

Government agrees support package to UK steel company

The UK government has today confirmed that it has provided an emergency loan to Celsa Steel (UK) Ltd to allow the company to continue trading.

The agreement will safeguard a key supplier to the UK construction industry and secures more than 1,000 jobs, including more than 800 positions at the company's main sites in South Wales.

As part of the loan, which is expected to be repaid in full, the company must meet a series of legally-binding conditions, which the government has negotiated to ensure the loan benefits the workforce, business and wider society. This will ensure public money is used to aid wider government policies to further benefit the UK. These conditions include commitments to protect jobs, climate change and net zero targets, improved corporate governance, such as restraints on executive pay and bonuses, and tax obligations. It has also required further financial commitments from shareholders and existing lenders.

The government has brought together the firm's management, shareholders, and other lenders to create a strong package of support for the company, its workers and UK economy. This is a good deal for all parties.

In March, the government was quick to establish a broad package of support schemes for companies of all sizes across sectors, to protect businesses and livelihoods during the pandemic.

Through the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Bounce Back Loan Scheme, more than 1 million loans have been approved – while 9.3 million jobs have been protected through the Coronavirus Job Retention Scheme.

In exceptional circumstances, where a company is of strategic importance and all other options have been exhausted, the government may consider providing bespoke support. This is a capability that the government has had for many years, and like previously, there is an extremely high bar for putting taxpayers' money at risk in this way, and any companies seeking support from the Government should do so as an absolute last resort.

Furthermore, companies should be able to demonstrate that they can reasonably be expected to have a viable long-term future, have exhausted all other financing options (including support from existing shareholders and private sector lenders) and that their failure or financial distress could cause disproportionate harm to the UK economy or society.

More broadly in support of the UK's steel industry, the government has provided more than £300 million relief for electricity costs since 2013, public procurement guidelines with annual reports on the proportion of public

sector steel bought from British firms, and details of a steel pipeline on national infrastructure projects worth around £500 million over the next decade.