EXPLANATORY MEMORANDUM TO

THE BRITISH STEEL LIMITED PROPERTY TRANSFER REGULATIONS 2026

2026 No. 832

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Chris McDonald, Parliamentary Under-Secretary of State (Minister for Industry) at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

2.2 David Marshall, Deputy Director at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Alice Temple at the Department of Business and Trade can be contacted by email at the following address with any queries regarding the instrument: steel.comms@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Regulations are made in exercise of the powers conferred on the Secretary of State in Part 1 of the Steel Industry (Nationalisation) Act 2026 ("the 2026 Act") to transfer the property, rights and certain liabilities of British Steel to a company wholly owned by the Secretary of State ("GovCo"). The Regulations have been made following the Secretary of State's assessment that it is necessary in the public interest to bring British Steel's business into public ownership. The transfer took effect on 16 July 2026.

4.2 The Regulations provide for the exclusion of certain property, rights and liabilities from being transferred. The exclusions are specified in the Schedule to the Regulations.

4.3 The Regulations contain a number of provisions the purpose of which is to provide for continuity of operations of the transferred steel business. The first of those provisions provides that the Regulations are to be disregarded in determining whether a "default event provision" applies. These are provisions of a contract or other agreement that, for example, trigger the termination, modification or replacement of an agreement or the rights and duties under it. The full scope of this "disregard" provision can be understood by reading section 22 of the 2026 Act alongside the Regulations. The purpose of the "disregard" provision is to ensure that the transfer of British Steel's

business into public ownership can take effect without risk of third parties and counterparties terminating their contracts, or for other contractual events, for example, payments to be triggered by the transfer.

4.4 The Regulations contain other continuity provisions which are designed to ensure that the GovCo to which British Steel's business is transferred is treated for all purposes connected with the transfer as the same person as British Steel, except in relation to the excluded property, rights and liabilities. These include, for example, provisions that ensure that agreements made or other things done by or in relation to British Steel are treated as made or done by or in relation to the GovCo; and which modify references (express or implied) to British Steel in instruments and documents so they are treated as references to the GovCo.

4.5 The Regulations provide that British Steel is required to provide GovCo with information and assistance with respect to the transferred property, rights and liabilities when reasonably requested.

4.6 The Regulations also provide that when the transfer takes effect, GovCo assumes the name British Steel and British Steel is renamed "2026 Transferor Company Limited".

Where does the legislation extend to, and apply?

4.7 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.8 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 Steel is fundamental to the modern economy and helps to drive key growth sectors, including advanced manufacturing, aerospace, automotive and critical national infrastructure.

5.2 The UK Government intervened in British Steel in 2025 using powers in the Steel Industry (Special Measures) Act 2025 ("SISMA"). SISMA contains direction-giving powers capable of being used to ensure the continued and safe use of assets of a steel undertaking. These powers were used to prevent the shutdown of the UK's last two remaining blast furnaces, which were operated by British Steel. Without the blast furnaces, the UK would be the only G20 country without capacity for domestic primary steelmaking. While British Steel remained under SISMA special measures, the Government entered into negotiations with the owner to secure the future of the Scunthorpe site. These negotiations were unsuccessful.

5.3 The Government brought forward the 2026 Act which received Royal Assent on 15 July 2026. This gives powers to the Secretary of State to nationalise steel undertakings in the UK if he considers it is necessary in the public interest to do so. The Secretary of State considers that it is necessary in the public interest to bring British Steel into public ownership.

What was the previous policy, how is this different?

5.4 SISMA had always been intended as a temporary intervention tool, to ensure uninterrupted steel production and to avoid the premature and disorderly closure of the blast furnaces. Bringing British Steel into public ownership allows the

Government to explore future options for the company in line with the Government's wider approach as set out in the steel strategy.

6. Legislative and Legal Context

How has the law changed?

6.1 The 2026 Act provides the Secretary of State with the power to acquire steel undertakings by making regulations, either by a share transfer or a property transfer. As such, either the securities of a private steel undertaking, or all (or selected) property, rights and liabilities of a steel undertaking, can be transferred into public ownership.

6.2 These Regulations are made in exercise of the property transfer power, set out in section 15 of the 2026 Act. As a result, all the property, rights and liabilities of British Steel are transferred to a company wholly owned by the Secretary of State, subject the exclusions set out in the Schedule.

Why was this approach taken to change the law?

6.3 The powers in SISMA do not allow the Government to acquire any steel undertaking. The 2026 Act provides powers to take into public ownership any steel undertaking as defined in section 1, subject to satisfaction of the public interest test in section 2. Following unsuccessful negotiations with British Steel's owner to acquire the business, the Secretary of State considers it necessary in the public interest to exercise the property transfer power in the 2026 Act to make these Regulations and transfer British Steel's business to a company wholly owned by the Secretary of State.

7. Consultation

Summary of consultation outcome and methodology

7.1 It was not considered appropriate to consult on the Regulations given the market sensitivity of the legislation.

8. Applicable Guidance

8.1 Guidance for this legislation is not available, due to its narrow impact. British Steel's employees have been kept informed and updated about the transfer.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

9.2 The Impact Assessment sets out a comprehensive long list of options, which were subsequently shortlisted based on their ability to meet the defined critical success factors. It also clearly establishes the rationale for intervention, including the presence of market failures affecting the company and its strategic importance in safeguarding key national interests.

9.3 The Impact Assessment defines the primary objectives of the intervention as maintaining steel production to support national security, defence and the construction, operation and maintenance of critical national infrastructure, as well as maintaining production to support the UK economy as a whole, or the economy in a specific region of the country.

Impact on businesses, charities and voluntary bodies

9.4 The legislation is expected to have a direct impact on a single corporate group, through the transfer of its property, and those rights and liabilities to a new government-owned company. No significant direct impacts are expected on other businesses, charities or voluntary bodies. Indirect impacts on downstream businesses may arise through changes in the stability of domestic steel supply, with effects expected to be broadly positive but uncertain.

9.5 The legislation does not directly impact small or micro businesses. Smaller firms in the steel sector tend to be in a downstream, processing or niche segments. We recognise that some of these businesses could indirectly benefit from the maintenance of steel supply through more stable supply chains, limiting their risk of exposure to geopolitical crisis and other severe disruption that could affect supply.

9.6 The impact on the public sector is expected to be significant, reflecting ongoing expenditure, as well as potential additional costs from operational support, capital investment and long-term liabilities. The exercise of transfer powers may also give rise to compensation costs, subject to an independent valuation of the assets transferred. The scale of these costs is uncertain and depends on the outcome of this valuation.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 Monitoring will be conducted on an ongoing basis. Detailed evaluation of the intervention is expected to take place in 5 years as part of the post-implementation review of the primary legislation. Monitoring and evaluation activity will be proportional to available resources and aligned with departmental priorities.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument is subject to the negative procedure and breaches the 21-day rule as it is expressed to come into force immediately upon the day after it is made. This is due to the commercial sensitivity of the legislative transfer.

11.2 The instrument will come came into force prior to notifications being made of laying in laid before Parliament. Section 4(1) of the Statutory Instruments Act 1946 allows an instrument to come into force before it is laid provided a notification is sent to the Speaker of the House of Commons and the Speaker of the House of Lords prior to laying, drawing attention to that fact and explaining why such action is necessary. Accordingly, notices were given to both Speakers before this instrument was laid, explaining that this is due to the commercial sensitivity of the legislative transfer effected by this instrument it was necessary for this instrument to come into force before being laid before Parliament.

12. European Convention on Human Rights

12.1 As the instrument is subject to the negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").