

## **Spring Budget 2023 representation – Community**

### **Introduction**

Community is a general trade union with membership in sectors across the economy including steel and manufacturing, education, logistics, justice and custodial, the third sector, finance and professional services and many more.

We are pleased to have the opportunity to respond to the Spring Budget consultation. We have outlined the urgent need for continuing support for low-income households to support them with the continued raised cost of energy and household bills. Further to this, we believe that support for the steel industry must form part of the budget, as now more than ever support for the industry is critical. A structural reform of our energy system to once and for all bring our prices in line with our German competitors is central to support for the industry. This is crucial for British steelmakers to compete and to adopt low carbon steelmaking technologies.

### **The cost-of-living crisis**

The ongoing cost-of-living crisis is having a significant impact on Community members and on households across the country. In a survey of over 5,000 members in August 2022, 95% told us they would not be able to pay their energy bills without cutting back and over 50% would have to cut on basic necessities or borrow.

The self-employed and small businesses are extremely concerned about bills and ensuring their businesses survive post-March with a significant reduction in support with their energy bills, and almost all of the protections removed. In August 2022 prior to the support from government, over 95% of our self-employed members told us they would not be able to afford their energy bills, and four in ten told us they will have to cut back their expenses or rely on savings, and more than half will not be able to pay without cutting back on necessities or taking a loan. Those workers will struggle to get by on such little support on energy bills going forwards from the government.

It is essential that there is continuing support for low-income households to support them with the continued raised cost of energy and household bills. Even if inflation stabilises, which it is not yet certain that it will, prices remain permanently elevated. The distributional impact of this is clear with those on the lowest income deciles struggling to meet their needs for food, energy and housing.

### **Support for the steel industry**

We are the largest and leading union representing steelworkers in the UK, leading negotiations with major producers including Tata Steel, British Steel, Liberty, Celsa, Outokumpu and other producers around the country.

The steel industry is a valuable foundational industry which supports manufacturing across the UK. Britain's steel industry will be worth £6 billion by 2030. The value of the exports from Britain's steel industry is £3bn, a key contribution to international trade.

33,000 people are directly employed by Britain's steel industry, and an additional 40,000 people work in the steel supply chain. Those jobs are reliant on the future of the industry too.

Community research has found that over 88 per cent of steelworkers are the main earner in their household<sup>1</sup>. The steel industry supports families and communities across the country

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<sup>1</sup> <https://community-tu.org/our-steel-industry-report/#87b123f3>

including in the areas such as Yorkshire and the Humber and South Wales where steel jobs are better paid and better-quality jobs than the local average. Steel jobs support economic prosperity across the whole of the United Kingdom and are critical for levelling up.

### Energy costs

We welcome the government's the Energy Bills Discount Scheme in providing important certainty and stability for steel producers with respect to production costs. With high energy prices continuing this year and beyond, this level of stability is essential for steel jobs.

However, the level of support that the UK government is providing is less than the support provided by other countries, and the weakening of the energy support scheme is putting at risk tens of thousands of jobs in the industry and supply chain. The maximum support provided by the UK government is £89 per megawatt hour and is exhausted if energy prices go beyond a ceiling of £274 per MWh. This means that if the energy market is not as calm and stable as the government has predicted steel producers could be exposed to volatile prices.

In contrast, the German government is guaranteeing an electricity price of EUR130 per MWh for the whole of 2023. This stands in stark opposition to the UK the discount is applied only when prices are above £185 per MWh. In 2023 it is forecasted that UK producers will be paying 63% more than German producers in 2023<sup>2</sup>— this is a clear long standing competitive disadvantage.

The UK must address the disproportionate costs that UK producers pay, including the renewable energies and network costs which are higher than comparable countries.

The government must deliver on the commitment promised to increase the renewable levies exemption rate to 100%. Secondly, it must reduce network charges. German and French networks also offer new exemptions.

### Decarbonisation

It is urgent and imperative that the UK steel industry is supported to decarbonise. The government must invest in the decarbonisation of the steel companies. There are three priorities which must be delivered.

Firstly, carbon pricing. The UK emissions trading system has become increasingly costly for the steel industry. The cost of complying currently costs the sector £120mn, 60% of the average annual capital investment of the sector. This is because carbon prices have increased in cost and allowances for steel companies have also reduced. Current reforms are anticipated to make this situation worse. If, as UK Steel have forecasted, costs could increase to over £400mn a year towards the end of the 2020's, leading primary steelmaking economically unviable.

Secondly, the UK must mirror the European proposals for a carbon border adjustment mechanism. These proposals will prevent the UK industry from being outcompeted by steel producers who face lower carbon costs. If this action is not taken, then high emission steels are likely to flood the UK market when they cannot reach the European market. Furthermore, if UK producers are not exempt from the CBAM then there could be a major trade barrier for UK steels reaching the UK's most significant export market.

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<sup>2</sup> Data provided by UK steel.

Thirdly, investment support is absolutely critical. Governments across Europe have provided the investment needed to help the transition of the steel industry.

Community welcomes recent reports about the Government requiring steel companies to protect jobs in order to receive financial support from the government.

#### Limitations of current support for the steel industry

On 24<sup>th</sup> January 2023 Nusrat Ghani MP responded to a question about the support provided for the steel industry, citing £1.5bn of government funds that steel businesses can bid into. However, to date little of the available funding has gone to steel.

For example, the £289mn Industrial Energy Transformation Fund has allocated the first stage of funding, and only 1% of the total funding has been allocated to steel so far<sup>3</sup>. Similarly, the carbon capture utility and storage infrastructure fund will be delivered by the CIF and has so far piloted two hydrogen clusters, one in the Humber and one in the Northwest and North Wales. The steel industry is not involved in either of these clusters<sup>4</sup>.

As part of the industrial strategy challenge fund, there is a £66mn theme for transforming foundation industries— however this includes all foundation industries including cement, metals, glass, paper, ceramics, and chemicals, so it is important that the steel industry gets its fair share<sup>5</sup>.

Lastly, the funds allocated under the Industrial Fuel Switching fund includes two projects related to the steel industry, allocating £269,736 to the Materials processing institute's pilot of hydrogen direct reduction of iron, £161,050 for British steel looking at green hydrogen in steel manufacturing. This is just 0.7% of the total funding going to steel projects so far<sup>6</sup>.

We call upon the government to make more targeted direct support available and ensure that this funding helps support the valuable steel industry.

#### Steel procurement

We welcome the procurement bill's increased focus on using public procurement to deliver on social and economic priorities. However, there are key issues including issues where there are several levels in the supply chain, and there is no conditionality on first tier contracts to include UK steel in their projects. With the UK government's steel pipeline showing millions of tonnes of steel required over the next five years, we need to ensure that this is used to support UK steel producers, steel workers and steel communities.

#### **Evidence submitted January 2023**

**Please direct any questions to [research@community-tu.org](mailto:research@community-tu.org)**

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<sup>3</sup> <https://www.gov.uk/government/publications/industrial-energy-transformation-fund-ietf-phase-1-summer-2020-competition-winners/ietf-phase-1-summer-2020-competition-winners>

<sup>4</sup> <https://questions-statements.parliament.uk/written-statements/detail/2021-10-19/hcws325>; <https://hynet.co.uk/partners-funding/>; <https://eastcoastcluster.co.uk/>

<sup>5</sup> <https://www.ukri.org/what-we-offer/browse-our-areas-of-investment-and-support/transforming-foundation-industries/>

<sup>6</sup> <https://www.gov.uk/government/publications/industrial-fuel-switching-programme-successful-projects/industrial-fuel-switching-programme-phase-1-summaries-of-successful-projects>