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Tata Steel UK to invest £1.25 billion at Port Talbot, shut operations partly

IMPACT. The investment will preserve 5,000 jobs and secure future supplies to customers

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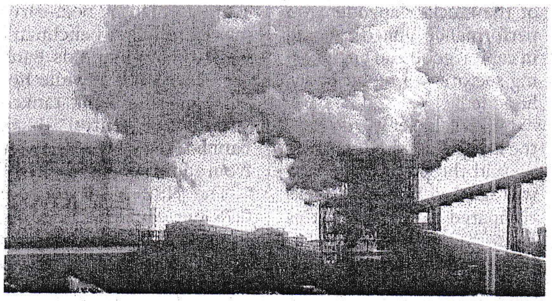
Tata Steel will invest £1.25 billion to build a modern electric arc furnace in Port Talbot and commence closure of the existing heavy-end assets in the following months.

A Voluntary Redundancy Aspiration process will be launched across Tata Steel UK from May 15.

The move follows seven months of formal and informal national level discussions with the UK trade unions, said Tata Steel, in a statement, on Thursday.

Tata Steel has agreed to detailed terms with the UK Government on the proposed grant package to support the £1.25 billion investment, with final documents to be executed in the coming weeks.



IN THE WORKS. Discussions will continue with the trade unions on a potential memorandum of understanding on the business and the impact of the restructuring on employees REUTERS

Tata Steel has informed the trade unions that two blast furnaces will close by June and September end. The investment in UK will preserve 5,000 jobs and secure future supplies to customers.

The multi-union proposal to maintain one blast furnace through the transition would have incurred at least £1.6 billion of additional costs. It would have also created significant operational and safety risk and put the future business continuity in jeopardy, it said. The company said discussions will continue with the trade unions during the next two weeks on a potential memorandum of understanding on the business and the impact of the restructuring on employees.

Tata Steel will place equipment orders for the electric arc furnace by September, begin preparatory works at the site by December and begin construction by next August.

The company has secured most of the required substrate for the full transition period for the UK's downstream mills.

Tata Steel UK has already had to supplement its own production with imported material of 333,000 tonnes during the last six months, to serve its customers. In the FY24, Tata Steel UK has recorded a negative EBITDA of £373 million and negative free cashflow of £623 million.

TV Narendran, Managing Director, Tata Steel, said the fresh investment is the most viable proposal, in contrast to the unions' unaffordable plan which has high inherent operational and safety risk.

The company also reached alignment with the UK Steel Committee that production on the Coke Ovens and one Blast Furnace needed to cease by mid-2024.

Rajesh Nair, CEO, Tata Steel UK, said while the company has agreed to keep the hot strip mill running through the transition, the unions' plan presents significant financial, operational and safety challenges and delays the transition to green steel by two years.