EXPLANATORY MEMORANDUM TO

THE MODIFICATION OF THE LAW (BRITISH STEEL LIMITED PROPERTY TRANSFER) REGULATIONS 2026

2026 No. 833

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 of 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 Modification of the Law (British Steel Limited Property Transfer) Regulations 2026 modify aspects of the law for the purpose of enabling the powers in Part 1 of the Steel Industry (Nationalisation) Act 2026 ("the 2026 Act") to be used effectively in relation to the transfer of that property, and those rights and liabilities of British Steel which have been transferred into public ownership. That transfer has been effected by the British Steel Property Transfer Regulations 2026, which transferred the business to a company wholly owned by the Secretary of State (the "GovCo").

4.2 There are five areas of law which are modified by the Regulations in connection with British Steel's nationalisation. The first set of modifications relate to individuals employed by British Steel to whom regulation 4(1) of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) applies. The Regulations clarify that TUPE operates so as to ensure that British Steel's employees' contracts of employment become contracts between those individuals and the GovCo. The requirement in regulation 13 of TUPE is disapplied. Regulation 13 requires both the current employer to inform and, where appropriate, consult with elected or trade union employee representatives about the transfer. Due to the unusual situation and pace of this legislative transfer of British Steel's business, insufficient time was available for

the regulation 13 requirements to be fulfilled, so these Regulations provide for regulation 13's disapplication in the context of this specific transfer only.

4.3 The second set of modifications made by these Regulations concern the Freedom of Information Act 2000. Under that Act, a "public authority" is required to comply with the freedom of information regime. While GovCo is wholly owned by the Secretary of State, it would qualify as a "public authority" for the Act's purposes. These Regulations provide that while GovCo is wholly owned by the Secretary of State (or is a group undertaking of a company which is so owned), GovCo is not to be treated as a public authority for the Act's purposes, nor is it to be treated as holding information on behalf of any government department within the meaning of paragraph 1 of Schedule 1 to the Act, nor on behalf of UK Government Investments Limited. The effect of disapplying the Freedom of Information Act 2000 is also to disapply the Environmental Information Regulations 2004.

4.4 The third set of modifications made by these Regulations concern the re-use of company names in situations of insolvent liquidation of a company. Section 216 of the Insolvency Act 1986 contains restrictions on persons acting as directors of new companies which take the name of an old company that went into insolvent liquidation. These Regulations modify section 216 to ensure that, should British Steel go into insolvent liquidation, no director restrictions apply in relation to the directors of GovCo, which the British Steel Property Transfer Regulations 2026 renamed "British Steel Limited".

4.5 The fourth set of modifications made by these Regulations concerns the law of shadow directorship. These Regulations ensure that Ministers of the Crown, the Treasury, UK Government Investments Limited, and people working for or on behalf of them, are not to be treated as shadow directors, managers, or officers of GovCo or its group companies for the purposes of the provisions of law set out in the Schedule to these Regulations. This is to ensure that officials acting in the course of their respective roles, can perform their duties without assuming the duties that may otherwise apply to directors.

4.6 The fifth set of modifications made by these Regulations concerns the Procurement Act 2023. Under that Act, a "contracting authority" is required to comply with the procurement rules. These Regulations provide that while GovCo is wholly owned by the Secretary of State (or is a group undertaking of a company which is so owned), it does not qualify as a "contracting authority" for the Act's purposes and is not required to comply with the procurement rules during that time.

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 in the UK 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 Section 50 of the 2026 Act contains a power for the Secretary of State to make regulations which modify the law for the purposes of enabling the powers conferred on the Secretary of State in Part 1 of that Act (that is, the transfer powers) to be used effectively. These Regulations ensure that the transfer of British Steel's business to the GovCo, and its operation in public ownership, under the British Steel Property Transfer Regulations 2026 are effective, by modifying certain legislation whose normal application would otherwise compromise the nationalisation and frustrate the public interest that has necessitated it.

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 the British Steel Property Transfer Regulations 2026, and the Secretary of State also considers it necessary to make these Regulations in order to ensure the transfer is effective. These Regulations do not amend the laws referred to in them for general purposes; rather, they modify

the effect of those laws in relation to this nationalisation and this the GovCo (including any group undertakings of the GovCo).

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 in advance of 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 These Regulations are subject to the made affirmative procedure under section 50(4)(b), as the Secretary of State thinks it necessary to make them without complying with section 50(4)(a) of the 2026 Act (which prescribes the draft affirmative procedure).

11.2 These Regulations involve the modification of legislation. The modifications are to ensure that the nationalisation effected by the British Steel Property Transfer Regulations 2026 is effective. The two instruments are laid together and are subject to one Impact Assessment.

11.3 The modifications in these Regulations are required because the transfer of this steel undertaking involves the transfer of a complex business in an extremely atypical manner, by operation of law, and this necessarily involves adjusting existing complex legislative and commercial frameworks which were not designed with such transfers in mind. Without these modifications, there is a risk that the Secretary of State could not give proper effect to the nationalisation which is assessed as necessary in the public interest. The power under which these Regulations have been made may only be used for the purposes of enabling the powers in Part 1 of the 2026 Act to be used effectively. It cannot be used to amend or disapply safeguards in the 2026 Act, including those relating to compensation. A similar power exists in section 75 of the Banking Act 2009.

11.4 The instrument will come into force prior to notifications being made of laying 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 the British Steel Limited Property Transfer Regulations 2026 and that it was necessary for this instrument to come into force before being laid before Parliament.

12. European Convention on Human Rights

12.1 The Minister for Industry has made the following statement regarding Human Rights: “In my view the provisions of the Modification of the Law (British Steel Limited Property Transfer) Regulations 2026 are compatible with the Convention rights.”

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”).