatedly exhausted across four consecutive quarters, which has had an adverse impact on UK importers, stockists and distributors.
73. 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 product categories.
74. 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.
75. 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.
76. 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.
77. We found that there are different end uses 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.
78. 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.
79. Therefore, for the reasons set out above, we intend to recommend a global allocation of the TRQ for Category 1B with a cap on exports from any single country or territory. The cap we intend to recommend will fall within a range of 37% to 42% of the

maximum export volume per quarter for an individual country or territory. Additionally, our recommendation includes an alternative option of applying a global quota for Category 1B without implementing a maximum export value per quarter for individual countries and territories.

## Section D: Intended Recommendation

### D1 Varying the TRQ

80. 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.
81. The TRA has found that it is appropriate to duplicate Category 1 into Category 1A and Category 1B. The proposed quota allocations and amounts are laid out in [Annex 2: Proposed Category 1A](#) and [Annex 3: Proposed Category 1B](#).

### D2 Intended Recommendation

82. Paragraph 21(6)(a)(ii) of Schedule 5 of the Taxation (Cross Border Trade) Act 2018<sup>16</sup> ('the Act'), provides for regulations to be made enabling the TRA to recommend that a TRQ to which goods are subject should be varied.
83. 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.
84. 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.
85. Therefore, the TRA intends to recommend 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, and that the allocation of the TRQ for Category 1B is varied to create a global quota. The TRA's preferred option is to introduce a cap on exports per quarter under the Category 1B TRQ. The cap we intend to recommend will fall within a range of 37% to 42% of the maximum export volume per quarter for an individual country or territory.
86. As an alternative option, we intend to recommend the introduction of a global quota for Category 1B without a cap on quarterly exports for any individual country or territory. The respective quota amounts we intend to recommend for those categories are set out in [Annex 2](#) and [Annex 3](#).

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<sup>16</sup> [Taxation \(Cross Border Trade\) 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	471,349	461,105	466,229
37 – 42% cap	174,399 – 197,967	170,609 – 193,664	172,505 – 195,816

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	485,494	485,494	474,938	480,213
37 – 42% cap	179,633 – 203,907	179,633 – 203,907	175,727 – 199,474	177,679 – 201,689