



Ein cyf/Our ref

All Assembly Members

12 May 2017

Dear Member

I am writing to keep Members updated on the latest developments with Tata Steel.

I am pleased to announce that a further £666,327 Research and Development (R&D) grant funding has been awarded to the company towards the costs of developing new and innovative higher strength steel products at the Port Talbot and Llanwern sites.

This two year project will undertake the development and testing of a range of new forms of steel with improved functionality and technical specifications. This investment will help respond to market demand for new advanced steel goods that meet the present and future requirements of key customers.

The project is expected to generate significant benefits to Wales as it will help secure new product development capabilities in Wales. It will enhance the impact of the company's wider strategy to co-locate more R&D close to the plants in Wales and provide opportunities to sustain and diversify Wales based operations.

This latest offer of support to Tata Steel further demonstrates our continued commitment to do all we can to help secure the future of the steel industry in Wales. The funding will be subject to agreeing the legally binding conditions associated with the wider package of support to the company.

It follows previous confirmation of funding for a £4m package of skills support for 2016/17 that has taken place across all the Tata sites in Wales including Shotton, Trostre, Llanwern, Orb and Port Talbot as well as £8m of funding for the power plant in Port Talbot. We are also continuing to discuss a potential investment in a sustainable premium product capability at Shotton. More broadly, we have been working with partners to increase the level of steel related R&D taking place in Wales. I am in no doubt that this is critical if we are to secure the long term future of our steel plants in Wales. Increasing the competitiveness of the sector, reducing costs and developing new products is essential. We also want to work with the sector to reduce carbon emissions in line with our carbon reduction targets.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

During March, it was announced that a Steel Innovation Centre was identified as one of the eleven proposals as part of the Swansea Bay City Deal to be further developed. The Steel Science Centre project, based in Neath Port Talbot, will focus on provision of commercial R&D to address the existing and prospective challenges of sustaining steel-making capacity within Wales and the UK. It will work with industry including Tata Steel to reduce its carbon impact and place Wales at the cutting edge of low carbon production. It will also provide support for developments in the steel supply chain and downstream operations.

This builds on broader investments related to steel including £9.5m of EU funding into the £14.8m M2A (Materials and Manufacturing Academy), a Swansea University initiative which provides industry led post graduate research training in the areas of advanced materials and manufacturing and £15.1m of EU investment into the £24.4m FLEXIS (Flexible Integrated Energy Systems). FLEXIS is a Cardiff University led collaboration designed to develop an energy systems research capability in Wales by building on the world class capability within Welsh universities. All of the research to be performed will focus on, and be applied at a Welsh “place based” demonstrator. This demonstrator is in the Port Talbot area, and is based at the Tata steel works.

I would like to assure Members that the Welsh Government is continuing to engage with Tata at all levels in the interest of securing the best outcome for the Welsh operations. The focus of the Welsh Government is putting in place the right conditions for the long term viability of steel making and specifically on placing Welsh plants on a more competitive and sustainable footing going forwards. I am aware of the speculation regarding the potential merger with ThyssenKrupp. I am not going to comment on press speculation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping flourish above it.

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure