

## British Steel liquidation spurs UK supply concerns

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### FEATURE

### Insight: British Steel liquidation spurs UK supply concerns

With the UK high court ordering British Steel into compulsory liquidation May 22, market participants in the region have been assessing the impact, with some saying they fear disruptions in their supplies, although a government statement made it clear that the steelmaker will continue to trade and supply.

The government's Insolvency Service last week said British Steel will continue to trade and supply its customers while the Official Receiver considers options for the business.

The collapse comes after the company failed to secure emergency government funding, putting at stake 5,000 direct jobs and an estimated further 20,000 jobs indirectly. Owned by investment firm Greybull Capital, British Steel is the second-largest UK steel producer, with around 3 million mt/year of steel capacity in the UK, France and the Netherlands.

The company had been asking for support from the UK government for the last few weeks.

"This news is a significant blow for the company, its employees, and the communities across the UK that it supports. British Steel does not sit in isolation but is a critical part of the UK's wider steel sector, a strategic British industry underpinning a myriad of supply chains," said Gareth Stace, Director General of UK Steel, an industry association.

"Receivership does at least leave options on the table including providing time to secure a new buyer. All focus now needs to be on securing the future of steel production at the site and avoiding the mistakes seen at Teesside in 2015. We have every confidence that the government is investigating every available opportunity and pulling out all the stops to ensure a viable solution is found. We stand ready to work with the government to help it deliver this," he said.



Steel rails ready for transport. Source: World Steel Association

UK and European buyers stressed the need "for full flexibility on supply sourcing," in the words of one. European steel association Eurofer called for policy makers to do everything they can to reinforce the whole of Europe's steel sector to safeguard its future.

NASS, the UK distributor association, said UK steel stocks are higher than normal due to Brexit uncertainty. "So if and in case the company will exit from the market abruptly stockists will have materials, but what I think will be the problem in the event of the company not being able to continue operations is that in the medium term prices could decrease as other European longs producers will fight to take British Steel market share," said Martin Maley, NASS general director.

Maley said the main problems eventually could be the supply of steel train rails and track shoes sections for yellow goods, and wire rod.

According to UK Steel Association data, British Steel produces 96% of the UK rail network's steel rail and the main customers of British Steel are Network Rail, JCB, Caterpillar and SNCF.

British Steel, as a major supplier to Network Rail, provides around 100,000 mt a year. "We have done what we can to help ease the company's financial difficulties," Network Rail commented. "We have improved our order book with the company — increasing rail production volumes, bringing orders forward and committing to a long-term schedule — as well as offering immediate payment to ease the pressure on cash flow."

Market sources also noted that due to the European steel import safeguards in place there is overall less material in the market that could be easily available, such as wire rod. "This news comes at the worst possible moment because the quotas under the safeguard measures are virtually all exhausted for wire rod," said Kris van Ginderdeure, president of Eunirpa, the European non-integrated wire rod processors' association.

He stressed that if British Steel closes, rod availability will be even more limited in the EU open market, exacerbating the continuous shortage that the independent wire rod processing industry has been facing since 2016.