National Audit Office

REPORT

Sizewell C

Department for Energy Security & Net Zero and Sizewell C Ltd

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Key facts

£3.9bn to £18bn

of net present social value (in 2024 prices) the Department for Energy Security & Net Zero (DESNZ) expects from Sizewell C (SZC), mainly through lower power system costs than the next best way of producing the same supply of low-carbon electricity, which should ultimately lower consumer bills

6mn homes

the equivalent of what SZC is expected to power for at least 60 years

Around 85%

of the above-ground design of SZC replicates Hinkley Point C, a nuclear power station Électricité de France (EDF) is building in Somerset

How Sizewell C Ltd (the Company) will initially be financed and funded

Equity	DESNZ **44.9%**, EDF **12.5%**, La Caisse **20%**, Centrica **15%** and Amber Infrastructure **7.6%** (of up to £8.5 billion, in nominal terms)
Debt	up to **£36.6 billion** from the government's National Wealth Fund and **£5 billion** from commercial lenders in nominal terms
Consumers	an increase to typical household electricity bills of **£4** in 2025-26, building up to a peak of around **£19** to **£21** a year in the first decade of its operation (2024-25 prices)

SZC construction cost and associated second reactor completion estimates (real terms 2024-25 prices)

£38.2 billion July 2039	the Company's current cost estimate and associated timing, with directors and the supply chain incentivised to deliver below this
£40.5 billion October 2039	DESNZ's 'lower regulatory threshold' cost estimate and associated timing used to set investor incentives
£47.7 billion August 2043	DESNZ's 'higher regulatory threshold' cost estimate and associated timing. Government and investors have committed to fund up to this amount

Financial returns to investors (nominal)

10.8% to 13.0%	range of expected post tax equity investor rates of return between the lower and higher regulatory thresholds (£15 billion to £18 billion, nominal), after successful construction
£3.9 billion and 24 months	DESNZ estimate of capital cost and time saving that would need to result from use of private investment in order to outweigh its cost

Summary

Introduction

1 In July 2025, the Department for Energy Security & Net Zero (DESNZ) announced that it had reached a deal with Électricité de France (EDF) and other investors to invest in Sizewell C (SZC). SZC is a new large-scale nuclear power station being built in Suffolk. It is expected to start producing electricity from 2038 and operate for at least 60 years, providing electricity for the equivalent of six million homes. It is intended to support delivery of a secure and constant supply of low-carbon energy for the UK.

2 SZC is the second nuclear power station to be built in the UK since the 1990s and follows EDF's current project to build Hinkley Point C (HPC) in Somerset. DESNZ believes that replicating the design of and applying the learning from HPC will reduce the risks of construction time and cost overruns at SZC.

3 DESNZ has developed a new delivery and financing model for SZC, intended to reduce the financing cost of the project and reduce the risk of construction delays and cost overruns. Rather than either creating a government delivery body, or providing support to a private infrastructure project (as it did for HPC), DESNZ's approach to SZC combines:

- Delivery through a joint venture, Sizewell C Ltd (the Company). DESNZ owns under half of the Company and the majority is owned by private investors including EDF.
- Government providing most of the project's finance to the Company.
- A nuclear 'regulated asset base' model – a funding model adapted from elsewhere in the utility sector, that shares risk with consumers, who started paying for SZC through electricity bills after November 2025.
- A 'government support package' provided by DESNZ, with contractual commitments that limit risks to private investors of cost overruns and some unlikely but high impact risks.

Scope

4 This report assesses the implications of the deal for taxpayers, electricity consumers, and investors, and provides a baseline against which progress can be measured. It sets out:

- the set-up of the project, including its business case, replicating HPC, and cost forecasts (Part One);
- the negotiations and main features of the deal between DESNZ and other investors, and costs and returns to different parties (Part Two); and
- how DESNZ and the Company are managing key risks to delivery (Part Three).

Key findings

The government's objectives and approach to SZC

The business case for a new nuclear power station

5 DESNZ believes SZC will help deliver a net-zero electricity system at lower overall cost than alternatives without new nuclear capacity. Its modelling shows that SZC could deliver between £3.9 billion and £18 billion of net present social value (2024 prices) to the end of its 60-year operating life, mainly through lower power system costs than the next best way of producing the same supply of low-carbon energy. Although electricity from SZC will be more expensive to generate than that from additional renewable generation – and standard measures such as equivalent strike price and levelised cost of electricity for SZC are significantly higher than for renewables – DESNZ's modelling shows lower total system costs with SZC. This is because intermittent renewables require additional transmission infrastructure, reserve generation capacity, and other balancing services, which those standard generation cost metrics do not capture (paragraphs 1.17 to 1.23 and Figure 6).

6 DESNZ's economic case for SZC is subject to inherent uncertainty, but DESNZ believes SZC reduces risk across its portfolio. DESNZ's modelling shows that the benefits to consumers will not outweigh the costs until at least 2064. Uncertainties in the SZC economic case include its cost, whether it can produce electricity for 90% of the time, as intended, and the future demand for electricity. The largest uncertainty is whether alternatives (such as long-term electricity storage or burning hydrogen for power), will prove to be significantly more cost-effective than SZC by the 2060s. However, DESNZ views nuclear as a proven technology with less 'first-of-a-kind' risk than these alternatives, so believes developing SZC reduces risk across its portfolio (paragraphs 1.18, 1.24 to 1.26).

Replication and the estimated cost and time to construct SZC

7 Other nuclear power stations have suffered large cost and schedule overruns. SZC will use EDF's European pressurised water reactor design, which has previously been used in France, Finland and China, and at HPC. The French and Finnish projects experienced delays of more than a decade and cost four times their original estimates. China's were delayed by five years each. EDF's latest reported scenarios for HPC involve a five-to-seven-year delay and around a 100% cost overrun. Some nuclear projects with different designs have also experienced cost and schedule overruns (paragraph 1.10 and Figure 3).

8 DESNZ and the Company believe they can reduce these risks by copying the design of HPC and using companies with experience of building it. SZC has much more developed designs and estimates of cost and schedule than HPC and the French and Finnish projects had when their sponsors took investment decisions. The Company believes it has at least a high level of certainty in relation to around 60% of its cost estimate, including some inflation-linked fixed price contracts. HPC's suppliers are manufacturing key components (including the reactor provided by Framatome, an EDF France subsidiary) and many of HPC's contractors will move to SZC after they have finished at HPC (paragraphs 1.11 to 1.14, and 1.16 and Figure 5).

9 DESNZ and the Company have used insights from HPC to estimate construction cost and set incentives relating to these, including the following (in 2024-25 prices) (paragraph 1.15 and Figure 4):

- **The Company's 'project baseline' estimate of £38.2 billion (associated timing: fully operational by July 2039):** representing its current risk-adjusted forecast of construction costs. The Company has set financial incentives for its executives and main contractors to deliver below this. However, it excludes some costs set out in the regulatory thresholds below.
- **DESNZ's lower threshold of £40.5 billion (associated timing: fully operational by October 2039):** DESNZ has set a 'lower regulatory threshold' in the Company's licence, close to the middle probability in the Company's forecasts. A pain/gain share mechanism means that all investors and consumers share cost overruns or savings equally.
- **DESNZ's higher threshold of £47.7 billion (associated timing: fully operational by August 2043):** DESNZ has set a 'higher regulatory threshold' in the Company's licence, and more than 90% of the Company's forecasts come in below this level. The government and investors have committed to fund the project up to this.

The deal

The run-up to the deal

10 Successive government decisions contributed to SZC being the only large-scale nuclear option available to proceed now. From 2008 to 2022, the government's approach was to support new nuclear projects that were privately developed and funded. EDF concluded its deal for HPC in 2016. DESNZ then sought to use competitive tension to deliver similar deals. However, competition reduced from four projects in development in early 2017 to only SZC by the end of 2022, as investors ended negotiations or pulled out of the market. Over time, DESNZ realised that taxpayers and consumers would need to accept more of the development and construction risk if it were to attract investors for SZC (paragraphs 1.3 to 1.6 and Figure 1).

11 Delays gave the Company time to put the project on a firmer footing than if DESNZ had announced a budget and approval earlier. DESNZ reached its final investment decision for SZC in July 2025, after investing £5 billion in the project. This decision took 4.5 years and was at least 28 months later than originally planned, because of factors such as the change of government and responding to feedback from potential investors and the government's internal assurance processes. However, construction started in April 2024, and the delay to the full approval allowed the Company to progress the project and strengthen its cost and schedule estimates, supply chain arrangements, and governance and processes. This helps mitigate a risk we have previously highlighted: announcing the budget and timetable for large projects before costing and feasibility work is complete, and before there is assurance that the supply chain can deliver (paragraphs 1.7 to 1.9 and Figure 2).

Negotiations

12 DESNZ secured private investment despite previous failures to negotiate a nuclear deal. DESNZ needed its negotiations with EDF and other private investors to succeed, as it believed arriving at a credible plan B would involve a lengthy reset. It conducted two main negotiations (paragraph 2.4).

- DESNZ wanted EDF's commitment to SZC, including cooperation from its HPC project and supply chain, while not re-opening the agreed terms of HPC's deal. DESNZ achieved this by accepting EDF would invest less equity. DESNZ accepted EDF taking a 12.5% stake rather than DESNZ's previous assumption of up to 19.9% (paragraph 2.5).
- DESNZ used a competitive process to identify the return and terms private investors required to invest in SZC, with bids converging as bidders dropped out. Investors said the strong government support was essential to their participation. DESNZ resisted many requests to extend this support, agreeing only limited changes to reach a deal (paragraphs 2.6 to 2.7).

Costs and returns to taxpayers

13 HM Treasury is using the government's commercial return from SZC to subsidise consumer bills and offset part of the project's cost. DESNZ has committed to invest up to £3.8 billion in the Company's equity, and the National Wealth Fund will provide up to £36.6 billion of debt in nominal terms. They will receive a financial return in line with other investors. HM Treasury intends to 'recycle' any government profit on this to consumers to reduce the impact of SZC on electricity bills by up to £19.2 billion to £20.9 billion (in 2024-25 prices) over SZC's lifetime. Recycling is a policy decision, which the government could stop or modify at a later point, changing the cost to consumers (paragraph 2.17 and Figure 7).

Costs and returns to consumers

14 DESNZ expects SZC to increase average household electricity bills during construction. The actual cost to each consumer will depend on their consumption of electricity, and DESNZ has not analysed how this will vary between different households, commercial or industrial customers. It expects SZC to add £4 to a typical household's bills in 2025-26. This will build up to a peak of around £19–£21 a year in the first decade of SZC's operation (2024-25 prices). It will then decline over the rest of SZC's operational life. This impact excludes the system benefits set out in paragraph 5 when comparing SZC to other ways of reaching net zero. As is often the case with major, long-lived infrastructure projects, SZC will also have a significant intergenerational impact: half the costs fall to consumers before 2051 and the modelled benefits only start to outweigh those costs after 2064 (paragraphs 2.20 to 2.22, and Figure 10).

15 Although SZC should cost less to build than HPC, consumers may still pay more for SZC's electricity. SZC's project baseline construction cost is 22% lower than the lowest current estimate for HPC. But DESNZ estimates an equivalent strike price (the present value of consumer payments per unit of electricity) of £131 to £155 per megawatt-hour (MWh) (in 2024-25 prices) if costs fall between the project baseline and higher regulatory threshold (with associated schedules and after the 'recycling' consumer subsidy). To match HPC's fixed in real terms £129 per MWh in 2025 prices SZC would need to come in below the project baseline, because HPC's price was set before its cost overruns and SZC is affected by the rise in borrowing costs since then. These strike prices do not include any system cost benefits of nuclear set out in paragraph 5 (paragraphs 1.15, 1.23 and 2.19, and Figure 4).

Costs and returns to private investors

16 **Private investors share construction risk with consumers and taxpayers but are exposed to 'tail-end' scenarios above the higher regulatory threshold.** Investors still face the normal risks of running the business, but many of these are shared with consumers or have limits on how much investors can gain or lose. Investors told us their main exposure is to 'long-tail' risks, including if construction costs rise above the higher regulatory threshold. In that case, the Secretary of State can approve the Company spending more (with mechanisms that can limit investors' financial returns), provide further government funding (diluting private investors' equity), or discontinue the project (paragraphs 2.25 to 2.27).

17 **DESNZ argues that involving private investors is justified because they will help manage the project better.** This is a departure from how the government has generally justified its use of private finance. Previously it has transferred risk to private investors arguing they are better able to manage those risks (paragraph 2.10). We found the following:

- **Using public money to fund most of the debt and almost half the equity has reduced the cost of the project.** Using public money instead of 100% private finance improves the net benefits of the project by £21 billion, enough to ensure the net present social value is positive under DESNZ's modelling (paragraphs 2.8 to 2.9).
- **Private investors could improve project management enough to justify their cost, but the same benefits might be achievable more cheaply.** Bringing in private finance reduces net benefits by at least £4.0 billion if investors do not help reduce construction costs. DESNZ justifies that cost by assuming that a fully public project would reach the higher regulatory threshold, and that private investors will reduce construction costs by at least £3.9 billion and delays by 24 months. This would offset the £4.0 billion cost of private finance (paragraphs 2.10 to 2.12 and Figure 9).

18 The sharing of risk with taxpayers and consumers has reduced SZC's cost of finance, but investor returns still appear to reflect a 'nuclear premium'. If construction costs are:

- at the lower threshold (with associated schedule), investors receive £9.73 billion net cash (2024-25 prices) at an annualised post-tax rate of 12.0% to 13.0% nominal; and
- at the higher threshold (with associated schedule), investors receive £10.74 billion net cash (2024-25 prices), over four more years, at an annualised post-tax rate of 10.8% to 11.4% nominal.

These returns are higher than typically seen in other utility sectors and within the wide range reported for other nuclear projects. DESNZ expected the regulated asset base model and government support package to reduce financing costs reflected in consumer bills. SZC investor returns are about 5 percentage points lower than originally expected for HPC once current higher borrowing costs and the level of debt in the project are taken into account. However, SZC's cost of finance is higher than for Thames Tideway Tunnel, which also uses a regulated asset base and government support package but is generally considered a lower-risk project. These comparisons are before accounting for the consumer subsidy implied by using cheaper government financing (paragraphs 2.23, 2.29 to 2.31, and Figures 11 and 12).

19 It is not clear that the deal sufficiently incentivises investors to keep construction costs well below the higher regulatory threshold. Investors told us they are strongly motivated to avoid outcomes above the higher threshold. Below this point, if construction costs rise, investors receive more cash overall, but later, and at a lower rate of return. This creates an incentive of up to around 1.6 percentage points to help reduce costs. The amount of cash investors can take out during construction is also capped at 6%. However, investors still earn returns comparable to other utilities if costs come close to, but remain below, the higher threshold. Whether these incentives are strong enough to deliver the scale of cost and timetable improvements assumed by DESNZ depends on investors' wider circumstances, including their access to capital and alternative investment opportunities, and cannot be determined from the structure of the deal alone (paragraphs 2.23 to 2.28 and Figure 11).

Managing key risks to deliver SZC

20 The Company and DESNZ have used lessons from previous mega-projects to develop innovative approaches to managing risks to delivery. Successfully delivering SZC will depend on implementing these (paragraphs 3.1 and 3.2), including the following:

- **Working through the SZC company governance:** Government cannot direct the Company as it would an arm's length body. Its appointed directors sit on the SZC company boards and will need to work with the private investors' directors to influence delivery (paragraphs 3.3 and 3.4, and Figure 13).
- **Using new budget flexibilities:** HM Treasury has committed to support SZC up to the higher regulatory threshold and allow it flexibility as to when it spends its budget (paragraphs 3.5 and 3.6).
- **Confidence in cost forecasts:** The government and other investors have agreed to use the Company's cost forecasts, which are verified by both an independent technical advisor (on whether costs are allowable to be charged to consumers) and the investors' technical advisors (paragraphs 3.7 and 3.8).
- **Integrating contractors and work packages:** The Company is setting up alliance partnerships with joint-incentive payments for its main contractors to encourage them to collaborate. It intends to manage the integration of these contracts itself as an alliance member (paragraph 3.9).
- **Incentivising contractors:** The Company has developed a new approach to incentivise its main civil and mechanical contractors. It will pay their actual costs to deliver agreed work packages, plus a fixed agreed amount for overheads and profit. The higher contractors' costs, the lower their profit margin. The Company describes these as 'cost-but-not-plus' contracts (paragraphs 3.10 and 3.11).
- **Attracting skilled workers:** At its peak, the Company expects SZC to require 8,000 workers on site, including 1,500 apprentices. It showed us how it was communicating its workforce needs to contractors, how it hopes to enable workers to move smoothly from HPC to SZC, and how it will set up a workforce academy to train staff (paragraph 3.12).
- **Meeting regulatory expectations:** The Company has a central regulatory compliance function that aims to plan for and manage its engagement with regulators early. This has facilitated gaining its main consents, permits and licences, and it told us it is on track for the others (paragraph 3.13).

- **Engaging the community:** The Company has budgeted £130 million for local community and environment projects. This goes beyond its legal and licensing obligations, but the Company told us this would ultimately help it deliver the project more cheaply and at less risk of disruption (paragraph 3.14).
- **Fostering the right culture:** Other nuclear sites have had allegations of bullying and poor industrial and contractor relations. The Company told us that it is instilling common workforce norms through its training and collecting feedback from all staff working on site, regardless of employer (paragraph 3.15).

Value for money conclusion

21 DESNZ believes SZC will lower electricity system costs compared with alternative ways of achieving net zero. This is uncertain because it is hard to predict the future costs and likelihood of success of alternative technologies, but DESNZ has reasonably argued that, because SZC uses a proven technology, it reduces risk across its portfolio. SZC still carries major delivery risks: no nuclear power station of its type has so far been built without delays or cost increases.

22 DESNZ hopes that a new delivery and financing model, designed so the taxpayer and consumer take on more of the project risks, together with replicating the design of HPC and more mature cost estimates, mean SZC will deliver to time and budget where others did not. But this approach has costs and its justification relies on some big assumptions. DESNZ has intentionally limited the government's control over the project by sharing ownership with other investors, seeking to avoid governance weaknesses that have beset other mega-projects. The sharing of risk with the taxpayer and consumer appears to have reduced the cost of financing the project, but the rewards for investors still appear high, given their limited exposure to project risk. The extent to which investors will be incentivised to control project costs in the way DESNZ assumes is unclear.

Recommendations

Transferability of the model

23 There is interest in whether this delivery model could be applied elsewhere. But SZC reflects specific circumstances in the UK nuclear programme, and the approach may not be transferable. Any department considering a similar approach should be able to explain why it is necessary for taxpayers and consumers to bear so much risk, and show that investor returns are proportionate to the risks investors actually carry.

Oversight of the cost, schedule and the role of the private investors

24 We recommend that DESNZ and the Company should:

a provide transparency of forecast cost and schedule through:

- joint annual updates to Parliament on the project's progress and forecast outturn; and
- notifying the Committee of Public Accounts of the circumstances in which the accounting officers will write to say that key milestones and thresholds such as the lower regulatory threshold are being approached.

b use their influence within the project (including with investors), and DESNZ's influence across government, to keep cost and schedule below the lower regulatory threshold.

c undertake, after an initial bedding in period, periodic evaluation of the governance and delivery model, to identify improvements and support the design of future projects. To support this, they should establish and maintain an ongoing record of how their public and private investors' involvement contributes to cost control, schedule performance and risk management, so they can evaluate whether private finance is delivering on the project-management improvements on which DESNZ's value-for-money case depends.

Presenting insight from modelling under uncertainty

25 In thinking about future projects, DESNZ should:

d strengthen how it presents insight from its modelling when approving future projects. As illustrated by the analysis in this report, modelling long-term system costs and net present social value involves substantial uncertainty, and outcomes are highly sensitive to assumptions. It should publish:

- the scenarios in which the project would – and would not – deliver value for money, and the factors that would drive those outcomes;
- the key assumptions that must hold for net benefits to be realised, and the principal risks to value for money if they do not;
- how impacts and risks are distributed over consumers and taxpayers, including intergenerational and distributional effects; and
- how the project fits within DESNZ's wider portfolio of investments and risks.

e develop and use a consistent approach to setting out system cost impacts for new generation and network upgrades, including how it uses, and explains the limits of, measures such as levelised cost of electricity and equivalent strike prices. It should consult with stakeholders on the most appropriate approaches and metrics to use.