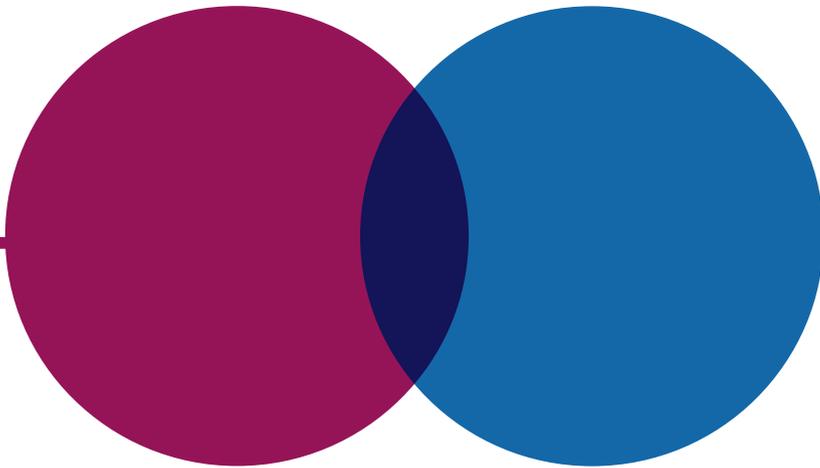




National Audit Office



REPORT

Investigation into the government's intervention in British Steel's Scunthorpe site

Department for Business and Trade

SESSION 2024-2026
16 MARCH 2026
HC 1736

Key facts

£377mn

amount spent on supporting British Steel between 12 April 2025 and 31 January 2026

3mn tonnes

British Steel's annual production capacity – it has the UK's last remaining blast furnaces operating at its Scunthorpe site

4,052

number of British Steel permanent employees at 31 January 2026

£500 million amount the government offered on 24 March 2025 to support British Steel's owner, Jingye, to help reduce carbon emissions by converting the blast furnaces at Scunthorpe to electric arc furnaces; Jingye did not accept this offer

£2.5 billion amount the government committed to supporting the UK steel industry, intended for initiatives such as electric arc furnaces, or other improvements to UK capabilities. This is in addition to the £500 million committed to Tata Steel's transition to electric arc furnace production at Port Talbot

£700,000 Jingye's reported estimated daily losses, which it said were caused by challenging market conditions, tariffs, and high environmental costs

1 day's worth of iron ore pellets, a critical raw material for the operation of the blast furnaces, remaining until minimum levels were reached at Scunthorpe on 25 April 2025

80% of Network Rail's steel requirement supplied by British Steel as part of its £500 million supply contract

£15 million amount spent by the Department for Business and Trade (DBT) on advisers between 12 April 2025 and 31 January 2026

What this investigation is about

Introduction

1 Steel is used in construction, defence, manufacturing and transportation. The UK steel industry has faced challenges from high energy costs, excess supply in the global market, and the need to decarbonise steel production. The government has long monitored these challenges and has taken steps to support the industry, for example by cutting energy costs for businesses, issuing guidance for the public sector to procure domestically where possible, and providing grant funding for decarbonisation initiatives. Despite long-term declines in output and employment in the steel sector, the UK has an active industry, with producers operating various types of steelworks in sites across the UK.

2 British Steel has a production capacity of three million tonnes per year. It employed 4,052 permanent staff as at 31 January 2026, and its products are used in sectors including rail, construction and engineering. Key customers include Network Rail; British Steel currently supplies 80% of Network Rail's steel requirements under a £500 million contract. British Steel's integrated steelworks site at Scunthorpe, Lincolnshire, has the last remaining operational blast furnaces in the UK, which make primary steel using imported raw materials. Integrated processes on site use the main product (steel) and by-products (energy) from the blast furnaces to produce products such as rail tracks and wire rod.

3 Blast furnaces produce steel from materials including coke, limestone, and iron ore. They are energy intensive and large emitters of carbon.¹ Electric arc furnaces produce steel by using electricity to melt recycled or scrap metal; they have a lower carbon footprint than blast furnaces and are less labour intensive. Converting blast furnaces to electric arc furnaces is a long and costly process. The Department for Business and Trade (DBT) commissioned a review of UK primary steelmaking from the Materials Processing Institute in 2025, which shows that, while technically all grades of steel can be produced using electric arc furnaces, some grades may be more challenging to produce economically using electric arc furnaces. Transition from blast furnaces to electric arc furnace production is underway at Tata Steel's Port Talbot site in South Wales, which the government is providing £500 million of grant funding towards. Tata Steel closed its blast furnaces to begin the transition process in 2024, which it expects to complete in 2027. This has left British Steel with the last two working blast furnaces in the UK.

¹ Coal is primarily used to produce coke – an essential blast furnace fuel and reducing agent. Pellets are a source of iron (a precursor to steel) in the form of iron ore. Sinter fines (often abbreviated to sinter) is a manufactured mix of iron ore, coke, and limestone used as the primary feed in a blast furnace.

4 Transition from blast to electric arc furnaces was a key matter of discussion between the government and Jingye Group (Jingye), the owner of British Steel, between 2023 and 2025 (**Figure 1**). There were several rounds of engagement and proposals for the transition, but none were mutually acceptable. In March 2025, Jingye announced it was losing £700,000 a day due to challenging market conditions, tariffs, and high environmental costs, and said it would launch a consultation on the closure of its blast furnaces – a process that is costly and complicated to reverse. The government, led by DBT, intervened to prevent what it considered would be an imminent and disorderly closure of the blast furnaces.

Our scope

5 This investigation examines the government's 2025 intervention in British Steel's Scunthorpe site, led by DBT. It focuses on:

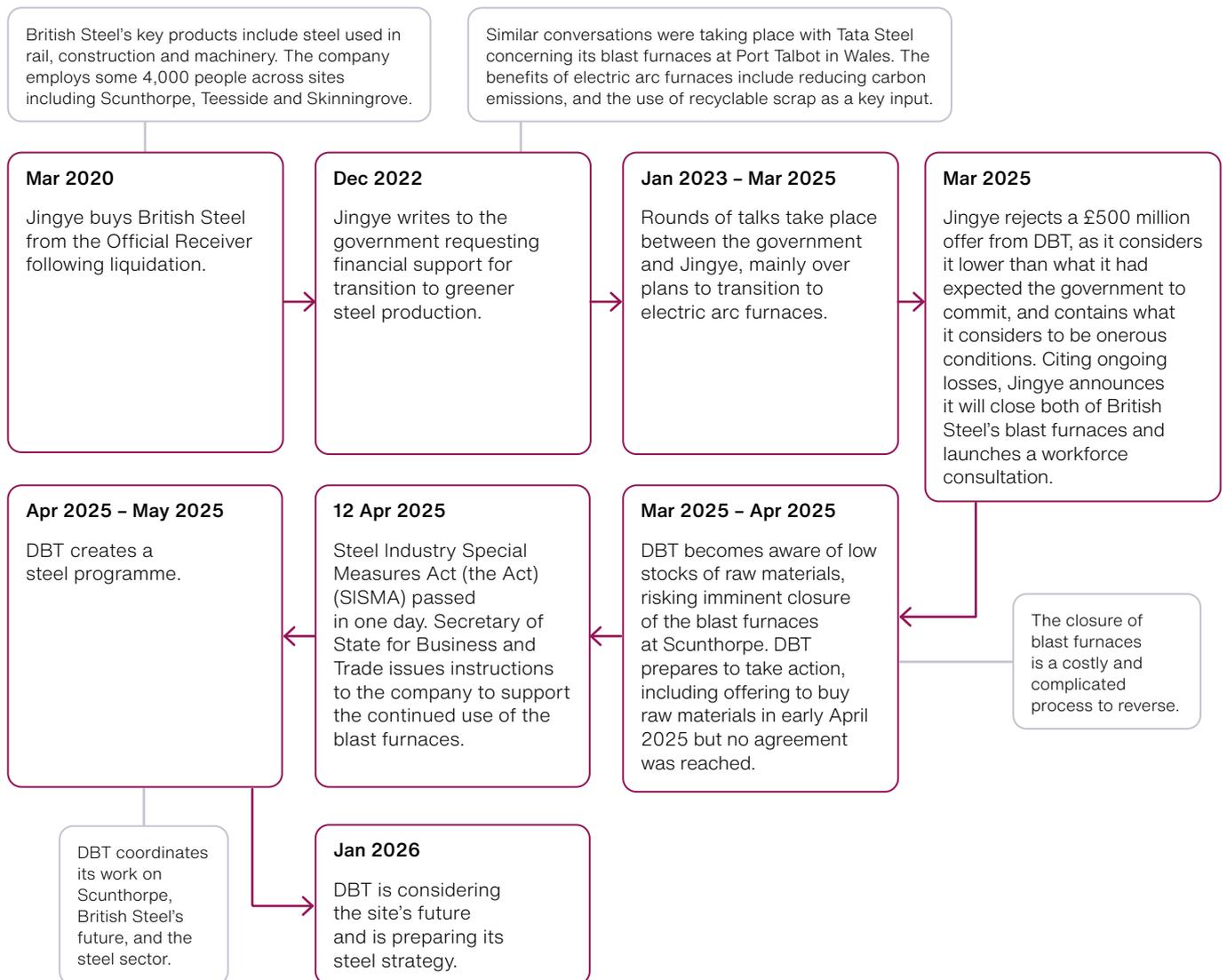
- the wider context and background of the intervention (Part One);
- events leading up to the intervention (Part Two);
- the current operations, costs, and risks (Part Three); and
- future considerations (Part Four).

6 This investigation does not evaluate the value for money of this intervention or compare the effectiveness of this intervention with other government interventions in the steel sector or more broadly.

Figure 1

An overview of events leading up to and including the government's intervention in British Steel

The Department for Business and Trade (DBT) had been in conversation with Jingye, British Steel's owner, for several years prior to the intervention



Notes

- Jingye Group Co Ltd, a company incorporated in China, remains the owner of 100% of British Steel Ltd's shares. Ownership is through the following holding companies: Jingye Steel (UK) Holding Ltd, a UK company; and Jingye International (HK) Holdings Company Ltd, a company incorporated in Hong Kong.
- British Steel entered compulsory liquidation in 2019 after experiencing financial difficulties under its previous owner, Greybull Capital.
- Blast furnaces use coke, limestone, and iron ore as key raw materials in their production, and emit large amounts of carbon dioxide. Moving to electric arc furnaces reduces the amount of carbon emissions in steel production compared with blast furnaces, but the type of steel produced is different.
- British Steel's Scunthorpe site is an integrated steelworks. It is a large site encompassing four blast furnaces (of which two are operational), rolling mills, and a welding facility, and is able to generate part of its power requirements using by-product fuels.
- There were several rounds of engagement between Jingye and DBT between 2023 and 2025.
- Blast furnaces require certain conditions for their optimal operation. Once a blast furnace cools below a certain temperature, it can be costly and complicated to bring the furnace back up to optimal production.

Source: National Audit Office analysis of Department for Business and Trade information

Summary

Key findings

Background and events leading up to the 2025 intervention

7 British Steel has a history of government involvement and changed ownership several times before being bought by Jingye in 2020. British Steel was formed as a nationalised company in 1967. It has made losses in several years since it was created, and over time has declined in size. It was privatised in 1988, but briefly returned to public sector control in 2019 after the then owner, Greybull Capital, failed to secure further government funding (£30 million) to cover the company's cash shortfall; it was then placed into insolvency. Jingye purchased the company from the Official Receiver in 2020 and committed to invest £1.2 billion in the business to place it on a more competitive and sustainable footing. DBT's steel team has been monitoring British Steel's deteriorating financial performance since 2020 (paragraphs 1.4 to 1.9 and Figures 4 to 6).

8 Between 2023 and 2025, DBT and British Steel's owner, Jingye, had been discussing plans to decarbonise steel production by converting British Steel's blast furnaces to electric arc furnaces, but talks did not reach a conclusion. Discussions primarily focused on transition plans, and Jingye had been clear about British Steel's financial and operational challenges. In July 2024, Jingye told DBT its financial position was "unsustainable" and that it would have to close the blast furnaces. The government was not prepared to offer more than £500 million, which it proposed on 24 March 2025, recognising the challenging context in which British Steel had been operating. On 25 March, Jingye did not accept this offer and told DBT it was launching a consultation on the closure of blast furnaces in Scunthorpe, as early as June 2025. Jingye told us that it considered the offer was lower than it had expected the government to commit, and contained what it considered to be onerous conditions. British Steel publicly announced the consultation on 27 March 2025. DBT officials' advice to ministers on 28 March noted that there was "no affordable solution to maintain steel-making at Scunthorpe" and recommended a focus on mitigating the impact of potential job losses on the local area. DBT told us that it had no budget or legal power to intervene at that time, and that there was no strong value for money case to do so, advising instead to focus on the impact on the local area and to support steelmaking elsewhere (paragraphs 2.2 to 2.6 and Figure 7).

9 Recognising the risk of raw materials running out and that timescales were critical, DBT decided to intervene and acted quickly to prevent what it considered would be the imminent and disorderly closure of the blast furnaces. Prior to the intervention, DBT had requested regular updates on the status of raw material supplies from British Steel management. On 31 March 2025, DBT learned that orders of raw materials were being cancelled or diverted, increasing the risk of closure. This would have affected key customers, with cost and timing implications for other companies in the supply chain. If raw materials ran out and blast furnaces were allowed to cool, they would have been costly and complicated to restore. DBT offered to buy raw materials for British Steel. On 12 April 2025, the Secretary of State for Business and Trade issued a ministerial direction in support of government intervention to maintain operation of British Steel's blast furnaces, noting that this was in the public interest.² The ministerial direction was issued due to the need to act urgently and a lack of information for DBT's Accounting Officer to be satisfied that the Accounting Officer standards were met. This ensured the site could continue running and would allow DBT time to undertake a full national security and economic assessment of steelmaking in the UK. DBT quickly mobilised a team to implement this intervention, drawing in Ernst & Young LLP (EY) and people from elsewhere in government (paragraphs 2.7 to 2.10 and 3.4, and Figures 6 and 9).

Introduction of the Steel Industry (Special Measures) Act 2025

10 The Steel Industry (Special Measures) Act 2025 (the Act), passed on 12 April 2025, allows the Secretary of State for Business and Trade to formally instruct British Steel. Parliament was recalled on Saturday 12 April 2025 and passed the emergency legislation. The Act authorises the Secretary of State to issue instructions to steel undertakings, where required, to prevent them from ceasing operations.³ To ensure unhindered access and the safe and continued operation of the blast furnaces, Jingye's representatives were barred from the premises and blocked from accessing the company's accounts. DBT and its advisers, EY, were on-site from 12 April. On 14 April, British Steel appointed an interim Chief Executive Officer and Chief Commercial Officer. By 22 April, the company announced it had secured the ongoing operation of both blast furnaces and that it would withdraw the redundancy consultation (paragraphs 2.9 to 2.10).

² An Accounting Officer assessment (AO assessment) is a critical part of HM Treasury's controls and processes set out in HM Treasury, *Managing public money*, June 2025. This includes allowing Accounting Officers to seek a 'ministerial direction' to proceed when proposals do not meet one or more of the four public spending standards – regularity, propriety, value for money and feasibility. For example, this may occur when there is not time to undertake analysis to inform a full assessment.

³ Clause 1 of the Act defines 'steel undertaking' as an undertaking in England that manufactures steel.

11 Since the intervention on 12 April 2025, DBT has primarily focused on implementing the Act, ensuring the safe operation of the two blast furnaces and addressing health and safety concerns. Between 12 April 2025 and 31 January 2026, 17 instructions have been issued under the Act. DBT has established an on-site team and governance structure, and its advisers are also regularly on-site. DBT's advisers report on key areas including health and safety, the workforce, stocks of raw materials, production, and cash-flow forecasts. On 25 April 2025 there was one day's worth of iron ore pellets remaining until minimum levels were reached. Since then, stocks of raw materials on site have stabilised. Progress has been made recruiting new staff, including to critical roles. Significant health and safety challenges remain, and production levels have been behind target almost every week since 12 April 2025, partly due to old infrastructure and a lack of investment in maintenance, resulting in unplanned outages. DBT told us it is working with its advisers to avoid spending on projects that are not required for any long-term transformation of the company (paragraphs 3.2 to 3.4 and 3.9 to 3.13, and Figures 8 to 11).

Costs, risks and implications

12 By 31 January 2026, DBT had spent £377 million, and costs are expected to exceed £642 million by June 2026. From 12 April 2025 to 31 January 2026, DBT provided £359 million of funding to British Steel. This has been spent by British Steel to fund operating activities (paying for raw materials, payroll costs and other operating costs such as energy), plus £1 million of investment. DBT also spent £15 million on advisers.⁴ The full cost of the intervention is not yet known, but funding from DBT is expected to reach £615 million by June 2026 (£642 million including adviser costs at current spending rates). The intervention will create contingent liabilities which will be reported in DBT's 2025-26 accounts.⁵ DBT has not yet quantified the benefits of the intervention but considers that the intervention prevented the disorderly shutdown of two blast furnaces. In January 2025, a joint unit working across DBT and the Ministry of Housing, Communities and Local Government estimated that closure of British Steel could cost the local economy up to £802 million in lost economic output over five years, and up to 10,000 jobs lost from British Steel and its supply chain (paragraphs 3.12 to 3.16 and 4.3, and Figure 12).

⁴ Spending on EY does not include spending after 9 January 2026.

⁵ HM Treasury defines a contingent liability as a commitment to use public funds if future, uncertain, events occur.

13 DBT has no specific budget or limit for the cash that can be provided to British Steel and will have to make savings elsewhere to fund the intervention. DBT has no repayment schedule in place, and it is not apparent that British Steel will be able to repay the funding. The loan is classified as a debt to the Crown under the Steel Industry (Special Measures) Act 2025. If spending continues at current rates, it could exceed £1.5 billion in 2028 depending on policy choices that may be taken in the future. This is before any potential transformation of British Steel, compensation to Jingye, or exit costs. There was no budget set at the June 2025 Spending Review for the intervention, and HM Treasury (HMT) approves each transfer to British Steel on a case-by-case basis. DBT was not allocated funding for the intervention and will have to make efficiencies elsewhere to fund part of the intervention from its existing budgets, which will likely reduce the amount available for other steel companies, and for growth-driving initiatives under its Industrial and Trade strategies. In September 2024, the government announced a commitment of up to £2.5 billion to support the steel industry through measures such as improving the business environment, reducing energy bills, and using more green UK-made steel for infrastructure projects. This is in addition to the £500 million committed to Tata Steel's transition to electric arc furnace production at Port Talbot (paragraphs 3.12 to 3.18 and 4.4, and Figure 13).

Implementation

14 DBT coordinates its work on British Steel and the sector more broadly through a newly created Steel Programme (the Programme). The Programme has defined its vision as “A secure future for the UK steel industry that drives growth, supports the Industrial Strategy and protects the UK’s national and economic security”. DBT set up the Programme quickly. The Programme covers site management; steel transactions (the future of British Steel); and steel policy (the future of the steel industry). Four governance groups oversee the Programme, which is led by DBT’s Chief Strategic Business Adviser. It does not have a business case or medium-term budget, but has a dedicated project management office, a risk register (with five top risks reported to internal committees, of which two were rated ‘high’ as at November 2025), and terms of reference for governance groups. Between May 2025 and January 2026, the core steel team brought in additional resource of approximately 32 full-time equivalent staff to work on the Programme, many of whom have been brought in from elsewhere in DBT or other parts of government. DBT has protected most of the Programme from headcount and cost reductions until 2026-27. DBT is also working with other parts of government, such as HMT and UK Government Investments, to manage the intervention (paragraphs 3.2 to 3.8, and Figures 8 to 10).

15 Between 12 April 2025 and 31 January 2026, DBT spent £15 million on advisers to help it implement the intervention, some 4% of the £377 million spent on the intervention so far. By 31 January 2026, DBT had spent £13 million on EY and some £1.5 million on legal advice.⁶ EY were awarded two contracts from an existing framework for procuring restructuring and insolvency services. In this intervention, EY is providing advice and support to DBT and British Steel management but is not taking management decisions. EY helps British Steel prepare its cashflow forecast and presents it to DBT. DBT's finance team uses EY's work when checking that British Steel has spent taxpayer cash appropriately. DBT has also paid for technical consultancy (£0.4 million); and a cyber security review of British Steel (£0.1 million). The five contracts with advisers were awarded without competition.⁷ There is no performance measurement framework in place in two contracts, however DBT told us its contract managers set targets and outcomes and have regular review points (paragraphs 3.19 to 3.22 and Figure 13).

Future considerations

16 DBT is considering options to support the future of British Steel, including a commercial partnership and replacing the blast furnaces with electric arc furnaces. During the Bill debate on 12 April 2025, the then Secretary of State for Business and Trade suggested a transfer of ownership may be a likely option, but confirmed the aspiration was for a co-investment agreement with a private sector partner. DBT told us it has been in contact with the owner, with a view to finding a way through that meets the government's aims of preserving steelmaking in Scunthorpe and enabling future discussions about investment. Longer-term, a transition plan for converting from blast to electric arc furnaces, and a wider transformation plan (a new business model) may to be required to support the future viability of the business (paragraphs 4.2 to 4.8).

⁶ Spending on EY does not include spending after 9 January 2026.

⁷ DBT considers that the contracts were awarded in accordance with procurement rules, for example it used frameworks that allowed for direct awards, and the other contracts were below relevant thresholds.

17 Alongside managing the intervention in British Steel, DBT continues to deal with sector-wide challenges for steel and plans to publish a strategy which will outline measures to support the sector and attract future investment.

In February 2025, DBT launched a consultation to inform its steel strategy. It has been working to define its objectives for the steel sector, and these are expected to underpin the forthcoming steel strategy. In August 2025, Speciality Steel UK, at the time part of Liberty Steel, and one of the UK's largest steelworks, was issued a winding-up order by the High Court. The Official Receiver was appointed as liquidator. Industry stakeholders we spoke to note the main concerns of the steel sector are high energy prices and uncertainty over trade restrictions. Publication of the steel strategy is currently expected in early 2026 but has been delayed several times. The strategy is expected to set out a range of policies to create a more supportive business environment, including boosting demand, addressing trading uncertainty, reducing electricity prices, and supporting decarbonisation (paragraphs 1.5, 3.8 and 4.9 to 4.13).

Concluding remarks

18 DBT moved quickly to prevent the disorderly closure of blast furnaces which it considered was imminent, and to avoid potential job losses and the likely economic shock if primary steelmaking had stopped in Scunthorpe. DBT's engagement with the sector meant that it had an understanding of the likely impact, both locally and on key supply chains. The government has spent £377 million on its intervention so far, with no clear end date. The intervention has not stabilised the company's finances, and costs will continue to increase until the intervention has ended. Using emergency measures to intervene comes with risks and DBT intervened without a clear exit strategy. A year on, DBT is considering options for the longer-term future of British Steel. It recognises that transition or transformation of British Steel will come at a cost, and decisions need to be made quickly to prevent further costs. DBT needs to ensure the approach is aligned with its forthcoming steel strategy and ministerial objectives for the sector as a whole.

19 DBT should use the learning from this intervention to help it be prepared for future economic shocks (both in steel and other sectors), such as taking a strategic approach when it needs to respond quickly, supporting the resilience of supply chains, and balancing the risks and cost pressures on other government objectives. The government should ensure that its new steel strategy minimises the need for further emergency interventions by addressing the risks to a viable domestic supply of steel that meets the UK's strategic requirements.