

UK clears decks for £500 mn grant for Tata Steel's Port Talbot project

Gives minimum voluntary redundancy payout of £15K for full-time employees plus £5K 'retention' payment

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Kolkata, 11 September

The Labour government in the UK has cleared the decks for a £500 million grant to Tata Steel, paving the way for decarbonisation of the company's British business and a sustainable financial future.

In a statement, Tata Steel said that it has signed a £500 million Grant Funding Agreement (GFA) with the UK government, allowing it to "proceed at pace with the project to install a state-of-the-art electric arc furnace (EAF) at the Port Talbot steelworks in Wales". This is part of the £1.25 billion green steel project in Port Talbot, of which Tata Steel's investment is to the tune of £750 million.

Describing it as a "new and improved deal", Business and Trade Secretary Jonathan Reynolds stated the contours of the agreement in the House of Commons on Wednesday. The deal was agreed on Tuesday in a meeting between UK Prime Minister Keir Starmer, Business and Trade Secretary Jonathan Reynolds, Chancellor Rachel Reeves and Tata group chairman, Natarajan Chandrasekaran.

Reynolds said that the deal does what previous deals failed to do — give hope for the future of steelmaking in South Wales.

However, it aims to preserve 5,000 jobs as in the earlier proposal announced by the Conservative-led UK government a year ago.

UPS AND DOWNS

2023

Sep: Tata Steel and the UK govt agree on a £1.25 billion proposal, inclusive of a £500 million grant from the Conservative-led UK govt

2024

Jan: Tata Steel rejects union plan for maintaining a single blast furnace, indicates potential impact on 2,800 jobs

Mar: The steelmaker stops operations of coke ovens at Port Talbot plant

June: Firm expresses concerns over policy differences between the UK government and the Opposition over Port Talbot transformation plan

July: Tata Steel goes ahead with shutdown of one of two blast furnaces at Port Talbot; Labour sweeps to power in the UK

Sep: The firm signs £500 million Grant Funding Agreement with the UK government for green steel project at Port Talbot



Tata Steel employs 8,000 people across UK and had earlier indicated a potential impact of up to 2,800 as part of the transition to EAF steelmaking process.

For the EAF, Tata Steel said that the basic engineering was now complete, and equipment orders would be placed shortly. Large-scale site work was expected to commence around July 2025. And the EAF is likely to be operational within three years.

T V Narendran, Tata Steel chief executive officer and managing director, said, "With the UK government's critical support, this complex and ambitious transformation of

Port Talbot has the potential to make the plant one of Europe's premier centres for green steelmaking."

About 500 new jobs are expected to be created to support the construction of the EAF. Trade unions Community and GMB said in a statement, "This deal is not something to celebrate, but — with the improvements the unions and the government have negotiated — it is better than the devastating plan announced by Tata and the Tories back in September 2023."

The new and improved deal, the UK government said, goes much further than the

previous government's agreement — delivering a minimum voluntary redundancy payout of £15,000 for full-time employees plus a £5,000 "retention" payment and offering paid-for training to give workers a steady income and upskill them for the jobs of the future.

About 2,000 staff members have expressed interest in voluntary redundancy. The deal announcement ends the uncertainty around Port Talbot. A £1.25 billion proposal at Port Talbot was made public in September 2023 by the Conservative-led UK government. However, in the general elections that followed in July 2024, the Labour party landed a historic win, putting a question mark on the grant funding and the future of Port Talbot.

The UK government said that watertight conditions within the GFA will ensure that the government can claw back investment should Tata Steel not fulfil its commitments. This includes increased penalty payments should the company not retain 5,000 jobs across its UK business post-transformation. For those at risk of compulsory redundancy, Tata Steel will offer a comprehensive training program.

Employees on the training program will be on full pay for the first month and 27,000 pound per annum for 11 months following, which will be funded by Tata Steel. The UK government also said that Tata Steel has committed to work with the government to evaluate new investments in steel.