

Soaring energy prices threatening Scunthorpe steelworks' sustainability – claim jobs at risk as support sought

The owners of British Steel in Scunthorpe are understood to have requested an urgent package of financial support from the government to help meet rising energy costs.

Funding, which could run into hundreds of millions, is said to be needed – as without it the two huge blast furnaces that drive steel-making will not be viable to run. Gas is a huge energy feedstock at the sprawling North Lincolnshire works, where more than 3,000 are employed, with a further 1,000 in the North East and at other sites.

Prices have soared due to the Russian invasion of Ukraine putting a squeeze on supply, with much of mainland Europe dependent on Vladimir Putin's regime. Alternative sourcing, further exacerbated by the sabotage act on the Nordstream pipeline, puts pressure on wider resources. The industry has also been campaigning for action to mitigate impact of pricing structures on energy-intensive industries since well before hostilities began.

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Sky News has claimed that the company's Chinese owner, Jungye Group, is now seeking support as it faces a "significant challenge" that could put jobs at risk. One insider has told the international news outlet that the company was "prepared to make thousands of people redundant" if a package is

rejected by the government.

In response to the claims, a British Steel spokesperson told Business Live: "We are investing hundreds of millions of pounds in our long-term future but like most other companies we are facing a significant challenge because of the economic slowdown, surging inflation and exceptionally high energy and carbon prices. We welcome the recent announcement by the UK Government to reduce energy costs for businesses and remain in dialogue with officials to ensure we compete on a level playing field with our global competitors."

Details as to what that level playing field would require, and the scale and potential for redundancies should it not emerge have been sought.

Sky said that this weekend, the government was "working at pace with the company to understand the best way forward as it seeks to secure a more sustainable future".



Energy intensive – the billet caster in operation at Scunthorpe.

(Image: British Steel)

It came as the Conservative Party prepared for its annual conference in Birmingham.

A spokesperson for the Department for Business, Energy and Industrial Strategy said: “We recognise that businesses are feeling the impact of high global energy prices, particularly steel producers, which is why we have announced the Energy Bill Relief Scheme to bring down costs. This is in addition to extensive support we have provided to the steel sector as a whole to help with energy costs, worth more than £780 million since 2013.”

Competitive electricity prices was the first of five

priorities highlighted by manufacturers' organisation UK Steel to the new government last week.

Jingye bought the huge business out of administration, with a fee of £70 million understood to have been paid, in March 2020. Debts of £880 million had been revealed at a High Court hearing that led to the state intervention in May 2019, with equity house Greybull having been at the helm.

When the first anniversary of the deal completion came, bosses told how losses were being turned into profits, with a run of major investments also announced. They included [advanced milling and machining capabilities](#) for Special Profiles at Skinningrove, a new [billet caster and rod mill upgrade](#) at Scunthorpe, and [regaining control of Immingham Bulk Terminal](#), surrendered as the previous owners desperately tried to shore up the business.

It emerges with the start of October representing the entry into new energy contracts for industry, and almost a year to the date since [British Steel set out its plans for Net Zero steel production](#).

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