RESPONDING TO BRITISH STEEL’S REQUEST FOR SUPPORT TO HELP MEET THEIR 2018 EU ETS COMPLIANCE REQUIREMENTS

Alex Chisholm, Permanent Secretary of BEIS, wrote to you on 1 May 2019 setting out his Accounting Officer Assessment which underpinned the decision to provide support to British Steel to help them meet their 2018 EU ETS compliance requirements. We have now met with BEIS to discuss the assessment and review the underpinning evidence that supported it, including the legal and commercial advice referred to in the letter to you.

As required by Managing Public Money (MPM), the assessment applies the tests of regularity, propriety, value for money and feasibility. We are content that BEIS have followed an appropriate process in reaching its assessment and can confirm that they obtained the necessary approvals from HM Treasury and the Industrial Strategy Advisory Board.

It is clear from our discussions with BEIS and our review of the evidence provided that, working at pace, they took an innovative approach to providing support in such a way that sought to mitigate risk to the Exchequer and meet the MPM tests. We are content that BEIS have identified and weighed the risks and benefits. We have not sought to do an in-depth analysis of the assessment of risk and VFM at this time. In light of subsequent events, with British Steel now being in liquidation, it is important to note that BEIS acknowledged the risk that the support provided to allow British Steel to comply with their obligations under the EU Emissions Trading Scheme would not ultimately avert an insolvency and discounted the potential benefits of support accordingly. Nonetheless, the decision to provide support carries risk in spite of the mitigations put in place and there remain scenarios in which BEIS may not recover all of their investment.

I understand that you subsequently received a copy of the Accounting Officer advice dated 22 May that advised it would have been unlawful to provide a further guarantee or loan on the terms of any of the proposals that the company or any other party has made, or any others BEIS considered. We have read the advice of 22 May and note that it is consistent with the evidence we previously reviewed.

AMYAS MORSE

157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
020 7798 7000 www.nao.org.uk