ENGINEERING STEEL INSIGHT

Chapter 4 November 2026

CBAM arrives in January 2027

Can UK engineering manufacturers still buy steel and manufacture competitively?

what is CBAM | Import Quota's results | The Commercial challenge | What to do before January 2027 |

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CHAPTER 4

CBAM arrives in January 2027. Can UK engineering manufacturers still buy steel and manufacture competitively?

Steel safeguards, carbon costs and the future competitiveness of British engineering

High Peak Steels Ltd | Research Partner: DNA Consulting

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Executive Summary

British engineering manufacturers are entering a period in which the availability and cost of engineering steel may be influenced by two distinct trade measures.

The first is already operating – IMPORT QUOTA's. On 1 July 2026, the UK introduced a new steel trade measure that reduced overall tariff-free import quotas by 51% compared with previous safeguard arrangements. Steel imported above relevant quotas may face an additional 50% duty.

The second – CBAM arrives on 1 January 2027.

What is CBAM? The UK Carbon Border Adjustment Mechanism (CBAM) will apply a carbon-related tax to specified imported goods, including certain iron and steel products.

Both policies, Quota's & CBAM, have legitimate objectives. The steel trade measure seeks to protect domestic steel production. CBAM aims to address carbon leakage by bringing carbon costs of covered imports closer to those faced by domestic producers.

An important question still remains: can a UK business still obtain the correct engineering steel, in the required condition and quantity, at a price that allows it to manufacture competitively?

For a precision engineering company, the issue is not simply the national volume of steel production. It is the availability of EN8, EN9, EN16, EN19, EN24, EN40B and other engineering grades in the required diameter, form, condition and certification.

MILESTONE 1 - The first quarter of the new steel trade measure has ended. Its results should help us understand whether particular engineering-bar import categories experienced quota pressure. Quota utilisation alone, however, cannot establish that manufacturers experienced shortages or higher prices.

HMRC has published additional guidance on CBAM rates and emissions values, making it possible to examine the mechanism more precisely ahead of January 2027.

The Commercial Challenge! If importing the steel needed to manufacture a component in Britain becomes more expensive, while importing an equivalent finished component is subject to different trade and carbon rules, *could that change where manufacturing work takes place?* This is a risk to investigate, not an outcome yet demonstrated.

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Britain needs a successful steelmaking industry.

It also needs a successful engineering industry - that can obtain the materials required to make competitive products.

The two ambitions must work together.

The 30 Second Insight

What has changed?

- UK steel import quotas were reduced from 1 July 2026, with a 50% duty potentially applying above relevant quotas.
- The first quota quarter ended on 30 September 2026; the second is underway.
- UK CBAM begins on 1 January 2027 for specified imported products, including certain engineering-steel forms.
- HMRC has published guidance on quarterly CBAM rates and default emissions values.
- Cost and availability consequences depend on commodity classification, origin, emissions data, importer arrangements and supply route.

Why should an engineering manufacturer care? Material cost and availability influence whether a business can quote confidently, schedule production, protect margin and deliver a competitive component.

What should buyers do now? Check grades, sizes, quantities and delivery dates needed for forthcoming work. Discuss availability, sourcing and forward requirements before production commitments become urgent.

The question:

Are the combined steel trade measures strengthening British manufacturing competitiveness — or creating new challenges for the companies that turn steel into components?

1. The first quarter is over. What has the steel trade measure actually told us?

The new UK steel trade measure began on 1 July 2026, replacing previous safeguard arrangements with lower tariff-free import quotas and a higher out-of-quota duty. Q1 ran from 1 July to 30 September; Q2 runs from 1 October to 31 December 2026.

The impact of a quota system is not determined by the headline reduction alone. We need to know how quickly quotas filled, whether countries or residual quotas became constrained, whether sourcing changed, and whether stockholders and manufacturers experienced changes in replenishment, availability or delivered prices.

Category	Broad product description	Engineering relevance
12A	Certain alloy hot-rolled merchant bars	Some alloy engineering-steel supply routes
12B	Certain non-alloy hot-rolled merchant bars	Some carbon engineering-steel supply routes
27	Certain cold-finished bars	Bright and cold-finished engineering steels

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These are customs product categories, not simple lists of EN grades. EN8 supplied black/hot-rolled may be classified differently from EN8 supplied bright/cold-finished. The grade name EN19 or EN24 alone does not establish the commodity code; composition, form and condition matter.

What does the completed first quarter show?

The published Government schedule establishes Q1 duty-free allocations of 26,474 tonnes for category 12A (EU 20,889; residual 5,585), 17,702 tonnes for 12B (EU 11,904; Turkey 4,663; residual 1,135), and 7,381 tonnes for category 27 (EU 4,952; Turkey 1,342; residual 1,087). These are permitted quota volumes, not volumes imported or consumed.

A dated market report recorded Turkey's 12B quota already approximately 90% filled on 12 July 2026, while the EU 12B allocation was about 41% filled. This establishes early uneven pressure, but not the final Q1 outcome.

CATEGORY 12B | NON-ALLOY HOT-ROLLED MERCHANT BARS

99.1%

REPORTED QUOTA UTILISATION | 14 SEPTEMBER 2026

Dated market report — interim Q1 observation, not the final 30 September position.

CATEGORY 27 | COLD-FINISHED BARS

86.4%

REPORTED QUOTA UTILISATION | 14 SEPTEMBER 2026

Dated market report — interim Q1 observation, not the final 30 September position.

***These reported mid-September figures** indicate substantial use of the relevant duty-free allowances. They must not be presented as reconciled quarter-end utilisation or as proof of material shortages. Final Q1 balances remain subject to official historical verification.*

The subsequent Q2 snapshot at 29 October shows sharper pressure on 12B: EU balance approximately 26 tonnes of 11,904; Turkey approximately 256 tonnes of 4,663; residual allocation exhausted. These are provisional current balances reported by third-party trackers based on tariff data, not a reconstructed Q1 result. Balances may be affected by quota carryover and later adjustments. [11]

Indicator	Q1 July–September	Q2 October–December
Category 12A: Q1 allocation	26,474 t total (EU 20,889; residual 5,585); final utilisation not verified	Q2 EU and residual quotas open in 29 Oct tracker
Category 12B: Q1 allocation / evidence	17,702 t total; 12 July: Turkey ~90% used; EU ~41% used; final utilisation not verified	29 Oct: EU ~99.8% used; Turkey ~94.5%; residual exhausted

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Category 27: Q1 allocation	7,381 t total (EU 4,952; Turkey 1,342; residual 1,087); final utilisation not verified	Q2 tracker shows Turkey exhausted in early October; other routes open
Exhaustion by origin	Cannot certify Q1 closing exhaustion without historical order-level extract	Q2 12B residual exhausted; 27 Turkey reported exhausted
Engineering-bar import volumes	Official quota allocation is not import volume; commodity-level volumes not verified	Do not infer imports from current quota balances
Stockholder lead times	No verified grade/diameter-specific Q1 time series	Requires HPS and other supply-chain observations

An exhausted quota demonstrates that a particular duty-free allowance has been used. It does not necessarily demonstrate that the steel itself is unavailable. Equally, an unexhausted quota does not prove every grade, diameter and condition is available when required.

> ***"some product codes cover both UK-produced and non-UK-produced grades and sizes."***
>
> — Blair McDougall MP, Parliamentary Under-Secretary of State (Minister for Reindustrialisation), written Parliamentary answer, 9 September 2026.

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QUOTA CAPACITY: FROM SEPTEMBER PRESSURE TO THE JANUARY CBAM START

The bars below show the official base allocations for each quarter, not verified imports. Unused Q1 amounts may be added to Q2 within the same quota year; the actual carryover cannot be calculated from a 14 September snapshot. The percentages above remain reported interim observations, not reconciled category-wide balances.

CATEGORY / GRADES	EXAMPLE ENGINEERING USE	Q1 BASE JUL–SEP	Q2 BASE OCT–DEC	Q1 UNUSED TO CARRY
12A	Alloy merchant bars; EN16, EN19, EN24, EN40B*	26,474 t	26,474 t	To verify
12B	Non-alloy merchant bars; EN3, EN8, EN9*	17,702 t	17,702 t	To verify
27	Cold-finished bars; bright forms of several grades*	7,381 t	7,381 t	To verify

1 OCT–31 DEC 2026 | Q2 ALLOCATION + VERIFIED Q1 CARRYOVER / 1 JAN–31 MAR 2027 | Q3 ALLOCATION + VERIFIED Q2 CARRYOVER; UK CBAM BEGINS 1 JAN

** Illustrative grade associations only: customs classification depends on commodity code, product form, composition and condition. Base quotas are official allocations; actual usage, unused Q1 volumes and Q2 carryover are not yet reconciled. Carryover is applied on the 20th working day after quarter-end.*

Engineering conclusion: first-quarter evidence must be judged by its consequences for actual engineering-bar supply, not national quota headlines alone.

WHAT UK MANUFACTURING VALUE COULD BE LEFT ON THE TABLE?

When tariff-free engineering-steel capacity is heavily used before quarter-end, the question is not simply how much steel was imported. It is how much more British engineering work could have been won and manufactured if suitable material had been available at a competitive landed cost.

The relevant economic measure is gross value added (GVA): the value created in the UK by machining, finishing, assembly, engineering expertise and related services, after subtracting intermediate inputs. This is not the same as sales turnover or the customs value of imported steel.

To quantify a potential GVA effect, we would need evidence of orders declined or delayed, the quantity and grades of steel involved, whether alternative UK or overseas supply was available, the effect of the 50% out-of-quota duty on purchasing decisions, and the proportion of resulting production that would genuinely have occurred in Britain.

***Engineering conclusion**: high utilisation is a warning signal about duty-free capacity, not proof of lost GDP. The unanswered commercial question is whether the policy protected steelmaking while inadvertently constraining some downstream British engineering output.*

2. Can Britain make the steel that British engineers need?

UK Steel's Key Statistics Guide 2026 reports crude steel production falling from approximately 6.0 million tonnes in 2023 to 4.0 million in 2024 and 2.6 million in 2025. Domestic producers supplied roughly one-third of UK finished steel demand in 2025. These figures explain the national importance of capacity and vital nature of imports (crucial for engineering steels), but do not tell us how much engineering grade steel such as EN8, EN19 or EN24 was produced, or commercially available in particular specifications. A suggested figure of around 9% for domestic engineering-steel availability has not been substantiated by a published grade-specific dataset and is not used as a factual estimate.

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UK Steelmaking capacity is not the same as UK engineering-grade capable production.

Engineering-grade capability is not the same as qualified commercial supply. And qualified supply is not necessarily steel available on the rack.

- Particular grade and specification
- Black or bright bar as appropriate
- Specified diameter or section
- Delivery condition or heat-treatment requirement
- Material certification and traceability
- Practical order quantity
- Delivery within the production schedule
- Competitive delivered price

A steelworks may be technically capable of producing a grade without routinely supplying every diameter or condition in the quantities subcontract engineers require. This identifies the practical requirements that greater domestic production must meet.

Why stockholders matter

UK Steel's 2026 guide indicates approximately 59% of UK mill deliveries to domestic consumers and stockholders went through stockholders in 2025. This wider-market statistic is not specific to engineering bar, but illustrates the importance of distribution between production and manufacturing. **For engineers, the question is whether the supplier can provide material in time for the next machining operation.**

Engineering conclusion*: a resilient supply chain must be measured by manufacturers' ability to obtain the material they actually need, not simply national production capacity.*

3. CBAM begins in January 2027. What changes for engineering steel?

The UK Carbon Border Adjustment Mechanism begins on 1 January 2027 to address carbon leakage. UK producers may face costs under the UK Emissions Trading Scheme; CBAM aims to apply a comparable carbon price to emissions embodied in specified imported products.

CBAM is not a general tax on every imported steel product or finished component. Its scope is defined by commodity codes, so actual imported material must be checked against the published product scope.

Who pays CBAM?

The direct legal obligation falls on the person responsible for importing qualifying goods where registration conditions are met. The £50,000 threshold is assessed through specified forward-looking and backward-looking tests. A manufacturer buying steel from a UK stockholder will not necessarily need to register, although importer costs could be reflected in selling prices. The legally liable business and the ultimately affected business may differ.

How is the cost determined?

CBAM reflects relevant embodied emissions and the applicable UK rate, subject to detailed calculation rules and any available carbon-price relief. HMRC says rates differ by sector and change quarterly. Default emissions values may apply when verified actual emissions are not reported, subject to the rules. Reliable producer emissions information could therefore become commercially important.

CBAM does not automatically increase every engineering-steel price. Coverage, emissions, relief, quarterly rate and supplier pricing all matter. Actual pass-through is a commercial question requiring market evidence.

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***Engineering conclusion**: CBAM introduces another potential cost and information requirement, but impact must be assessed product by product.*

4. What happens when steel quotas and CBAM operate together?

From January 2027, qualifying imported engineering-steel products could be affected by both regimes. Quotas concern tariff-free allowances and potential additional duty; CBAM concerns embodied-carbon pricing. Depending on classification and rules, a product may be covered by one, both or neither.

A practical engineering purchasing example

Consider a subcontract manufacturer quoting a repeat production batch using EN19 bar. Before committing to a selling price, its supplier may need to check:

- Whether required bar is already available from stock
- Whether replenishment requires an import
- Whether the import is covered by the relevant steel quota
- Whether out-of-quota duty applies
- Whether the commodity code is also within CBAM scope
- Whether verified emissions data or defaults will be used
- Whether resulting landed cost changes the quotation

This does not predict EN19 shortages or a specific price increase. It illustrates why quotations may require more information about sourcing and future deliveries.

Why forward purchasing becomes relevant

Fixed-price contracts and repeat-work quotations are exposed to uncertain replenishment costs. Forward visibility may improve sourcing options, though forward buying can involve stockholding, cash-flow and contractual commitments. Better forecasts help suppliers and manufacturers plan together.

Engineering conclusion: the combined measures increase the importance of accurate specifications, purchasing forecasts and supplier communication.

THE CRITICAL QUESTION

5. Could *well intentioned policy* mean Britain ends up importing the components rather than the engineering steel?

This may be Chapter 4's most important question. Britain wants domestic steel production, reduced carbon leakage and strong manufacturing. Policy design matters across the whole value chain.

Route A — Manufacture in Britain: imported engineering steel bar → UK stockholder → UK precision engineer → machined component → customer.

Route B — Import finished component: overseas steel production → overseas machining → finished component imported into the UK → customer.

The routes may face different customs classifications, duties and carbon requirements. If imported bar faces extra costs while an equivalent finished component falls outside those measures, relative economics could change. That does not prove overseas manufacturing is cheaper: labour, productivity, quality, logistics, certification, currency and customer needs also matter.

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Why downstream products are entering the CBAM debate

European industry organisations have called for wider EU CBAM coverage of certain downstream products, warning about competitive distortions. The EU and UK systems are separate. The UK Government has acknowledged downstream-product concerns but initially prioritised narrower coverage for January 2027. Wider scope is not automatically the right answer: it could bring costs and administrative burdens for other manufacturers.

What evidence would demonstrate a problem?

- Relevant engineering-steel imports by commodity code
- Domestic engineering-steel production and availability
- Delivered engineering-steel prices
- UK manufacturing output for selected components
- Imports of comparable finished and semi-finished components
- Manufacturers' actual purchasing and sourcing decisions

These indicators require interpretation against demand, exchange rates, energy costs and other market changes. The question is whether UK policy inadvertently disadvantages competitive British manufacturers adding value to steel.

***Engineering conclusion**: a shift from importing steel to importing components is a credible risk to investigate, anecdotally we have heard some businesses have acted with this strategy, of importing finished components, over in-house manufacture already, but this is not an established consequence – and there are other possible risks to this approach including quality and shipping.*

6. What does this mean for a six-person machine shop — and a major manufacturer?

A small subcontractor may have limited working capital and storage and depend on small, prompt bar deliveries. A repetition engineer needs consistency across batches. A major manufacturer may negotiate longer contracts but still needs continuity, certification and quality across its supply chain.

All need the correct material, at the required quality, available when needed, at a price supporting competitive manufacturing.

UK Steel estimates mechanical engineering represented 19% of UK steel demand by end-use sector in 2025. That is broader than engineering steel bar, but reinforces why steel policy must consider businesses that machine, process and assemble products.

7. What should engineering steel buyers do before January 2027?

Identify critical grades

List grade, form, diameter, condition and certification for important production.

Review repeat-order demand

Identify regular requirements and where forward visibility can improve planning.

Check delivery exposure

Understand existing UK stock versus future import replenishment.

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Discuss price validity

Check validity and adjustments when quoting 2027 work.

Clarify importer responsibility

For direct imports, check commodity-code scope and registration tests.

Ask about emissions information

Determine whether producer evidence or default values may apply.

Protect manufacturing flexibility

Consider approved alternative supply routes, lead times and customer discussions.

These steps cannot eliminate uncertainty, but can reduce the risk of finding a material issue after a production or pricing commitment.

8. What will we be watching?

Indicator	What we want to establish
Q1 quota outcomes	Whether categories 12A, 12B and 27 experienced significant constraints
Q2 quota utilisation	Whether patterns repeat or change
HMRC engineering-bar imports	Whether sourcing volumes and origins change
CBAM implementation	Final scope, rates, defaults and reporting requirements
Engineering-steel availability	Changes in stockholder replenishment and lead times
UK engineering output	Changes in relevant manufacturing activity
Finished-component imports	Possible shifts in where manufacturing value is added

No single indicator provides a complete answer. Conclusions require customs evidence, production information, stockholder experience and manufacturing outcomes.

9. Can UK engineering manufacturers still buy and manufacture competitively?

The answer today is not a simple yes or no. Domestic steelmaking matters for resilience, investment and employment; decarbonisation and carbon leakage also matter. But policy effectiveness must be assessed across the wider manufacturing economy.

Engineering success requires appropriate grades, processing, available stock, qualified supply and viable manufacturing economics. The central test is whether the combined policy framework strengthens that capability.

Britain should not have to choose between protecting steelmaking and protecting engineering manufacturing. The objective should be to make both more competitive.

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Our conclusion: *steel policy should be judged not only by how much steel Britain produces, but by how effectively British manufacturers use it to create value, sustain employment and compete.*

Editor's Note

Engineering Steel Insight is a research and commentary series from High Peak Steels, supported by research partner DNA Consulting. We examine the UK engineering-steel market from the perspective of manufacturers using these materials. We support domestic steelmaking and decarbonisation, while insisting that the needs of British engineering manufacturers be considered. This chapter distinguishes established facts from observations and future risks.

Steel is the subject. British engineering is the reason the research matters.

Research sources and further reading

- [1] UK Government — UK steel trade measure from 1 July 2026, Tables 3 and 4 (quota allocations and order numbers): https://www.gov.uk/government/publications/uks-steel-trade-measure-from-1-july-2026/uks-steel-trade-measure-from-1-july-2026
- [2] HMRC — CBAM Policy Summary: https://www.gov.uk/government/publications/carbon-border-adjustment-mechanism-cbam-policy-summary/carbon-border-adjustment-mechanism-cbam-policy-summary
- [3] HMRC — Rates for the Carbon Border Adjustment Mechanism, 16 October 2026: https://www.gov.uk/guidance/rates-for-the-carbon-border-adjustment-mechanism-cbam
- HM Revenue & Customs — Iron and Steel Default Values (16 October 2026).
- HM Revenue & Customs — Illustrative CBAM Rates and Worked Example (16 October 2026).
- UK Steel — Key Statistics Guide 2026 (ISSB and World Steel Association data).
- HM Treasury — UK CBAM consultation and Government response, including downstream goods.
- EUROMETAL — October 2026 statement concerning proposed EU CBAM downstream coverage.
- High Peak Steels — Engineering Steel Insight, Chapters 1–3.

[13] UK Parliament, written answer by Blair McDougall MP, 9 September 2026: https://questions-statements.parliament.uk/written-questions/detail/2026-09-02/26769

[14] UK Government, Implementation notifications: quota carryover on the 20th working day after quarter-end: https://www.gov.uk/government/publications/uks-steel-trade-measure-from-1-july-2026/implementation-notifications-on-the-transitional-exemption-quota-administration-and-the-ukraine-exclusion

Evidence boundary (2 November 2026): Q1 quota allocations are verified against the official steel trade measure; a complete, reconciled Q1 utilisation extract for all eight engineering-bar quota orders was not available in the accessible published evidence. The figures below therefore do not claim a complete Q1 utilisation rate. HMRC commodity-level trade volumes and engineering-grade stockholder lead-time series also remain unverified. This limitation must be resolved before describing the Q1 outcome as final.

[10] Argus Media, “UK steel imports quotas”, 13 July 2026 (quota balances as at 12 July): https://www.argusmedia.com/en/news-and-insights/latest-market-news/2851555-uk-steel-imports-quotas

[11] All Steels Trading UK Steel Quota Tracker (29 October 2026 snapshot), cross-checked with SteelScope: https://www.allsteelstradingquotatracker.co.uk/ ; https://steelscope.uk/uk-steel-quota.php

[12] Department for Business and Trade, UK trade quotas open dataset (daily quota order balances; historical records): https://www.data.gov.uk/dataset/4a478c7e-16c7-4c28-ab9b-967bb79342e9/uk-trade-quotas

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