

DECARBONISATION STRATEGY

Tata Steel, Dutch govt may finalise deal by FY25



The decarbonisation of Tata Steel's IJmuiden plant will be implemented in two phases, with one blast furnace to be replaced before 2030, followed by the second one

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A binding agreement between the Dutch government and Tata Steel on the transition to low-carbon steelmaking at the company's IJmuiden plant in the Netherlands is expected to be concluded in the current financial year.

Tata Steel chairman, N Chandrasekaran, said in the company's annual report that the discussions with the Dutch government over the decarbonisation strategy for Tata Steel Nederland had commenced. The decarbonisation will be implemented in two phases, with one blast furnace to be replaced before 2030, followed by the second one. "For the first phase, we have outlined a plan to transition to green steel production by 2030 through the direct reduced iron (DRI) and electric arc furnace (EAF) route. The DRI, set to initially operate on natural gas, will seamlessly transition to hydrogen when it emerges as an accessible and economically feasible energy source," he said in his message to shareholders.

"We hope to conclude an agreement in this fiscal year," Chandrasekaran added.

The discussions with the Dutch government are on financial and policy-level support.

Green Steel Plan

The Green Steel Plan or the blueprint for the transition at the 7-million-tonne plant at IJmuiden was presented to the Dutch government by Tata Steel in November 2023. On March 28, 2024, the Dutch Parliament confirmed that the government was willing to support the proposal from Tata Steel and had given a mandate to the government to negotiate. The Green Steel Plan entails significant investment by Tata Steel and can succeed only with policy and financial support from the government, the company's annual report mentioned.

Media reports earlier this month indicated that the Netherlands might provide up to 3 billion euros to support the transformation at the IJmuiden plant. The company had clarified in a stock exchange filing that discussions with the Dutch government on proposed decarbonisation were on, adding that it may be premature to draw any final conclusion.

Election impact on Port Talbot

Transition to low-carbon steelmaking in Europe has been a focus area for Tata Steel. In the UK, the company reached an agreement with the Conservative-government in September 2023 for transition from blast furnace to EAF at Port Talbot in South Wales.

The project cost is pegged at 1.25 billion pounds inclusive of a grant from the UK government of up to 500 million pounds. However, the deal is caught in a political row ahead of general elections in the UK on July 4, as the restructuring at Port Talbot puts 2,800 jobs at risk.

The Labour party wants Tata Steel to halt its plans and wait until the general election to engage in talks with the government, indicating that there is a 'better deal to do'. Trade union, Unite, on Friday, announced strike action from July 8. Around 1,500 workers in Port Talbot and Llanwern, according to the union, will begin an all-out strike over plans to cut 2,800 jobs and close its blast furnaces. In a statement on Friday, Tata Steel indicated if the safety and stability of operations were put at risk, it would be forced to accelerate the closure of blast furnaces and associated plants. The company also pointed out that it was losing 1 million pounds a day in the UK as existing steelmaking assets were near the end of their life and operationally unstable, causing unsustainable losses.

European challenge

The last financial year was challenging for Tata Steel's European operations. Tata Steel Europe's turnover stood at ₹78,144 crore in FY24 compared to ₹90,300 crore in FY23. Ebitda loss at ₹7,612 crore during FY24 was lower than the Ebitda profit of ₹4,632 crore during FY23.

The company attributed it to the impact of the relining of a blast furnace in the Netherlands coupled with lower spreads in the market. Tata Steel UK's performance was impacted by the performance of end-of-life assets apart from subdued market conditions. Tata Steel Europe's net loss stood at ₹19,603 crore in FY24 compared to a net loss of ₹3,263 crore in FY23.