



Key messages

- The UK steel industry contributes **£4.7bn in GVA**, supports **62,500 jobs** and includes around **1,820 businesses** across primary production, processing, stockholding, trading and steel-intensive manufacturing¹.
- Cost pressures are most acute around **energy and carbon costs**. UK industrial electricity prices remain above key European competitors, while UK crude steel output fell to approximately 2.5 million tonnes in 2025, the lowest level since records began².
- **Government can strengthen domestic steelmaking** by improving industrial electricity competitiveness, aligning decarbonisation policy with investment incentives, protecting UK producers from unfairly traded imports and boosting domestic steel demand through public procurement.

Table 1: Key business tax contribution figures for the steel industry³

	2024/25	2025/26	Difference
Business tax contribution	£0.72bn	£0.79bn	+9.6%
Tax contribution as a share of GVA	13.9%	17.2%	+3.2 ppt
Employers' NICs	£0.25bn	£0.31bn	+21.4%

Strategic importance

Steel is a vital foundation industry for the UK economy. Its products are used across construction, automotive, packaging, energy, advanced manufacturing and critical infrastructure, making steel a core input into both everyday economic activity and long-term industrial growth.

The sector is also central to the UK's transition to a lower-carbon economy. Electric vehicles require more steel than cars with internal combustion engines, while small modular reactors need hundreds of high-value steel components. Steel also provides the pipes for hydrogen and carbon capture, turbines for wind farms and frames for solar panels.

Future demand will depend heavily on the UK's wider growth and infrastructure pipeline. Construction demand is expected to increase if government housing targets are met, while nuclear, energy infrastructure and a rebound in automotive production could all support stronger domestic demand. Maintaining a competitive domestic steel sector is therefore essential to the UK's industrial resilience, energy transition and ability to deliver major national infrastructure.

Growing cost pressures

Steel producers face acute pressure from high industrial electricity costs, carbon pricing and international competition. Although electricity prices have fallen from the peak of the 2021-23 energy crisis, they remain elevated compared with pre-pandemic levels and continue to exceed costs faced by key competitors. UK Steel estimates that even after exemptions, compensation and network support, the electricity price gap with France remains around £12/MWh (25% higher)⁴.

The sector has limited ability to pass through higher input costs because steel is highly trade-exposed and priced in global markets. Rising energy costs are therefore largely absorbed through reduced margins, placing sustained pressure on profitability. Over time, this has contributed to a contraction in domestic production, with UK crude steel output falling to approximately 2.5 million tonnes in 2025, the lowest level since records began⁵.

Carbon and environmental costs are also increasing. Higher UK Emissions Trading Scheme (ETS) costs, reduced free allocation and tighter Climate Change Agreement requirements are increasing compliance costs, while expected landfill tax reforms add further unavoidable costs for site logistics, process residues and waste materials. Without a fully effective UK Carbon Border Adjustment Mechanism (CBAM), UK producers face carbon costs that many international competitors do not, increasing the risk of carbon leakage and import substitution.

Improving the operating environment

As a foundation industry supplying critical materials for construction, manufacturing and the energy transition, the steel sector depends on a competitive operating environment that supports investment, production and decarbonisation. However, the sector faces structural challenges that are weakening competitiveness and reducing confidence in future UK steelmaking capacity.

1. Industrial electricity competitiveness

Reliable access to internationally competitive electricity prices remains a fundamental challenge for the UK steel sector. Steel producers use a range of purchasing strategies, including short-term market exposure, medium-term hedging and longer-term fixed-price contracts, reflecting the difficulty of managing electricity price risk in a highly volatile market. For energy-intensive industries such as steel, long-term contracts can lock producers into

uncompetitive prices if markets fall, while greater exposure to short-term markets leaves businesses vulnerable to periods of extreme price volatility.

As a result, many producers adopt blended purchasing approaches, balancing price risk against competitiveness considerations. However, the persistence of higher UK electricity prices relative to key competitors creates ongoing uncertainty for investment decisions, particularly as the sector transitions towards lower-carbon and more electrified production routes. Improving the availability of stable and internationally competitive industrial electricity prices will be critical to supporting long-term investment, decarbonisation and the future competitiveness of UK steelmaking.

2. Public procurement

Public procurement plays an important role in shaping demand for UK-produced steel, particularly across major infrastructure, defence and construction projects. While recent reforms have strengthened consideration of domestic supply, implementation remains inconsistent across government departments and contracting authorities. As a result, steel producers can continue to lose contracts to imported steel, even where domestic manufacturers are capable of meeting project specifications. Greater consistency in the application of procurement policy is viewed as important to supporting supply chain resilience, economic security and the long-term sustainability of domestic steel production.

3. Trade policy and international competitiveness

The steel sector continues to operate in an increasingly challenging global trading environment characterised by significant steel overcapacity, extensive foreign government subsidies and growing trade protectionism. Recent UK trade remedy measures are expected to improve protection against unfairly traded imports, following similar measures implemented in the EU, US, and Canada. However, barriers to exports in key international markets, including the European Union and the United States, have increased the importance of maintaining a stable and competitive domestic market to support investment, production and the long-term viability of the UK steel industry. The CBI is working with businesses across the steel supply chain, including steel producers and downstream users, to understand the impact of changes to the trading environment and ensure the perspectives of the wider industrial base are reflected.

Tackling the regulatory burden

Steel producers operate within a highly regulated environment spanning environmental regulation, carbon pricing, trade, product standards and industrial policy. Businesses report that the burden is increasingly driven not by individual regulations alone, but by the cumulative impact of overlapping requirements, multiple reporting obligations and the interaction between different policy frameworks.

Businesses also highlight that inconsistent implementation and interpretation of regulations across government departments and regulators can increase administrative costs, create uncertainty and delay investment decisions. As the sector continues to transition towards lower-carbon steelmaking, producers argue that a more coordinated, proportionate and

predictable regulatory framework will be essential to supporting competitiveness and long-term investment.

Steel producers engage with a wide range of regulations and enforcement bodies across government, including:

Department for Environment, Food and Rural Affairs (DEFRA)

Regulation	Regulator
Environmental permitting and compliance	Environment Agency, SEPA, NRW
Best Available Techniques (BAT) implementation	Environment Agency, SEPA, NRW

Department for Energy Security and Net Zero (DESNZ)

Regulation	Regulator
Industrial electricity costs and network charging framework	DESNZ Ofgem, NESO
UK Emissions Trading Scheme (UK ETS)	UK ETS Authority, Environment Agency, Scottish Environment Protection Agency, Natural Resources Wales
ESOS, SECR, ETS, CCAs	Environment Agency and scheme administrators

HM Treasury

Regulation	Regulator
UK Carbon Border Adjustment Mechanism (CBAM)	HM Treasury / HMRC
Landfill Tax	HM Treasury / HMRC
Plastic Packaging Tax	HM Treasury / HMRC

Cabinet Office

Regulation	Regulator
Public procurement rules and steel sourcing requirements	Contracting authorities

Department for Business, Innovation, Science and Trade (BIST)

Regulation	Regulator
Employment Rights reforms and sickness absence provisions	Employment Tribunals and enforcement bodies

European Commission

Regulation	Regulator
EU Carbon Border Adjustment Mechanism (CBAM)	Relevant EU Competent Authorities

Within this regulatory landscape, UK Steel has identified three areas where the burden is particularly acute and where action could deliver the greatest benefit for business investment, competitiveness and growth.

1. UK carbon pricing framework (UK ETS, UK CBAM and EU CBAM)

Challenge: The steel industry faces growing compliance costs and investment uncertainty from the combined operation of the UK Emissions Trading Scheme (UK ETS), the EU Carbon Border Adjustment Mechanism (EU CBAM) and the introduction of the UK CBAM. Businesses must comply with increasingly complex emissions reporting requirements while facing higher carbon costs through tighter UK ETS caps and a reduction in free allocations. At the same time, concerns remain that the UK CBAM, in its current form, will not provide equivalent protection against carbon leakage to the EU regime, creating competitive disadvantages for UK producers and increasing uncertainty over future investment.

UK Steel recommendations:

- Simplify EU CBAM reporting requirements, improve official guidance and establish a dedicated support helpdesk.
- Link the UK and EU Emissions Trading Schemes to secure mutual exemption from CBAM requirements.
- Strengthen the UK CBAM through more robust default values, expanded coverage of downstream products, stronger verification arrangements and the introduction of an export mechanism.
- Maintain existing UK ETS carbon leakage protections until the UK CBAM has demonstrably proven effective.
- Review policies that unnecessarily increase carbon costs for trade-exposed industries.

Expected impact: Reduced compliance costs, stronger protection against carbon leakage, improved policy and investment certainty, increased international competitiveness, greater domestic production and accelerated industrial decarbonisation.

2. Duplicative energy and carbon reporting requirements

Challenge: Steel producers are required to report similar energy, emissions, and efficiency information across multiple schemes, including Energy Savings Opportunity Scheme (ESOS), Streamlined Energy and Carbon Reporting (SECR), the UK ETS and Climate Change Agreements. These overlapping requirements create unnecessary administrative costs while often collecting effectively the same information.

UK Steel recommendation: Rationalise and align reporting requirements across government departments and regulators to create a more coordinated "report once, use many times" approach.

Expected impact: Reduced administrative burden, lower compliance costs and improved regulatory efficiency without reducing transparency.

3. Environmental permitting and regulatory inconsistency

Challenge: Environmental regulations are frequently interpreted differently by regulators, inspectors and auditors despite identical legal requirements. This inconsistency creates uncertainty, delays decision-making and can result in repeated testing and duplicate compliance costs.

UK Steel recommendation: Establish clearer guidance, improve regulatory consistency and strengthen coordination between environmental regulators across the UK.

Expected impact: Greater certainty for operators, reduced compliance costs and more effective regulation.

Endnotes

¹ House of Commons (2025), *UK Steel Industry: Statistics and policy*, available at: [CBP-7317.pdf](#) and UK Metals Expo (2025), *The UK Steel Industry: A Comprehensive Overview*, available at: [The UK Steel Industry: A Comprehensive Overview - UK Metals Expo](#)

² UK Steel

³ The CBI used its business tax contribution analysis in which we break down taxes by industry on a 2-digit SIC level. For employers' NICS we used the latest [ASHE](#) and [BRES datasets](#) to distribute ER NICS by industry. To estimate the contribution as a share of GVA, we used the latest [ONS GVA estimates by industry](#) to estimate the sectoral business tax contribution. Where it was not possible to assign the sector firmly to one or multiple 2-digit SICs, we asked TAs to provide data which we used and scaled accordingly. It should be noted that for some sectors there is a larger margin of error in the contribution statistics given 2-digit SICs do not necessarily fully align with the specific activities progressed in certain sectors. For the steel sector, we used SIC 24.

⁴ UK Steel (2025), *Closing the Price Power Gap*, September 2025, <https://www.uksteel.org/electricity-prices>. This statistic was calculated pre-Iran conflict.

⁵ UK Steel



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