



National Audit Office




REPORT

Sizewell C

Department for Energy Security & Net Zero
and Sizewell C Ltd

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Sizewell C

Department for Energy Security & Net Zero
and Sizewell C Ltd

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

12 May 2026

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The National Audit Office study team consisted of:


Mark Bisset,
Alexander Farnsworth and
Cameron Paton, under the
direction of Joshua Reddaway.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

 020 7798 7400

 www.nao.org.uk

 @NAOorguk

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.

Part One

Setting up the project

1.1 This part covers the:

- background to Sizewell C (SZC);
- expected SZC construction cost and schedule; and
- the Department for Energy Security & Net Zero's (DESNZ's) strategic and economic case for SZC.

Background to SZC

1.2 SZC is a new large-scale nuclear power station under construction in Suffolk. It is expected to start producing electricity from 2038 and operate for at least 60 years, providing the electricity to power the equivalent of six million homes from its two European pressurised water reactors (EPRs). Sizewell C Ltd (the Company) will build and operate SZC.

History

1.3 From 2008 to 2022 the government's policy was to support new nuclear projects that were privately developed and funded and with firm limits on the costs to electricity consumers (consumers) and taxpayers in the deals it was willing to strike. The government identified eight sites on which it wanted private investors to develop new large nuclear power stations.

1.4 DESNZ successfully negotiated a deal with Électricité de France (EDF) and China General Nuclear Power Group (CGN) in 2016 to build two EPRs at Hinkley Point C (HPC) in Somerset.¹ DESNZ guaranteed that HPC would receive £89.50 per megawatt-hour (MWh) in 2012 prices (£128.94 in 2025 prices) for the first 35 years of its operational life, regardless of the market price of energy, and provided some other guarantees through a government support package.² We concluded that this committed the developers to bear the construction risks and protected taxpayers and consumers from costs overrunning. However, we also noted that consumers could end up paying more for HPC's electricity than if the government had shared these risks and encouraged DESNZ to consider alternative ways of financing nuclear projects.³

1.5 Following this, DESNZ sought to create competitive tension among developers with four other projects under active development in early 2017. However, this did not deliver the government's intended outcome of further deals at a price it and developers would find acceptable and left some developers with significant losses (**Figure 1** on pages 18 to 20). Reflecting on the experience of these projects, and with EDF reporting falling returns on its HPC investment, DESNZ decided that its approach to risk transfer had hampered progress in negotiations and other investors were unlikely to agree deals where they took as much risk as HPC at an acceptable price.

1.6 In 2022, with SZC the only active large nuclear site under development, the government legislated for a new approach to support nuclear projects: the nuclear regulated asset base.⁴ This provided for developers to receive a set return on accepted construction spend and a regulated return on it during operation; taken together, and although subject to incentive mechanisms, this reduces their exposure to construction risk.

1 References to DESNZ include its predecessor departments before machinery of government changes: the Department of Energy and Climate Change (October 2008 to July 2016) and the Department for Business, Energy & Industrial Strategy (July 2016 to February 2023). References to EDF relate to the parent company or its controlled subsidiaries.

2 The strike price agreed for HPC in 2016 was £92.50 in 2012 prices, which would reduce to £89.50 if SZC reached financial close.

3 Comptroller and Auditor General, *Hinkley Point C*, Session 2017-18, HC 40, National Audit Office, June 2017.

4 Nuclear Energy (Financing) Act 2022 (legislation.gov.uk), accessed 1 April 2026.

Figure 1

Timeline of developer negotiations at eight potential nuclear sites in England and Wales, including Électricité de France (EDF) at Sizewell, 2009 to 2022

Competition for a deal reduced from four projects in development in early 2017 to only Sizewell C by the end of 2022, as investors stopped negotiating with the government or withdrew from the market

Nuclear sites	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Deal achieved or nuclear site has an active developer of a viable large-scale nuclear project	
Sizewell	Jan 2009 EDF buys British Energy, including the Hinkley Point and Sizewell sites							Sep 2016 CGN takes a minority stake in the Sizewell C project					Jan 2021 Government starts formal negotiations with EDF over support for Sizewell C	Nov 2022 Government injects £679 million to become the joint shareholder with EDF and allow CGN to exit	✓ (active developer)	
Hinkley Point	Nov 2012 Government starts discussing support for Hinkley Point C with EDF				Oct 2015 China General Nuclear (CGN) reaches nuclear investment agreement with EDF		Sep 2016 Government approves deal with EDF and CGN for Hinkley Point C								✓ (deal achieved 2016)	
Bradwell	Apr 2009 EDF buys Bradwell site							Sep 2016 CGN takes the lead on the Bradwell project		Mar 2017 Bradwell Power Generation Company Ltd (BPG) leases Bradwell site from EDF					Dec 2022 BPG suspends development work at the Bradwell site	✗
Wylfa Oldbury	Apr 2009 Horizon Nuclear Power Ltd (HNP) starts process of buying land at Wylfa and Oldbury sites			By Jan 2012 HNP completes Wylfa and Oldbury land purchases started in April 2009				Jun 2018 Government announces start of formal negotiations with HNP about support for Wylfa B (Wylfa Newydd)					Jan 2019 HNP suspends almost all of its development activities at Wylfa and Oldbury sites	Sep 2020 HNP's owner announces intention to withdraw from the UK nuclear market	✗ ✗	
Moorside	Oct 2009 NuGeneration Ltd (NuGen) obtains option on Moorside site						Jul 2015 NuGen leases Moorside site from the Nuclear Decommissioning Authority (NDA)			Apr 2017 NuGen's owner confirms it is seeking to sell its holding in the company	Nov 2018 NuGen's owners decide to withdraw from the project altogether	Jan 2019 NuGen formally starts process of winding up, including releasing Moorside site to the NDA		✗		
Hartlepool Heysham	Jan 2009 Hartlepool and Heysham sites transferred to EDF as part of sale of British Energy													✗ ✗		

Figure 1 *continued*

Timeline of developer negotiations at eight potential nuclear sites in England and Wales, including Électricité de France (EDF) at Sizewell, 2009 to 2022

Notes

- 1 In January 2008, the government published *Meeting the Energy Challenge, A White Paper on Nuclear Power*, which sought to encourage nuclear new build, with sites near existing nuclear facilities seen as the most viable.
- 2 In July 2011, the government published its National Policy Statement for nuclear power generation confirming eight sites as potentially suitable for new nuclear power stations in England and Wales before the end of 2025. The eight potential sites were land attached to earlier nuclear power stations; at the beginning of 2009 these were owned by either the Nuclear Decommissioning Authority or British Energy.
- 3 While EDF has maintained a majority interest, since 2016 China General Nuclear (CGN) has had a minority stake in the development company for Hinkley Point C (HPC); the same was true for the development company for Sizewell C between 2016 and 2022. Conversely, the development company for the Bradwell site, formed in 2016, was controlled by CGN with EDF having a minority stake. At the end of the activity covered in this chart, Horizon Nuclear Power was ultimately owned by Hitachi Ltd, and NuGeneration Ltd was ultimately owned by Toshiba Corporation. This is not an exhaustive ownership history for these companies.
- 4 Failed or cancelled nuclear projects at these sites have led to significant losses to developers. After negotiations for a project at Wylfa Newydd failed, Hitachi wrote off £2 billion. As Toshiba and its UK companies first sought, and then were unable, to sell the suspended Moorside project, they recorded losses of several hundred million pounds. When the CGN-led development at Bradwell was suspended, it had net assets of around £270 million; following impairment, EDF's 2023 accounts showed the carrying value of its interest in the project as zero. If negotiations over the HPC deal had collapsed at the last minute, we estimate that EDF could have lost around £2.5 billion. These numbers have not been adjusted for inflation.
- 5 The government deal for HPC involves a 35-year price support mechanism for the electricity HPC produces, called a 'contract for difference' (CfD). In 2017, 2019, 2021 and 2022 EDF reported delays or cost increases for HPC, reducing its rate of return. In February 2024, EDF reported that the rate of return was below its cost of capital. EDF impaired its investment in HPC for reasons related to cost or schedule changes in its 2023 and 2025 accounts by £8.8 billion and £1.5 billion (our conversion from €1,769 million), respectively. EDF had ruled out doing a similar deal again, and no further CfD deals were concluded with other developers, despite the government being willing to provide some equity and debt financing to Wylfa Newydd in addition to a CfD.

Source: National Audit Office analysis of public information

Run-up to the deal

1.7 DESNZ started formal negotiations with EDF for SZC in 2021 and initially expected to reach 'financial close', when contracts take effect, by the end of March 2023 (**Figure 2** on pages 22 and 23). DESNZ and HM Treasury made a final investment decision (FID) in July 2025, having agreed terms with EDF and other private investors. This was 4.5 years after negotiations started and at least 28 months later than originally planned. The project was delayed several times, including by the 2024 General Election; responding to feedback from potential investors and the government's internal assurance processes; and longer than expected negotiations with EDF and the other investors. Financial close was reached in November 2025.

1.8 The Company started as a subsidiary of EDF (then in partnership with CGN), but from 2022 EDF was not prepared to continue to fund the development of the project alongside its commitments to HPC. In November 2022, DESNZ announced a £679 million investment in the Company to become a 50% owner, and allowing for CGN's exit from the project.⁵ At each major delay to the timetable once EDF had reached its maximum contribution, DESNZ injected more money into the Company. This increased its ownership share and diluted EDF's. By November 2025, DESNZ had injected £5 billion and owned 90% of the equity. The Company used this investment for enabling works such as temporary structures and road upgrades, procurement from equipment manufacturers for items with long lead-times, and developing project plans and designs. DESNZ told us that from 2017 to its investment decision it spent nearly £77 million on external advice.

The impact of the delay to financial close

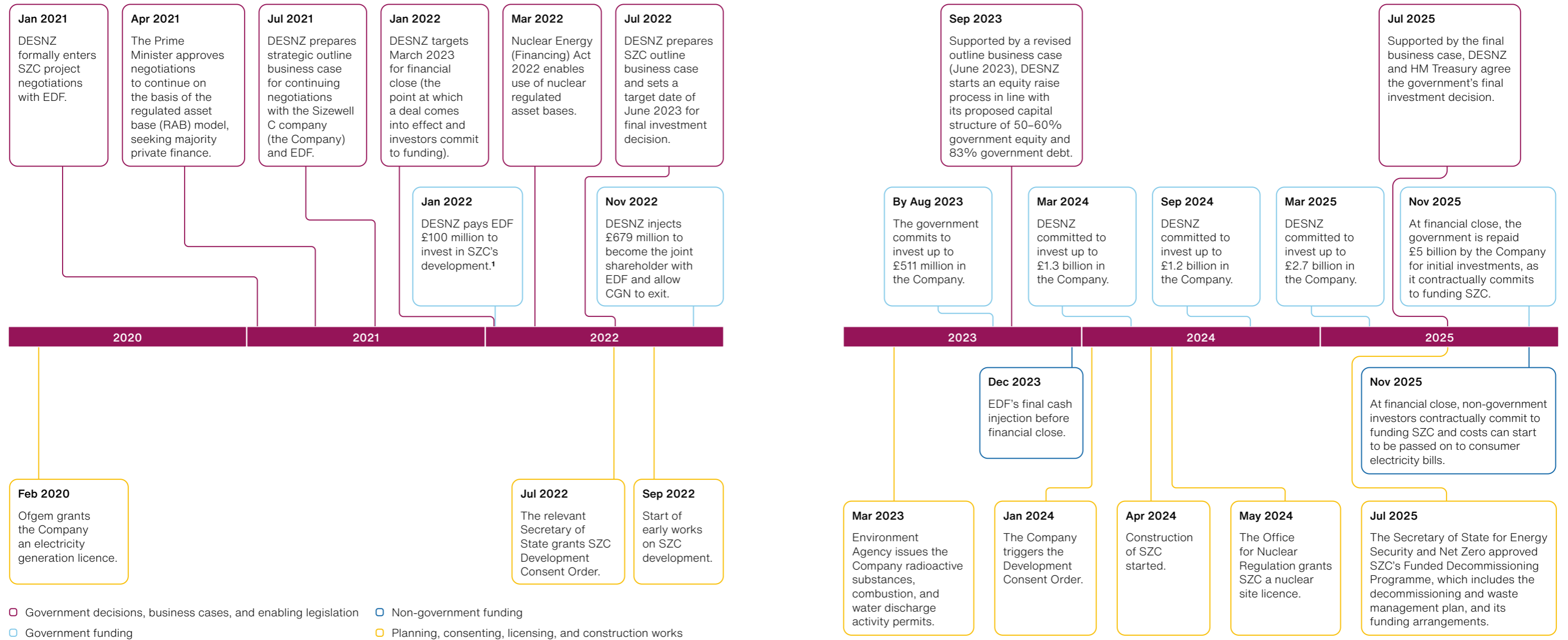
1.9 The delay allowed the Company to improve its cost and schedule estimate, supply chain arrangements, and its governance and processes. We have previously cautioned about announcing the budgets and timetables for large projects before costing and feasibility analyses have been completed, and there is assurance that the supply chain can deliver.⁶ Funding the Company with £5 billion during negotiations with EDF and the private investors helped keep the construction start date at April 2024. This helped maintain the overlap in timetable with HPC so that SZC could benefit from bringing people, the supply chain and equipment without a delay between the projects. Prior to making a deal, DESNZ funded the project at risk accepting it could lose its investment.

⁵ All monetary values in this report are nominal unless stated otherwise.

⁶ Comptroller and Auditor General, *Lessons learned: Governance and decision-making on mega-projects*, Session 2024-25, HC 545, National Audit Office, March 2025.

Figure 2
Timeline of selected events and information relating to the development of the Sizewell C (SZC) nuclear power station, 2020 to 2025

The Department for Energy Security & Net Zero (DESNZ) started SZC project negotiations with Électricité de France (EDF) in 2021, closing the deal in 2025



Notes

1 In January 2022 the government paid EDF £100 million as an option fee, which EDF was required to invest in developing SZC. If the project later secured funding, the government would either be repaid or the £100 million would be converted into government equity. If no successful fundraise occurred by the specified date, the agreement gave the government rights over the project and site.

2 All prices are presented in nominal terms.

Source: National Audit Office analysis of Department for Energy Security & Net Zero documents and public information

International experience

1.10 Large-scale nuclear power stations have a history of cost and schedule overruns. Developers experienced delays with previous projects using EPRs (**Figure 3**). In addition to delays at HPC, Flamanville in France and Olkiluoto in Finland have each experienced delays of more than a decade and cost four times their original estimates. China does not report costs, but its two EDF-designed reactors experienced five-year delays, and one had significant performance issues within its first five years of operation. This is not the only reactor design where there are instances of severe cost and schedule overruns. For example, the Vogtle and VC Summer sites in the USA also experienced difficulties.

Replicating Hinkley Point C

1.11 DESNZ and the Company have sought to reduce ‘first-of-a-kind’ risk by learning from HPC and international experience. Recent EDF nuclear projects have been their countries’ first EPR (although some sites have two reactors), and each has tailored EDF’s design to their local regulations. By contrast, SZC is intended to replicate HPC, which means:

- SZC’s designs were unusually developed when the project reached FID. This is because SZC could benefit from HPC having already completed much of the work. The Company told us that, at the time SZC was approved, HPC had completed over 99% of detailed (execution) design for its civil works and 85% of detailed design for its mechanical work. By contrast, in 2016, when EDF reached FID on HPC, EDF had completed the outline design but only about 10% of the detailed design work necessary to complete the project. Designs in Finland and France were similarly immature when their respective sponsors made investment decisions.
- While Hinkley Point and Sizewell require bespoke groundworks, the Company told us that about 85% of the above-ground design from HPC could be directly replicated for SZC, so it could use those detailed designs.
- SZC’s reactor design is already compliant with UK nuclear and other safety regulations.
- Key components for SZC, including the reactor, are being manufactured by EDF subsidiaries and companies supplying HPC, without a delay for skills and experience to be lost.
- SZC is learning from HPC about organising and delivering construction, including improvements that the Company told us have been made between the delivery of the first and second reactors at HPC.
- SZC plans for half of its workforce to bring experience of working on HPC.

Figure 3

Indicative construction and operational experience of predecessor European pressurised water reactor (EPR) nuclear reactors

All Sizewell C's predecessor EPRs have experienced construction delays and cost overruns

	Olkiluoto 3	Flamanville 3	Taishan 1	Taishan 2	Hinkley Point C (unit 1)	Hinkley Point C (unit 2)
Status	Commercial operations	Commissioning	Commercial operations	Commercial operations	Under construction	Under construction
Construction started	2005	2007	2009	2010	2018	2019
Early estimate for operations	2009	2012	2013	2014	2025	2025
Actual date operations began or revised scenarios	2023	No earlier than 2026	2018	2019	2030 to 2031	2031 to 2032
Construction delay in years or years so far	14	14	5	5	5 to 7 years (range across both units)	
Early cost estimate (price year)	€2.3bn (2024)	€3.2bn – €3.3bn (2015)	Unavailable	Unavailable	£17.9bn (2015)	
Actual cost or recent cost scenarios (price year)	€9.6bn (2024)	€13.2bn (2015)	Unavailable	Unavailable	£35bn – £36bn (2015)	
Approximate cost overrun or so far	320%	300% – 310%	Unavailable	Unavailable	100%	
Energy availability factor	84%	Not yet operational	59%	80%	Not yet operational	
Non-operational period	0%	Not yet operational	29%	5%	Not yet operational	

Notes

- European pressurised water reactor refers to a type of nuclear reactor, instances of which may be located outside Europe.
- 'Construction started' is as reported by the International Atomic Energy Agency's (IAEA's) Power Reactor Information System (PRIS) database: <https://pris.iaea.org/pris/> © IAEA 2026. This database defines 'construction started' as 'the date when first major placing of concrete for the base mat of the reactor building is made. From this date the reactor is considered to be under construction.'
- 'Energy availability factor', also taken from PRIS, is a cumulative figure up to the end of 2024 (the most recent data available), and is defined by the database as 'the ratio of the energy that the available capacity could have produced during this period, to the energy that the reference unit power could have produced during the same period.'
- 'Non-operational period' data is based on the IAEA series of publications: Operating Experience with Nuclear Power Stations in Member States, which also cover to the end of 2024. We have defined non-operational periods as those covering three or more consecutive calendar months where no electricity was generated. Periods with some generation, or shorter periods of no generation, have not been included as we want to ensure the measure excludes normal maintenance shutdowns in the early periods of operating a new nuclear reactor.
- 'Actual date operations began' or other references to 'operations' relate to when a project is in commercial operation. As at the end of April 2026, Flamanville 3 had not yet entered commercial operations.
- Électricité de France (EDF) published its most recent cost figures for Hinkley Point C in February 2026, as part of its 2025 annual results.
- Costs and percentages are rounded.

Source: National Audit Office analysis of public information including PRIS – Power Reactor Information System (www.iaea.org/pris), © IAEA 2026

1.12 EDF has several key roles supporting SZC to achieve these replication benefits, including:

- The Company is buying key equipment from EDF France subsidiaries such as the reactors from Framatome and turbines from Arabelle.
- EDF EPR Engineering UK will provide nuclear engineering services (as it does to HPC).
- Nuclear Services Company (owned a third each by EDF Energy Nuclear Generation Limited⁷, HPC and the Company) will provide technical support, including on regulatory safety requirements.

1.13 EDF also provides the Company with access to information from HPC, including confidential cost and progress information, know-how, and lessons learned. While both HPC and the Company were majority owned by EDF, they agreed the Company would pay HPC for access to this information up to financial close. On this basis, the Company paid £1.6 billion to HPC in November 2025. Different arrangements govern information sharing since financial close.

1.14 As part of the 2016 HPC deal, EDF agreed with DESNZ that if SZC reached its FID, the strike price for electricity generated at HPC would be reduced by £3 per MWh, from £92.50 per MWh to £89.50 per MWh (in 2012 prices). The £1.6 billion payment was calculated to exactly offset the impact of the £3 per MWh reduction.

Expected cost and time for constructing SZC

1.15 The Company produced estimates in early 2024 of how much SZC will cost, with associated estimates of how long construction will take, drawing on its detailed access to costs, productivity and progress at HPC. From these (**Figure 4** on page 28), the Company and DESNZ arrived at the following metrics (real terms 2024-25 prices).

- **'Point estimate'**: This is the Company's non-risk-adjusted forecast (and therefore unlikely to happen).
- **'Project baseline' of £38.2 billion (associated timing: fully operational by July 2039)**: This represents the Company's current risk-adjusted forecast of construction costs. Its executives' and main contractors' financial incentives focus on delivering below this budget (and associated timing). It represents a saving of around 22% on the lowest current estimate for HPC. However, it excludes some costs included in the regulatory thresholds below, the main one of which is the £1.6 billion payment to HPC mentioned in paragraph 1.13.

⁷ EDF Energy Nuclear Generation Limited is owned 80% by EDF and 20% by Centrica.

- **'Lower regulatory threshold' of £40.5 billion set by DESNZ in the Company's licence (associated timing: fully operational by October 2039):** This is close to the mid-point (known as the circa p50 estimate) in the Company's cost forecasts. A pain/gain share mechanism means all investors share the effect of variance in cost outturn above or below this amount equally with consumers.
- **'Higher regulatory threshold' of £47.7 billion set by DESNZ in the Company's licence (associated timing: fully operational by August 2043):** This is close to the outturn where 90% of the Company's cost forecasts come below it (known as the circa p90 estimate). Investors have committed to fund the project up to this. The Secretary of State would have to decide what to do if costs rose above this.

1.16 The Company used good practice in combining multiple risk analysis techniques to produce its forecasts and, benefiting from the maturity in its designs, it increased the certainty of parts of its forecasts by:

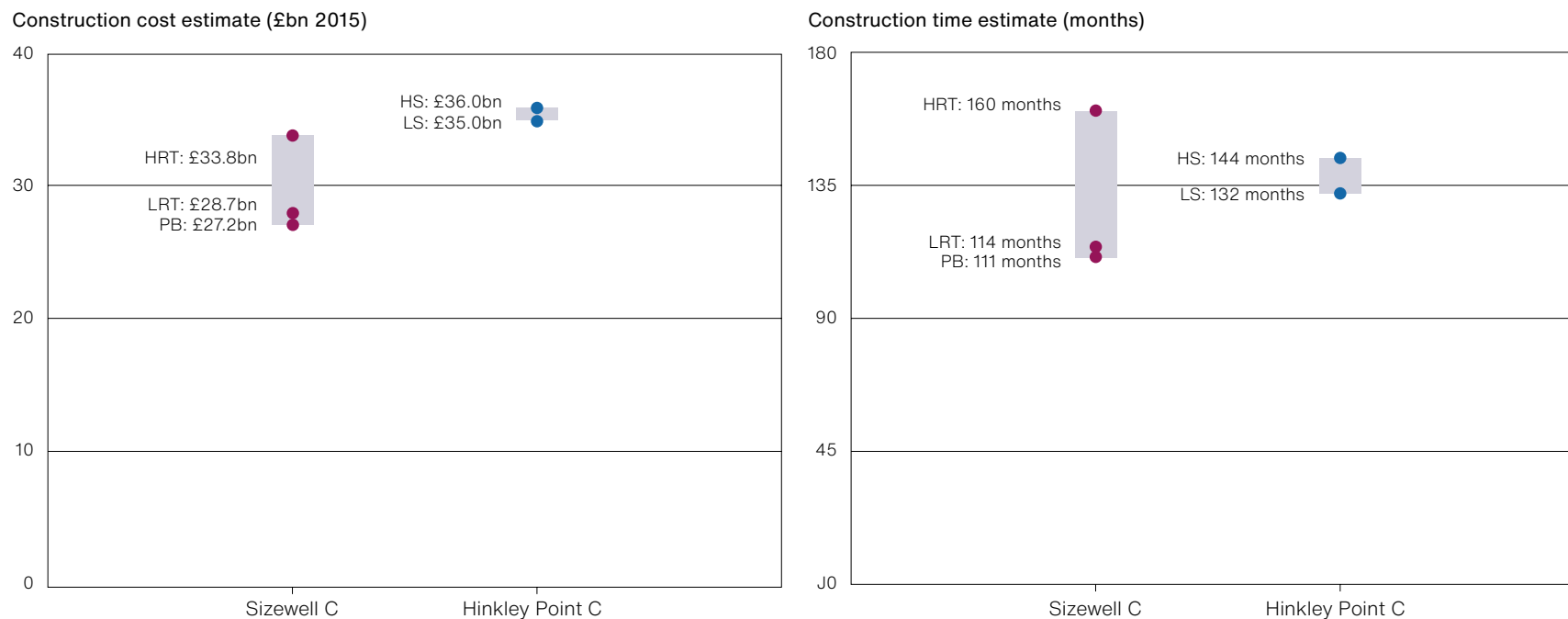
- using contractors with recent experience from HPC;
- agreeing fixed-price contracts with specialised manufacturers; and
- agreeing labour rates with unions for work within its two main alliances.

The Company told us that it has certainty, very high or high confidence in relation to around 60% of costs in its current estimate, and reasons for some confidence over the rest (**Figure 5** on pages 29 and 30). It told us it plans to regularly review its risk-adjusted forecasts using the methods above; its latest review in 2025 found that it is currently on track to deliver against its 2024 baseline estimate.

Figure 4

Costs (in 2015 prices) and months to construct Sizewell C (SZC) estimated by Sizewell C Ltd (the Company) in 2025, compared with Hinkley Point C (HPC)

SZC is intended to be an above-ground replica of HPC, and the Company has a range of estimates for the cost and time to construct SZC which it expects will be cheaper and faster to build than HPC



Notes

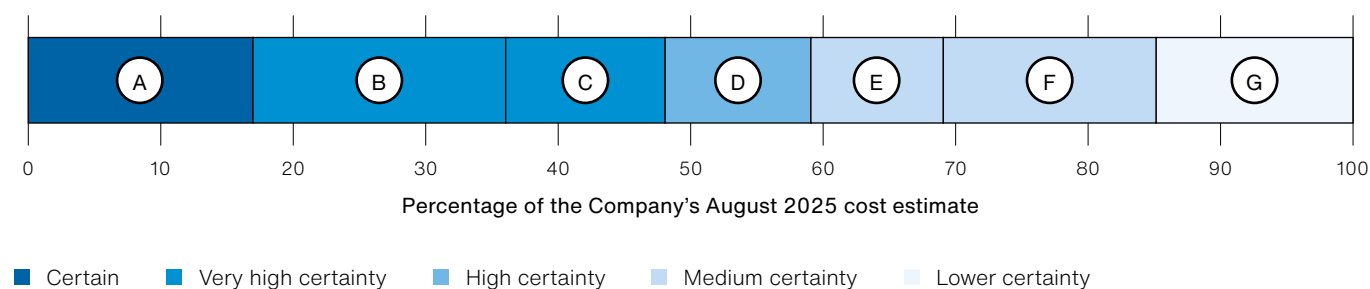
- Labels are project baseline (PB), lower regulatory threshold (LRT), higher regulatory threshold (HRT), lower scenario (LS), and higher scenario (HS).
- HPC data are from Électricité de France's (EDF's) 2025 financial statements and accompanying material released by EDF as it presented its 2025 annual results, with cost data in 2015 prices as published.
- SZC construction cost data uses publicly stated numbers, with price base adjustments. The published LRT and HRT cost figures have been converted to 2015 prices by the Company to facilitate comparison with HPC. The Company's PB cost estimate is as of July 2025 and has been similarly converted. The PB excludes some costs that are included in the LRT and HRT, the largest of which is a £1.6 billion contractual payment to HPC for knowledge sharing. The HPC cost data does not include the receipt of this payment.
- The SZC schedules included are those associated with the cost estimates used in the labels. The numbers given are to the start of commercial operations for unit 1, with unit 2 expected to follow 12 months later.
- J0 or 'Jalon Zero' is a French term meaning 'milestone zero'. It marks the point at which groundworks are complete. It has been used as a comparable baseline for the two projects given their different experiences before that point. For SZC, J0 is expected to be at the end of March 2029 and any schedule risk and uncertainty is allocated after J0. For HPC, J0 was in June 2019.
- Shaded bars represent the ranges of costs and times to construct SZC and HPC. Comparison between HPC's and SZC's cost and schedule ranges is necessarily inexact given the very different stages of the two projects.

Source: National Audit Office analysis of Department for Energy Security & Net Zero and Sizewell C Ltd data, and Électricité de France published information

Figure 5

The level of certainty Sizewell C Ltd (the Company) has over its construction cost estimate, August 2025

The Company told us it had a high, or greater, level of certainty in relation to around three-fifths of its cost estimate, and reasons for confidence over the rest



Cost area	Share	The Company's certainty assessment	Factors affecting the Company's cost certainty
	%		
A Sunk costs	17	Certain	Already incurred.
B Nuclear equipment, engineering and project management (signed contracts)	19	Very high	Predominantly fixed price contracts (as replicated from Hinkley Point C (HPC) or contractors experienced with HPC). Costs expected to only vary marginally or with inflation.
C Commodity materials and equipment (for ground works and building construction)	12	Very high	Replicated (and minimally adapted) from HPC. Design is complete or near complete. Quantities known with high confidence. Can be procured well in advance, so not affected by delays elsewhere.
D Labour – complex civil engineering works	11	High	Replicated from HPC with complete or near-complete design. Supply chain experience with delivery of this scope at HPC. (Together these enable realistic production/productivity targets.) Long-term agreement fixes labour rates. Alliance agreement signed and detailed contracts being let.
E Labour – installation and commissioning of mechanical, electrical, heating, ventilation and air conditioning equipment	10	Medium	Replicated from HPC with near-complete design. Long-term agreement fixes labour rates. Negotiations on alliancing agreement still underway. Limited delivery experience available from HPC to date to inform cost estimate.
F Nuclear equipment, engineering and project management costs (without signed contracts)	16	Medium	Equipment is replicated from HPC with complete design. Equipment can be procured in advance, so not affected by delays elsewhere. Project management will draw on expertise built up at HPC.
G Non-replicated site works	15	Lower	Specific to the Sizewell site. Design at different stages (two-thirds advanced; one-third less). Limited number of contracts signed.
The Company's August 2025 cost estimate	100		

Figure 5 *continued*

The level of certainty Sizewell C Ltd (the Company) has over its construction cost estimate, August 2025

Notes

- 1 The analysis is of the Company's cost estimate at August 2025, excluding risk and provisions for uncertainty.
- 2 Sunk costs (category A) include land purchase costs, achieving planning permission and regulatory approvals, completing designs, early earthworks and other site preparatory activities, and associated enabling infrastructure. A payment to Hinkley Point C (HPC), made after August 2025, was a long-standing contractual obligation and is included as a sunk cost.
- 3 Category B includes purchase of reactor vessels and turbines.
- 4 In category C, commodity materials include aggregate, cement and steel. Commodity equipment includes cables, pipes, scaffolding and cranes.
- 5 While the category E cost estimate presented did not draw on extensive delivery experience from HPC, the sequencing of the two projects means the Company expects there will be time to implement lessons from HPC before delivery of this activity begins.
- 6 Category G is largely 'standard' civils construction work comparable to other large civil infrastructure projects in the UK. It includes seawater tunnels for cooling, and constructing a jetty to enable bulk materials to arrive by sea.

Source: National Audit Office presentation of Sizewell C Ltd analysis

The strategic and value-for-money (VFM) cases

DESNZ's strategic case for a new large-scale nuclear power station

1.17 DESNZ aims to meet increased demand for electricity in 2050 in ways that are low carbon, low cost and secure. Successive governments have promoted variable renewable technologies (wind and solar) as the core of a decarbonised power sector. DESNZ has committed to support 50 gigawatts (GW) of new wind and solar generation since October 2014. However, these technologies need to be complemented by other technologies to compensate for when the wind is not blowing or light levels are low.

1.18 The UK currently relies primarily on burning natural gas for power (producing greenhouse gas emissions) to supplement renewables. Low-carbon technologies could be used to complement renewables in future, including burning natural gas with carbon capture or hydrogen for power, and long-duration storage. However, many of these technologies are untested at scale in the UK. They therefore present significant uncertainties, particularly relating to their future cost, deliverability, timescale and carbon intensity. DESNZ views nuclear as a proven technology with less 'first-of-a-kind' risk than these alternatives, so SZC reduces risk across its portfolio.

1.19 By contrast, large-scale nuclear has historically produced low-carbon electricity at scale. Nuclear currently provides a 'baseload' of 5.9GW of electricity to Great Britain, reducing the need for other sources. This capacity will fall as older reactors are decommissioned, which by 2031 will leave Sizewell B and HPC (if it is fully operational by then) as the only reactors operating, together producing 4.4GW.

1.20 DESNZ believes there are few feasible ways to achieve its aims without a new nuclear power station. Its modelling shows that if demand for electricity grows to the higher range of its expectations, then it cannot meet that demand in a low-cost and low-carbon way without new nuclear (see **Appendix One**). At lower levels of demand, it shows new nuclear is not necessarily needed if alternatives can be deployed at scale, but it would still support a low-cost, low-carbon supply.

DESNZ's economic case for SZC

Savings to taxpayers and consumers from falling system costs

1.21 DESNZ's published 2025 economic case states that SZC will deliver between £3.9 billion and £18 billion of net present social value, taking into account overall electricity system costs up to the end of its 60-year operating life (**Figure 6** overleaf).⁸ This varies depending on the future demand for electricity, SZC's construction cost and outturn schedule. It also identifies a range of non-monetised benefits from SZC that it judges to be significant, including improving security of electricity supply, maintaining the UK's nuclear supply chain and skills base, and proving the new nuclear financing model used for SZC.

1.22 The modelled savings show that SZC electricity will cost more to generate than DESNZ's 'next best' option of building more renewables to provide the same supply of low-carbon electricity from renewables supported by flexible forms of generation. For example, between the lower and higher regulatory thresholds (with associated schedules) the equivalent 'strike price' is expected to be £133 to £155 per MWh (2024-25 prices). This is the present value of what consumers will pay for electricity produced by SZC over its lifetime and assumes the government 'recycles' any profit on its investment in SZC to subsidise consumers' costs (paragraph 2.17). Without the consumer subsidy, the strike price would be £152 to £178 per MWh in 2024-25 prices. By comparison, Allocation Round 7 achieved a strike price of £91 per MWh for fixed offshore wind in February 2026.⁹

1.23 DESNZ's modelling shows that the greater cost of generation is outweighed by other benefits, and it expects SZC to reduce the overall cost to consumers compared with renewables. It believes standard metrics such as the equivalent strike price and levelised cost of electricity do not allow for a reasonable comparison between the cost to consumers of electricity from SZC as they do not capture wider system costs associated with intermittent generation, such as transmission costs, reserve generation capacity and other balancing services.

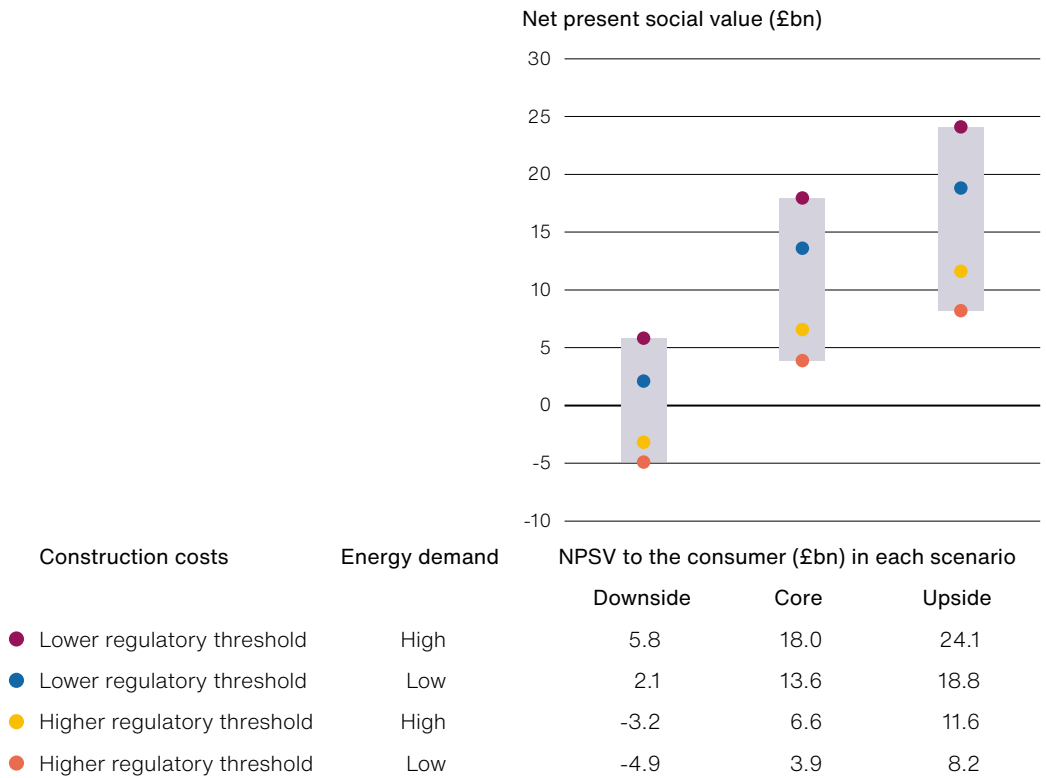
⁸ Department for Energy Security & Net Zero, *Sizewell C (SZC) Final Investment Decision, Value for Money (VfM) assessment*, July 2025.

⁹ Department for Energy Security & Net Zero, *Contracts for Difference Allocation Round 7 results*, January 2026.

Figure 6

Net present social value (NPSV) of Sizewell C (SZC) modelled prior to financial close

The Department for Energy Security & Net Zero’s (DESNZ) modelling shows a NPSV of SZC of between £3.9 billion and £18.0 billion for consumers in its core scenario



Notes

- DESNZ modelling recognises that NPSV savings to consumers vary depending on SZC’s construction cost and future demand for electricity. It therefore modelled four variations across these two variables in each scenario (downside, core and upside):
 - Low and high electricity demand: varying between 587 terawatt-hour (TWh) and 664 TWh a year by 2050, which represents an increase of 84% to 108% of 2024 demand.
 - Low and high construction costs: varying between the lower and higher regulatory thresholds with associated timings.
- DESNZ’s main assumptions are captured in its core scenario. Its upside scenario incorporates a higher capital cost of renewables, and the downside scenario includes a lower capital cost of renewables as well as SZC being available to generate for less time (85% rather than 90% of the time) and having a shorter lifetime (50 years rather than 60 years).
- Net benefits are in 2024 prices discounted to 2025 using the social time discount rate. DESNZ’s core scenario has been updated more recently than the upside and downside scenarios.
- Consumer NPSV includes ‘recycling’ of investment returns to electricity consumers, as published by DESNZ: Department for Energy Security & Net Zero, Sizewell C (SZC) Final Investment Decision, Value for Money (VfM) assessment, July 2025.

Source: National Audit Office analysis of Department for Energy Security & Net Zero and Sizewell C Ltd data

Uncertainty in DESNZ's modelling

1.24 DESNZ's modelled savings are subject to significant uncertainty.

For example, they:

- depend on events taking place several decades in the future, as they show that the break-even point for when the accumulated benefits to consumers will outweigh the accumulated additional costs is not until 2064 in the most favourable of the core scenarios;
- assume that SZC's cost will be capped at the higher regulatory threshold;
- assume that SZC will be available to produce electricity 90% of the time, after maintenance and refuelling – DESNZ told us its analysis suggests this is about the upper quartile of performance for large-scale pressurised water reactors (the broader reactor class that EPRs like SZC belong to);
- assume that electricity demand will rise to within a relatively narrow band of 84% to 108% on top of 2024 demand by 2050 – this is based on projections for how far and fast transport and heating will switch to grid-supplied electricity; over the past two decades demand for electricity has fallen due to falling industrial demand, despite forecasts that it would grow; and
- do not take account of energy price shocks, such as the increase in the cost of fossil fuels over recent months.

1.25 The largest area of uncertainty relates to the future performance and cost-effectiveness of alternative technologies in reaching net zero. It is possible that some alternatives will prove significantly more cost-effective than SZC by the time it is operational and it is also possible they could be more expensive or less effective than expected (taking into account their full lifecycle and system impacts). DESNZ told us the costs of alternative low-carbon technologies have risen since it undertook its modelling, which has improved its view of the VFM of SZC and would move the modelled break-even point as early as 2050 in some scenarios. However, it is not possible to know with any certainty the future cost or success of alternative technologies – such as long-term electricity storage, gas-fired power stations with carbon capture, and hydrogen-fired generation – during the second half of this century, when SZC is expected to produce most of its electricity.

1.26 To reflect uncertainty in its modelling, DESNZ modelled two variations of its central case – an upside and a downside scenario. In its downside scenario, DESNZ assumed that:

- SZC operates for 10 fewer years;
- SZC is available to generate electricity for one-eighteenth less of the time it is operational; and
- the cost of building wind turbines is around 14% lower.

Under this downside scenario, the net benefits of SZC are lower than under the core case. If construction costs were to rise to the higher regulatory threshold, the model shows SZC would cost consumers more than alternative technologies. DESNZ did not model other downside scenarios or calculate break-even points beyond which SZC would no longer generate savings for consumers compared with alternatives.

Part Two

The deal

2.1 This part covers the:

- main features of the deal, including negotiations towards it; and
- costs and returns to taxpayers, electricity consumers (consumers) and investors.

Main features of the deal

2.2 To deliver Sizewell C (SZC), the Department for Energy Security & Net Zero (DESNZ) has developed a novel financing and delivery model intended to reduce financing costs and reduce the risk of construction delays and cost overruns. SZC will not be delivered by a public delivery agency (like High Speed 2); or delivered as a private project supported by a regulated asset base and government guarantees (Thames Tideway Tunnel), or a private project with a guarantee to buy its outputs at a fixed price (Hinkley Point C (HPC)). Instead, SZC incorporates the following:

- **A joint-venture company with government and private shareholders:** Negotiations led to DESNZ owning 44.9% of the equity of Sizewell C Ltd (the Company), Électricité de France (EDF) 12.5%, and the rest being owned by other private investors.
- **A mix of public and private finance:** The majority is provided by the government.
- **A nuclear regulated asset base model:** This means SZC receives payments from consumers based on the Company's approved capital expenditure and cost of capital, starting after November 2025, supplementing the project finance.
- **A government support package:** DESNZ provides contractual commitments that limit risks to private investors of cost overruns and some unlikely but high impact risks.

This part considers each of these below.

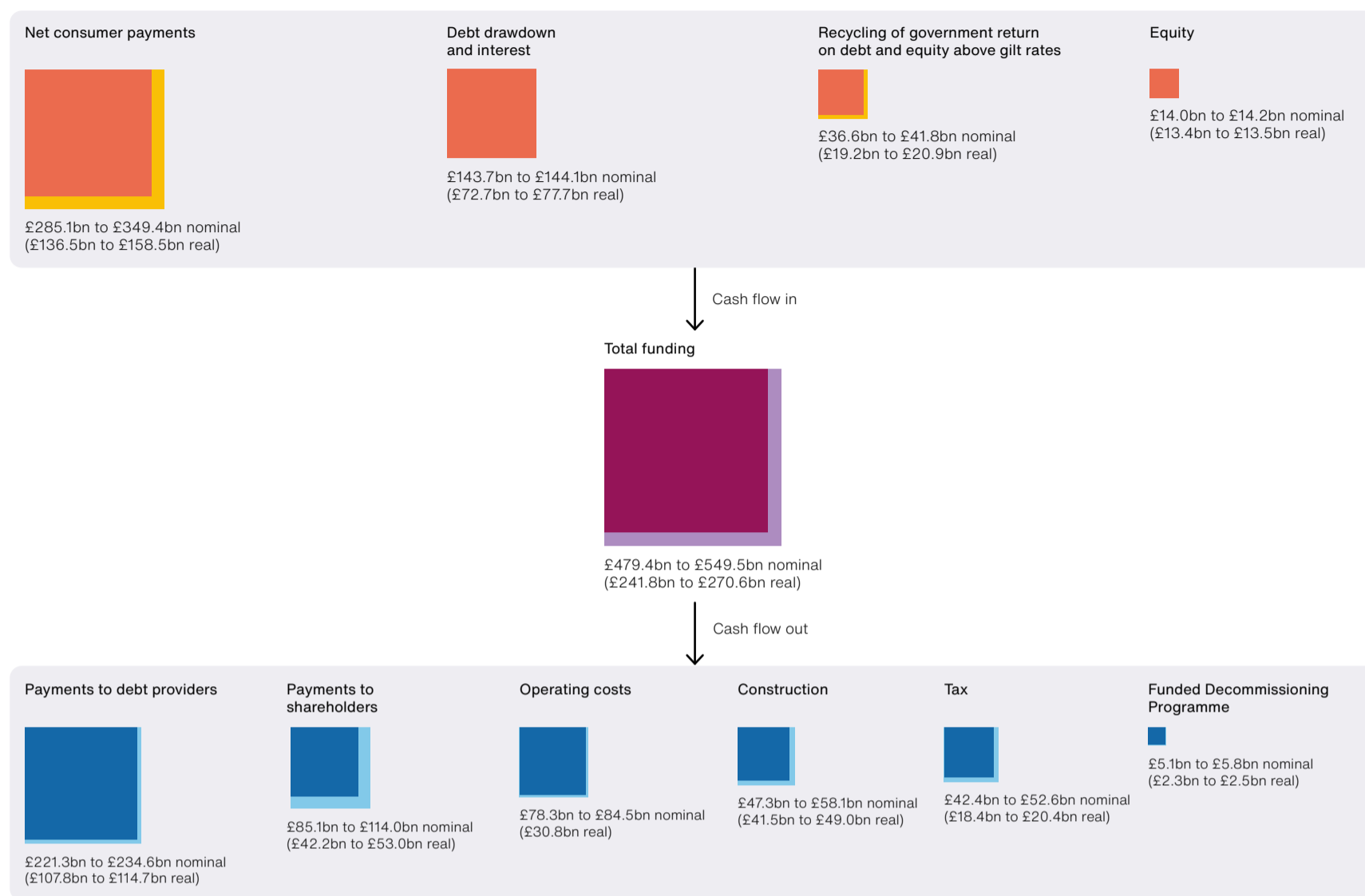
2.3 **Figure 7** on pages 36 and 37 sets out the financing and funding DESNZ expects the Company to require during SZC's construction and whole life. It also sets out the Company's forecast expenditure. Its income is spread over the lifetime of the project but is weighted to the first two decades of operation (**Figure 8** on pages 38 and 39).

Figure 7

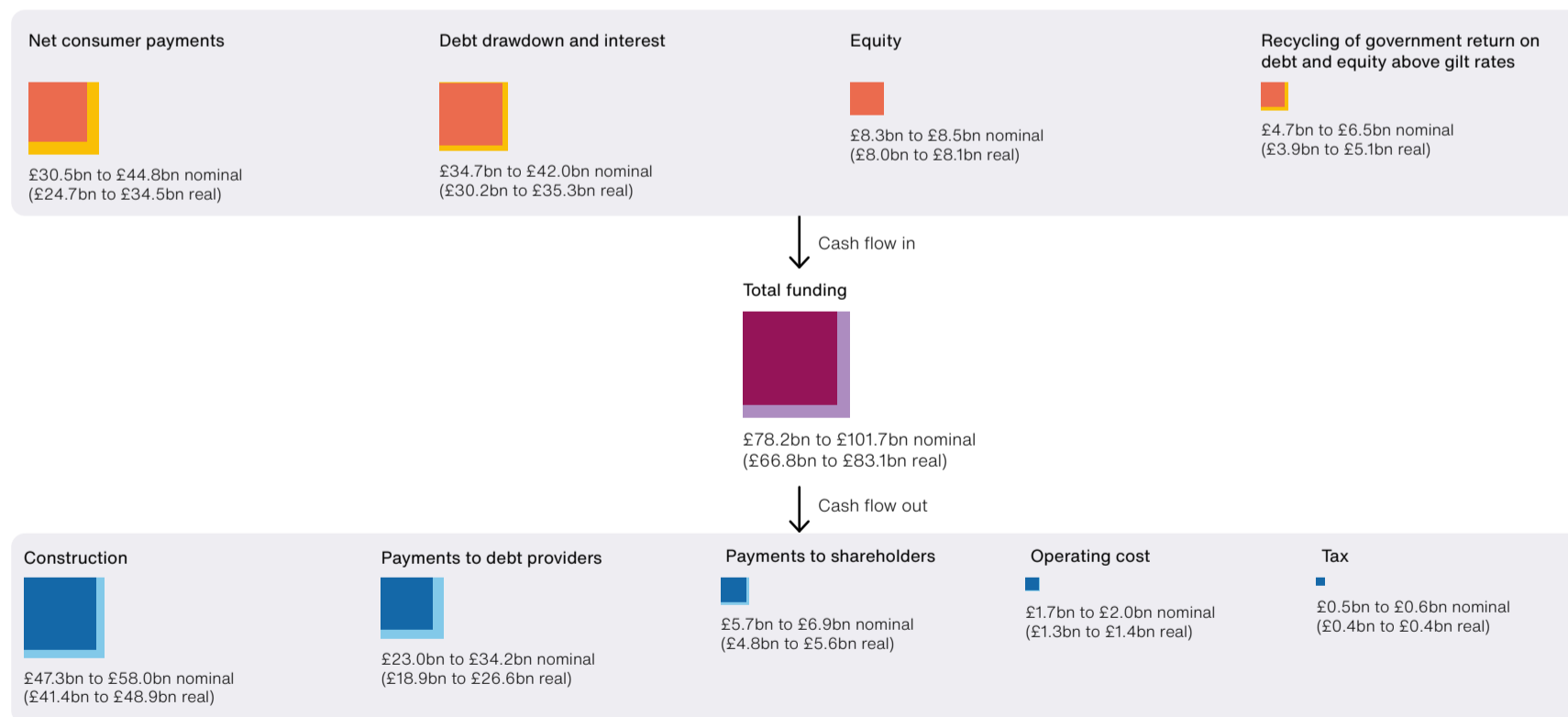
Modelled financing and funding sources of Sizewell C (SZC) and their uses during its construction and lifetime

The Department for Energy Security & Net Zero (DESNZ) estimates SZC will require between £66.8 billion and £83.1 billion funding during its construction, and between £241.8 billion to £270.6 billion over its lifetime in 2024-25 prices

Lifetime (construction and operational period)



During construction



- Cash flow in at lower regulatory threshold
- Additional cash flow in at higher regulatory threshold
- Funding at lower regulatory threshold
- Additional funding at higher regulatory threshold
- Cash flow out at lower regulatory threshold
- Additional cash flow out at higher regulatory threshold
- £1 billion
- £10 billion
- £25 billion

- Notes**
- 1 Ranges show the difference between a lower regulatory threshold (LRT) outturn scenario and a higher regulatory threshold (HRT) outturn scenario, with the boxes being sized at the nominal value. Values are presented in both nominal and 2024-25 real terms. Conversions to real terms is done using Consumer Price Index including owner occupiers' housing costs (CPIH).
 - 2 Values are derived from complete financial years. This means that the 'During construction' values cover the period up to the end of the financial year in which construction finishes rather than aligning precisely with the construction periods in the two scenarios.
 - 3 The 'Funded Decommissioning Programme' involves payments to an investment fund over the operational life of the power station intended to meet the costs of its decommissioning. These mostly occur once the plant is operational, but a small amount is included in operating costs for the construction period shown here.
 - 4 The equity investment up to financial close in SZC by government, EDF and CGN of £5.5 billion and its repayment has been included in the lifetime equity drawdown and payments to shareholders above, but excluded from the construction source and use of funds. This makes the current source of funding for construction clearer.
 - 5 Construction costs shown in this figure do not equate to the lower and higher regulatory thresholds due to different treatment of indexation when converting to real numbers.
 - 6 Nominal numbers do not sum due to rounding. Real numbers do not sum due to indexation and cash flow timing differences, and rounding.

Source: National Audit Office analysis of Sizewell C Ltd's financial model

Figure 8

Sizewell C (SZC) forecast nominal revenue by component of its nuclear regulated asset base between 2026 and 2100, at the higher regulatory threshold as modelled by the Department for Energy Security & Net Zero (DESNZ)

DESNZ models that SZC's income is spread over the lifetime of the project but peaks in 2048 and is weighted to the first two decades of its operation

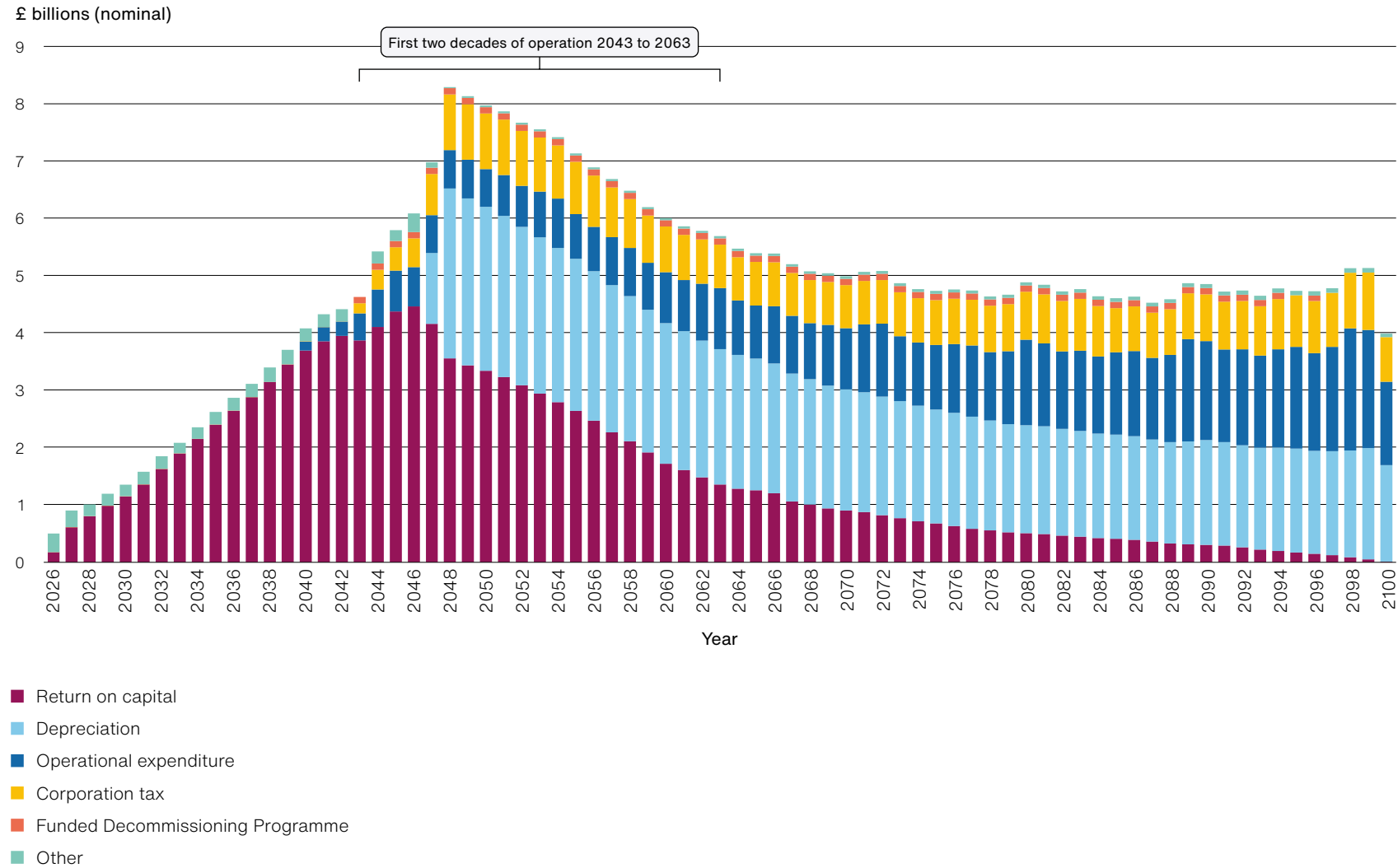


Figure 8 *continued*

Sizewell C (SZC) forecast nominal revenue by component of its nuclear regulated asset base between 2026 and 2100, at the higher regulatory threshold as modelled by the Department for Energy Security & Net Zero (DESNZ)

Notes

- 1 The figure shows the forecast revenue blocks for the 'allowed revenue' determined by Ofgem (SZC's economic regulator) in the SZC Nuclear Regulated Asset Base Licence (SZC's Licence) at the higher regulatory threshold. It shows consumers' total committed exposure to paying for SZC, without calling on the government support package.
- 2 Data are presented in nominal prices and so partly depend on the inflation assumption in the modelling.
- 3 Including 'depreciation' and 'return on capital' components in the allowed revenue is designed to cover investors' costs. Depreciation spreads the capitalised cost of an asset over its lifetime. Including depreciation allows investors to receive revenue to pay back their initial investment principal. Including the return on capital component provides for interest and dividends on the investment. The forecast includes assumptions about decisions that Ofgem will make at periodic reviews during operations.
- 4 'Operational expenditure' includes OpEx and TotEx, as defined in SZC's Licence. These are the forecast costs of fuelling and operating SZC.
- 5 The 'Funded Decommissioning Programme' involves payments to an investment fund over the operational life of the power station intended to meet the costs of its decommissioning.
- 6 'Other' includes pass-through costs (as defined in the licence agreement, such as Civil Nuclear Constabulary costs and business rates), social benefits and communications costs, and the 'cost of debt adjustment' designed to shield investors from interest rate fluctuations during construction.

Source: National Audit Office analysis of Department for Energy Security & Net Zero documentation and the Sizewell C financial model

Negotiating company ownership

2.4 DESNZ needed to negotiate its deal with EDF and attract other private investors. It did not develop a credible 'plan B' to its negotiations, despite being asked to do so by the major projects review group and the Infrastructure and Projects Authority recommending this. The limited contingency planning meant the government ultimately needed to reach agreement with the other investors (on terms acceptable to EDF) or face what DESNZ believed would be a significant delay as it reset the project. This delay would potentially mean reducing the benefit from replicating HPC due to the length of gap between the projects.

Negotiations with EDF

2.5 DESNZ wanted EDF's commitment to SZC, including full cooperation from its HPC project and supply chain, while not re-opening the price of HPC's electricity. DESNZ achieved this aim by accepting EDF would invest in less equity. DESNZ accepted EDF taking a stake of 12.5%, rather than what it had previously assumed would be up to 19.9%. EDF's finances have been stretched by the continuing need to finance the construction of HPC, which cost EDF nearly £4.0 billion in 2024. DESNZ emphasised that SZC would help bridge the gap for the EDF group between the completion of work on HPC and the start of new nuclear construction in France. DESNZ told us it persuaded the French government, the ultimate owner of EDF, to approve the deal in time for the Anglo-French summit of June 2025.

Negotiations with other private investors

2.6 DESNZ ran a competition to attract private investors and test the return and terms they would require. Seven bidders submitted initial offers, but some later withdrew. Bids moved closer together as terms were aligned. Investors told us the early stages helped make the proposition investible, and DESNZ then negotiated strongly on detailed terms, such as the need to maintain Ofgem’s independent approach to regulating the project once it is operational. Investors said strong government support was essential to their participation; DESNZ resisted many requests to extend this support and agreed only limited changes to reach a deal.

2.7 At the end of the process, demand to invest remained strong, and DESNZ agreed a higher share of the equity to private investors than it had expected. DESNZ now own 44.9% of the equity and EDF 12.5%, and the rest is owned by La Caisse (20%), Centrica (15%), and Amber Infrastructure (7.6%). Amber Infrastructure has an option to increase its equity stake to 10%, which is the minimum threshold for representation on the Sizewell company boards. It told us that it intends to use this option if it can raise sufficient funding, which will dilute taxpayer equity to 42.5%.

The use of public and private finance

The use of government finance

2.8 The government provides most project finance. In addition to its share of equity, the government’s National Wealth Fund will provide 85.5% to 88.0% of the debt during construction (up to £36.6 billion depending on construction cost). The Company’s level of debt is capped at 65% of the value of the regulated asset base.

2.9 We calculated that using public finance, instead of financing the project 100% privately, increased the net benefits of the project by around £21 billion. This is sufficient under DESNZ’s modelling to make the net present social values positive. Increasing the proportion of the project financed by government debt would further reduce the project’s cost of capital. DESNZ told us it did not want to do this for the following reasons.

- The Company needed a debt rating as part of its regulated asset base licence. DESNZ told us the ratings agencies required debt to be capped at 65% of the regulated asset base for it to be rated investment grade, which DESNZ wanted so the government debt could be more easily refinanced once SZC is operating.
- Commercial lenders are providing £5 billion of debt (£4.7 billion in 2024-25 prices), 94% of which is guaranteed by the French export credit agency. DESNZ told us this gives confidence to investors and other stakeholders about future refinancing.

The use of private finance

2.10 In 1992 the government overturned the ‘Ryrie Rules’, which precluded the use of most private finance by public bodies. Since then, the government has generally argued that it has used private finance to transfer risk to private investors who are better able to manage those risks. But the government and consumers bear the majority of the risk during SZC’s construction. DESNZ’s justification for encouraging EDF’s investment of 12.5% equity is that it is necessary to achieve the benefits of replicating HPC. Its justification for including the other investors is as follows.

- Private investors, through their due diligence, expertise and directors, will help improve project management, reduce cost and deliver time savings.
- The Company’s scenario-based modelling shows that if selected risks that are aligned to its investor strengths are mitigated, this would lead to sufficiently large cost and time savings.
- Having contractual commitments and the government as a minority shareholder help insulate the Company from government decision-making, which can be slow, or change unpredictably at fiscal events or with political cycles.
- DESNZ believed private investment would encourage EDF to invest, which, along with French export credit guarantees, increased French government commitment to SZC.
- The inclusion supports its strategic goal of promoting private sector investment in nuclear, including making a future sell-down of the government’s stake easier.

2.11 We produced a public sector comparator to assess the cost of private finance (**Figure 9** overleaf).¹⁰ This shows that, if the project could be delivered without private investment, its net present social value would be £4.0 billion to £4.5 billion higher. However, this excludes any behavioural effects from the absence of private investors. For the project to be value for money, the benefits of private finance, including behavioural effects, would need to at least exceed these costs.

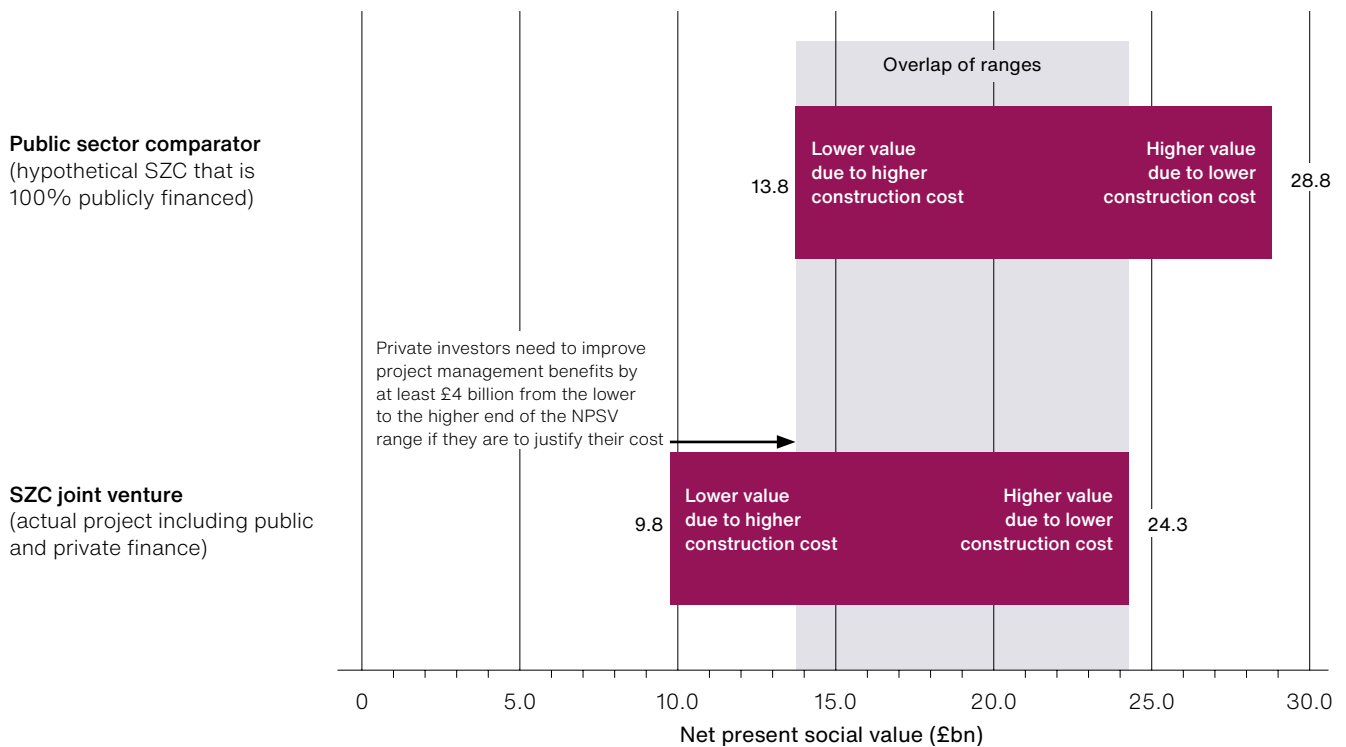
2.12 Our analysis shows that, for this to be the case, the inclusion of private investors needs to materially improve delivery compared with the public sector comparator. DESNZ assumed that, without private investors, SZC’s construction cost would have been close to the higher regulatory threshold, while with private investors they are expected to be much closer to the lower regulatory threshold. On this basis, DESNZ estimated that investors would need to deliver around £3.9 billion of construction savings and reduce delays by 24 months to offset their additional cost – which would increase benefits by more than £4.0 billion because of the knock-on consequences for the other costs of the project. Whether the investors will deliver these benefits is uncertain, and cheaper ways to improve project management may have been available.

¹⁰ See Appendix One.

Figure 9

Comparison of net present social value (NPSV) for Sizewell C (SZC) project under hypothetical public sector comparator and actual joint venture arrangements

Including private finance is justified if it improves project management benefits by at least £4.0 billion (so lowering construction costs resulting in a higher NPSV), when compared with the Department for Energy Security & Net Zero (DESNZ’s) assumption that being exclusively publicly financed would lead to higher construction costs (resulting in a lower NPSV)



Notes

- We produced a public sector comparator to show the cost of private investment in SZC over government borrowing. The NPSV of SZC is compared with a hypothetical alternative project without any private equity or debt. Cash flows have been adjusted for Corporation Tax and discounted at social time preference rate, so they should not be used as the NPSV of the project, which is set out in Figure 6. We present the ranges with:
 - the top end of each range being where construction costs are at the lower regulatory threshold (with associated schedule), which is the circa p50 near the mid-point of the modelled possible construction outturns; and
 - the lower end of each range being where construction costs are at the higher regulatory threshold (with associated schedule), which is the circa p90 where 90% of forecasts come below it.
- The lower values given in the chart also assume demand for electricity is at DESNZ’s net zero low scenario with the higher values assuming demand at the DESNZ net zero high scenario.
- See methodology appendix for further details.

Source: National Audit Office analysis of Department for Energy Security & Net Zero and Sizewell C Ltd data

Nuclear regulated asset base model

2.13 The government chose the nuclear regulated asset base model for SZC to reduce financing costs by sharing construction and operating risks with consumers during both its construction and operation. Ofgem, the energy regulator, is also the economic regulator of SZC. This model is usually used to fund utility companies that already have a portfolio of constructed assets. However, the government applied the model to the construction of Thames Tideway Tunnel (TTT; 2015–2025), allowing that project to start charging consumers while it was in construction.

2.14 The Company receives a set income based on its regulated asset base and cost of capital. DESNZ agreed with investors a construction-period weighted average cost of capital of 6.73% (real), with Ofgem to periodically set the rate once SZC is operational. The Company expects to sell around 25,000 gigawatt-hour (GWh) a year, with any difference (positive or negative) between market revenues and allowed income passed through to consumer bills. The Company shares equally with consumers cost over- or underspend against its construction forecast. This works by setting the regulated asset base at the lower regulatory threshold plus half the difference between allowed capital expenditure and that threshold.

The government's support package

2.15 The government support package is intended to protect investors and consumers from specific high-impact, low-probability risks that cannot otherwise be managed efficiently. It includes the:

- **Contingent Financing Agreement**, which allows the Secretary of State to use Exchequer funds to continue paying for construction to cover cost overruns over the higher regulatory threshold;
- **Supplemental Compensation Agreement**, which addresses risks including insurance shortfalls or insurance market failures – DESNZ's liability for this is uncapped;
- **Government Liquidity Facility Agreement**, which is a revolving loan facility backed by government debt to address debt market failures or liquidity difficulties – the maximum value of the facility is £8 billion (nominal);
- **Discontinuation and Compensation Agreement** that covers risks, including political risks, if SZC shuts down for reasons that are not the Company's fault – this is capped at the value of the regulated asset base, which is expected to peak at around £70 billion (nominal) at the higher regulatory threshold; and
- **Nuclear Administration and Statutory Transfers Agreement**, which is a special administration regime, similar to that for energy suppliers.

2.16 The government also provided roughly similar packages to TTT and HPC. However, SZC and HPC are larger projects and subject to some very large-impact (even if low-probability) nuclear risks, so the contractual commitments to investors are greater than for TTT. The largest quantified liability for SZC is the Discontinuation and Compensation Agreement. This compensation could be triggered, for example, by a political decision to end the use of nuclear power or a decision by the Secretary of State not to fund cost overruns above the higher regulatory threshold when investors have already chosen not to do so.

Costs and returns to taxpayers, consumers and private investors

Costs and returns to taxpayers

2.17 DESNZ has committed to invest up to £3.8 billion in the Company's equity (around £3.6 billion in 2024-25 prices), and the National Wealth Fund has committed to lend up to £36.6 billion (£30.3 billion in 2024-25 prices).¹¹ They will receive a commercial return on these investments. HM Treasury has agreed to 'recycle' profit on these investments above the government's borrowing and administration costs to subsidise consumer bills. DESNZ estimates this will reduce consumer bills by between £36.6 billion and £41.8 billion (£19.2 billion to £20.9 billion in 2024-25 prices) over SZC's lifetime (Figure 7). Recycling is a policy decision which the government could stop or modify at a later point. DESNZ's calculations assume that government debt is replaced by private debt once SZC is operational, but its equity stake is retained.

Costs and returns to consumers

2.18 DESNZ expects the Company to receive between £155.7 billion and £179.4 billion in revenue in 2024-25 prices on its regulated asset base over its life (Figure 7). After 'recycling', this means consumers will pay between £136.5 billion and £158.5 billion for SZC's electricity (between the lower and higher regulatory thresholds, with associated schedules), assuming that Amber Infrastructure increases its equity stake to 10%.

¹¹ This assumes the loan is drawn down in line with the Company's schedule associated with the higher regulatory threshold.

2.19 Consumers may pay more per unit of electricity from SZC than they will for electricity from HPC:

- HPC is funded through a ‘contract for difference’ that gives EDF a fixed price for its electricity for the first 35 years of operation of £128.94 per megawatt-hour (MWh) in 2025 prices (NAO conversion, previously reported as £89.50 in 2012 prices).
- The equivalent ‘strike price’ for SZC after recycling is £130.67 to £155.41 per MWh in 2024-25 prices, between the project baseline and the higher regulatory threshold.¹²

Cost overruns at HPC, together with economy-wide increases in the underlying cost of capital since 2016 (as reflected in government borrowing costs), mean that investors would have been unlikely to accept a similar price for a new nuclear project. As a result, SZC’s construction outturn would need to fall below the project baseline for the SZC equivalent strike price to be below the HPC contract for difference price.

2.20 DESNZ has modelled the impact of SZC on ‘typical’ household electricity bills after recycling and over and above assumed market prices for electricity (**Figure 10** overleaf). It expects SZC to add around £4 to bills in 2025-26, which will build up to a peak of around £19–£21 a year in the first decade of its operation (2024-25 prices).¹³ It will then decline over the rest of SZC’s operational life. DESNZ believes SZC’s impact on wider electricity system costs, not captured in this analysis, will outweigh these costs over SZC’s life (paragraph 1.23 and Appendix One).

2.21 These costs will be distributed between industrial, domestic and commercial electricity consumers based on their level of consumption, unless covered by an exemption such as those for energy-intensive industries. Industrial, domestic and commercial consumers each make up about a third of total UK electricity consumption.

2.22 DESNZ has not undertaken distributional analysis as to how the impact will vary between different industries or households with different incomes. SZC will also have a significant intergenerational impact – given a lower regulatory threshold outturn, half the costs fall to consumers before 2051, but the accumulated benefits only start to outweigh the accumulated costs from 2064 in the most favourable of DESNZ’s core scenarios.

¹² Without the ‘recycling’ consumer subsidy, these numbers would be £149.99 to £178.11 in 2024-25 prices. The SZC equivalent strike prices are calculated using SZC’s operational life of 60 years.

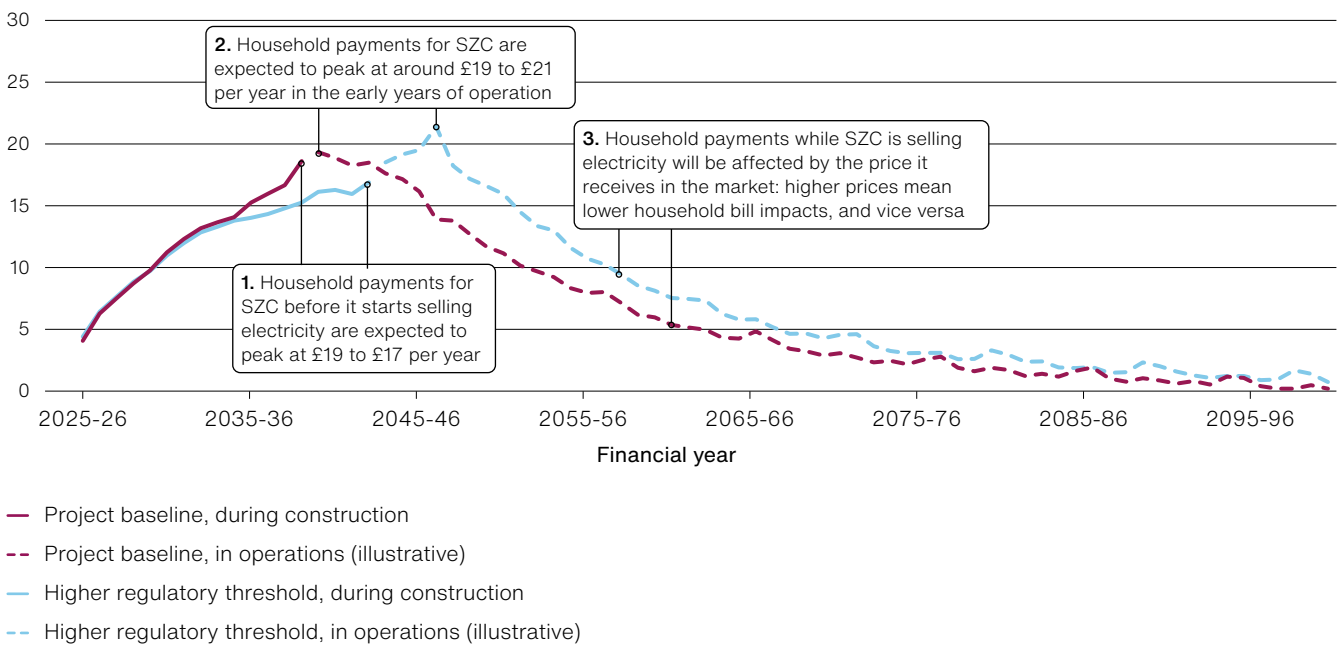
¹³ Without the recycling, these costs would rise to a peak of £21 to £24 in the first decade of operation.

Figure 10

The Department for Energy Security & Net Zero’s (DESNZ’s) modelled annual impact of Sizewell C (SZC) on household electricity bills, 2025-26 to the start of operations and then illustrative to 2099-2100

DESNZ expects the effect of SZC on household bills to build up to a peak of around £19–£21 a year in the first decade of its operation, and then reduce over time

Annual impact on household electricity bills (2024-25 prices)



Notes

- This chart shows the estimated extra yearly cost for a typical household from payments made to SZC, after taking account of the expected market value of the electricity it sells. It assumes that any consumer subsidy is recycled back to households through electricity bills. A typical household is one where half of households use more electricity and half use less.
- The impact on consumers depends on SZC’s construction cost and schedule outturn. The chart shows two possible outcomes:
 - one based on the project baseline costs, and associated timetable; and
 - one based on the higher regulatory threshold for costs, and associated timetable.
- During construction, households start paying towards SZC before it produces any electricity. Once the power station is operating, the estimated impact on household bills depends on the market price that SZC earns from selling electricity. The chart therefore separates the construction phase from the operational phase. Years containing elements of both construction and operation are assigned to the operational phase.
- The impact on consumers during the operational phase is necessarily illustrative because it relies on forecast electricity prices and demand. DESNZ’s modelling before the final investment decision assumed that total electricity use across the economy increases up to 2050, but that average household electricity use stays broadly the same, at around 3 megawatt-hours a year. We have extended the 2050 values for these, and the amount of electricity SZC sells each year, out to 2100. The series of electricity prices is an unpublished DESNZ projection from a scenario reaching net zero by 2050. While we tested other price scenarios, the overall pattern of falling costs to consumers over the operational life remained the same.
- All figures are shown in 2024-25 prices, which means they take inflation into account.

Source: National Audit Office analysis of Department for Energy Security & Net Zero and Sizewell C Ltd data

Costs and returns to private investors

Investor equity returns and incentives

2.23 The investors' returns mainly depend on SZC's final construction cost and schedule (**Figure 11** overleaf). If construction costs are:

- at the lower regulatory threshold (with the associated delivery timetable), investors receive net cash returns of £14.9 billion nominal (£9.73 billion in 2024-25 prices) on their equity investment, corresponding to post-tax internal rates of return of between 12.0% and 13.0%; and
- at the higher regulatory threshold (with the associated delays), investors are required to commit additional capital and wait longer for the bulk of their returns; as a result, they receive higher total net cash of £17.8 billion nominal (£10.74 billion in 2024-25 prices), but over a period that is around 3.5 years longer and at lower post-tax internal rates of return of between 10.8% and 11.4%.

As construction costs rise towards the higher regulatory threshold, investors receive higher total cash returns, but those returns are received later and at lower internal rates of return. These calculations assume that investors sell their interests once SZC is fully operational, although they are not required to do so. This point occurs around 3.5 years later under the higher regulatory threshold scenario than the lower one.

2.24 The Company's arrangements also limit how much return investors can extract before SZC becomes operational. These 'yield caps' are reduced progressively in the event of schedule delays, falling from 6% to 4%, then to 2%, and eventually to zero. This is intended to incentivise timely delivery by reducing investors' internal rates of return and delaying the point at which they break even by several years (Figure 11).

2.25 Investors told us they are most exposed in 'tail-end' scenarios above the higher regulatory threshold, when the Company would have to apply to the Secretary of State to make decisions over the project's future. The Company can apply for permission to add some or all of the extra construction costs to the regulated asset base so they can be recovered from consumers' bills. If the Company requires additional funding to cover these costs, it must apply any available cash and outstanding shareholder commitments and seek private funding first, before applying for taxpayer funding under the government support package. The Secretary of State can also terminate the project instead of providing taxpayer support.

Figure 11

Sizewell C (SZC) estimated private investor equity returns at the project baseline, and lower and higher regulatory thresholds

As construction costs increase, the net return to investors increases by more than the extra money they put in, but they will have to wait longer so their rate of return falls

	Project baseline	Lower regulatory threshold	Higher regulatory threshold
Total amount invested	£4.59 billion (£4.22 billion real)	£4.61 billion (£4.25 billion real)	£4.70 billion (£4.28 billion real)
Net amount returned to investors if they sell their investment after construction ⁴	£14.72 billion (£9.61 billion real)	£14.89 billion (£9.73 billion real)	£17.78 billion (£10.74 billion real)
Net amount returned to investors if they keep their investment to the end of operations	£39.63 billion (£18.87 billion real)	£40.10 billion (£19.03 billion real)	£56.02 billion (£22.79 billion real)
Approximate times to nominal break-even ⁵	174–192 months	174–192 months	216–234 months
Estimated length of construction period	111 months	114 months	160 months
Internal rates of return (IRR), whole life ⁶	10.92%–11.75%	10.85%–11.63%	10.10%–10.65%
Construction IRRs ⁴	11.99%–13.05%	11.98%–13.00%	10.78%–11.42%

Notes

- 1 Monetary values are given as nominal and then in 2024–25 real prices. Monetary values and percentages are rounded to two decimal places.
- 2 Private investors in SZC are Centrica, Amber Infrastructure, La Caisse and Électricité de France. The Department for Energy Security & Net Zero's returns on its investment in SZC is in line with the private investors but not included in the values above. The equity investment is made up of shareholder loans and share capital.
- 3 'Project baseline' is Sizewell C Ltd's (the Company's) risk-adjusted forecast, the 'lower regulatory threshold' is close to the mid-point (known as the circa p50 estimate) in SZC's forecasts, and the 'higher regulatory threshold' is close to the outturn where 90% of the Company's forecasts come below it.
- 4 The 'net amount returned to investors if they sell their investment after construction' and investor 'construction IRRs' assume that investors sell their equity and shareholder loans after successful completion of construction. Successful completion of construction is defined as the date of the post-construction review and investments are valued as each investor's share of the regulated asset base at par.
- 5 The SZC financial model is calculated in six-month semi-annual periods. The break-even is calculated at the six-month period in which break-even was achieved and varies by investor depending on when their money is drawn down.
- 6 IRRs are post-tax nominal and reflect the profitability of the investment. They are calculated as the annual discount rate that makes the net present value of the investment cashflows equate to zero and thus the investment break even.

Source: National Audit Office analysis of the Sizewell C financial model

2.26 These tail-end scenarios affect investor returns in different ways.

First, if private investors put more money in above the higher regulatory threshold, the agreements provide a mechanism that can limit their return on that additional investment. Second, if the Secretary of State provides additional taxpayer funding, private investors' share of the project reduces, which lowers their share of equity and any future returns, and they may lose governance rights. Third, if the project is discontinued, investors may receive compensation under the discontinuation arrangements (which are capped and subject to deductions), rather than the returns they expected from operating the plant.

2.27 Investors also 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. For example, if the plant is less available than expected, investors can face a penalty; if it is more available, they can benefit. But the rules include safeguards that limit the size of the penalty and share some of the risk with consumers.

2.28 How far these arrangements influence investor behaviour is uncertain. Investors have strong incentives to avoid risks that fall above the higher regulatory threshold. Otherwise, the incentive arises from an improvement of up to around 1.6 percentage points in the internal rate of return as costs reduce towards the lower regulatory threshold. Even up to the higher regulatory threshold, investors will receive a return in line with comparator investments, as discussed in the next section. 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.

Benchmarking investor returns

2.29 The sharing of risk with taxpayers and consumers appears to have significantly reduced SZC's cost of finance, but investor returns still appear to include a 'nuclear premium'. They remain above levels typically seen in other utility sectors and energy projects, while sitting within the wide range of returns reported for nuclear projects (**Figure 12** overleaf). However, there are no direct comparators of projects with the same risks and financed in the same way.

2.30 DESNZ expected the regulated asset base model and government support package to reduce the financing costs and thus to lower the bills that consumers will pay. This followed our 2017 report on HPC which suggested that sharing risks with taxpayers and consumers could reduce the overall costs of complex projects.¹⁴ We estimate that SZC's investor returns are about 5 percentage points lower than HPC's after current higher borrowing costs and the level of debt in the project are taken into account. While this difference will also reflect the reduction in SZC's project risk due to the replication approach, it is reasonable to conclude that it is in large part due to investors' different exposure to risk on each project.

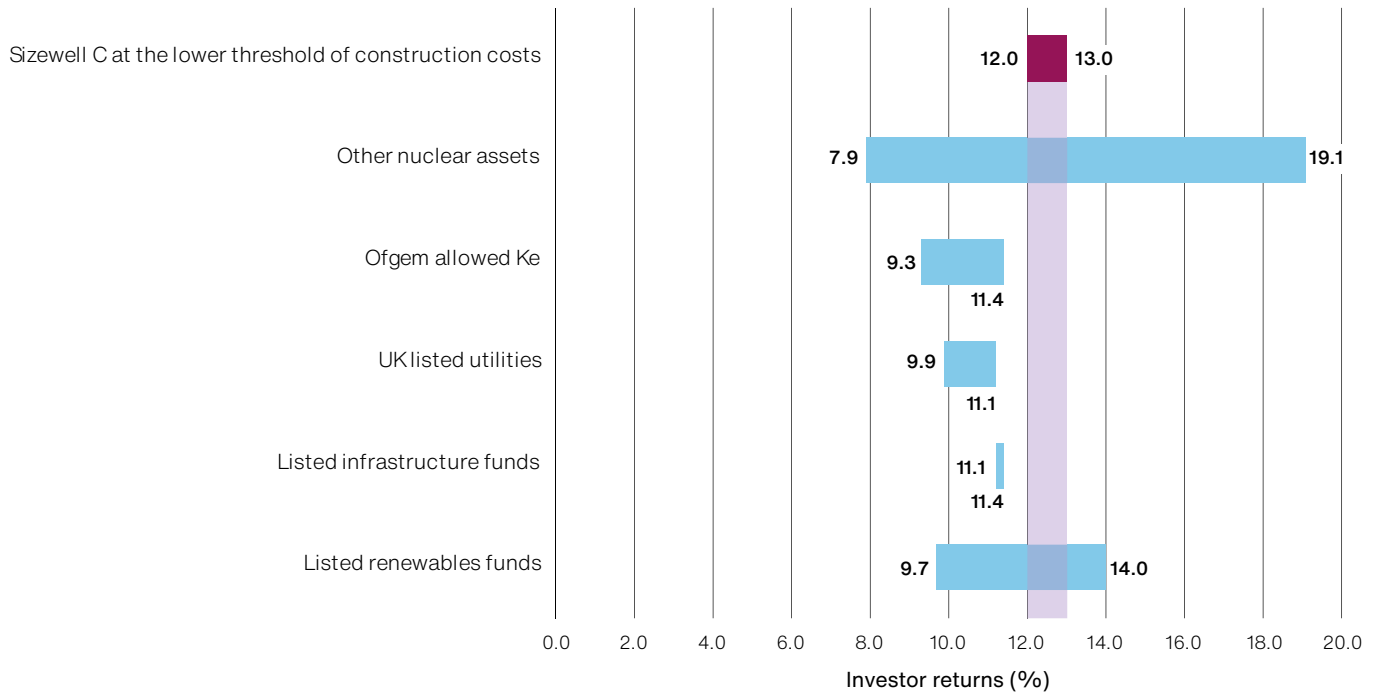
2.31 By contrast, SZC's cost of finance remains higher than TTT's – which also shared risks with taxpayers and consumers using a regulated asset base model and government support package – likely reflecting that SZC is generally considered a more complex project to construct and operate. These reductions arise before taking account of the use of government financing for SZC, which further reduces the cost of financing the project to consumers.

¹⁴ Comptroller and Auditor General, *Hinkley Point C*, Session 2017-18, HC 40, National Audit Office, June 2017.

Figure 12

Benchmarking Sizewell C’s equity returns against assets and portfolios with risk profiles the Department for Energy Security & Net Zero (DESNZ) considered relevant as at February 2025

Returns to Sizewell C investors are at the higher end of, or above, ranges for some comparator investments



■ Range of SZC returns ■ Range of benchmark returns

Notes

- 1 This figure compares the cost of equity (post-tax investor internal rates of return (IRRs)) of different projects and entities, as used by DESNZ when assessing the value for money of its deal. SZC investor returns are given as at the lower regulatory threshold (LRT). This equates to the circa p50 estimated outcome and therefore the mid-point of investor returns in SZC’s construction cost forecasts.
- 2 This can only be used to benchmark the investor returns. For projects that involve material levels of debt, such as SZC, the overall cost of finance borne by consumers depends on both equity and debt costs (leverage). Higher levels of debt normally lead to higher investor returns. DESNZ did not have comparators that adjusted for leverage (unleveraged project IRRs).
- 3 ‘Other nuclear assets’ includes examples from the USA, Canada, Hungary and Czechia. This range sets out nominal, post-tax cost of equity, adjusted for current risk-free rate (difference in nominal 30-year sovereign bond yields between time of calculation and 31 March 2025, assuming constant equity risk premium).
- 4 ‘Ofgem allowed Ke’ refers to the investor return allowed by Ofgem in recent regulatory decisions. It assumes fixed-equity risk premium, adjusting for changes in inflation and risk-free rate over the price control period and over next 50 forecast years from 31 March 2025.
- 5 ‘UK listed utilities’ means large UK utility companies from the water and electricity sectors listed on the UK stock market, with expected returns inferred from their market data.
- 6 ‘Listed infrastructure funds’ refers to UK-listed infrastructure funds, with expected returns inferred from how their traded prices compare to the value of the assets they report.
- 7 ‘Listed renewables funds’ means UK-listed investment funds that own renewable energy projects, such as wind and solar farms, with expected returns inferred from how their traded prices compare to the value of the assets they report.
- 8 Percentages are rounded to one decimal place.

Source: National Audit Office analysis of the Sizewell C financial model; comparator data commissioned by the Department for Energy Security & Net Zero from its external advisors

Part Three

Managing key risks to delivery

3.1 This part sets out how Sizewell C Ltd (the Company) and the Department for Energy Security & Net Zero (DESNZ) have sought to:

- learn lessons from other mega-projects; and
- apply innovative approaches to managing some of the key risks to delivering the plans described in Part One.

3.2 It provides a baseline for future scrutiny of whether these approaches work as DESNZ and the Company intend. It is too early to assess their effectiveness. We therefore focus on key risks identified through our recent work on major projects, and on issues we and the Committee of Public Accounts have previously highlighted in relation to nuclear programmes.¹⁵

Learning lessons, and managing key risks to value for money

Governance

3.3 We recently recommended that the government considers using alternative governance approaches for mega-projects such as Sizewell C (SZC). The scale and complexity of such projects can result in fragmented accountability, slow or ineffective decision-making, weak engagement at board level, and poor coordination across organisations.¹⁶

¹⁵ Comptroller and Auditor General, *Lessons learned: Governance and decision-making on mega-projects*, Session 2024-25, HC 545, National Audit Office, March 2025; Comptroller and Auditor General, *Decommissioning Sellafield: managing risks from the nuclear legacy*, Session 2024-25, HC 233, National Audit Office, October 2024; and Committee of Public Accounts, *Decommissioning Sellafield*, Twenty-Eighth Report of Session 2024-25, HC 363, June 2025.

¹⁶ Comptroller and Auditor General, *Lessons learned: Governance and decision-making on mega-projects*, Session 2024-25, HC 545, National Audit Office, March 2025.

3.4 The governance arrangements for SZC differ from more traditional models for projects with government involvement (**Figure 13** on pages 54 and 55) in several respects. Government cannot direct the company as it would an arm's length body. Instead, it relies on:

- **Joint commercial decision-making:** SZC depends on effective oversight and joint commercial decision-making by its shareholders. Both the government and private investors appoint non-executive directors to the SZC companies. Once appointed to the Company, directors have equal voting rights. Decisions reserved to the holding company are taken by shareholders in proportion to their shareholdings. DESNZ is a minority shareholder in all companies and has appointed civil servants as its non-executive directors who will need to work with the private investors' directors to influence delivery.
- **Companies with defined roles:** The shareholders' agreement specifies which decisions are taken at each level, with strategic decisions reserved to the parent company (Sizewell C (Holdings) Ltd) and more operational matters delegated to the Company.
- **Non-executive directors in operational committees:** Sizewell companies' committees include shareholder non-executive directors to give the government and other investors visibility of project progress and operational decisions.
- **Direct accountability to Parliament:** DESNZ has appointed the Company chief executive officer as an accounting officer.
- **Access to information:** The government has four roles: policy sponsor, shareholder, debt provider, and regulator. These are coordinated through the SZC senior cross government forum. Its access to information is also controlled within these groups so its company directors are on an equal footing with their private investor counterparts. The government appointed directors are separately supported by officials from across Whitehall.

Central government flexibilities and exemptions

3.5 We have previously reported that mega-projects can place significant pressure on sponsor departments' budgets and attempts to fit large and uncertain capital programmes within annual funding limits can increase uncertainty and drive up costs.¹⁷

¹⁷ Comptroller and Auditor General, *Lessons learned: Governance and decision-making on mega-projects*, Session 2024-25, HC 545, National Audit Office, March 2025.

3.6 To address these risks for SZC, HM Treasury has agreed the following:

- **Funding commitment:** HM Treasury has committed funding for the project up to the higher regulatory threshold.
- **Budgetary flexibility:** The Company can move expenditure between years. DESNZ accounts for this spending as annually managed expenditure, meaning it is not constrained by annual departmental expenditure limits.
- **Spending controls:** The Company is exempt from some of the spending controls imposed by HM Treasury and Cabinet Office, including limits on pay, and controls on advertising and marketing.

Cost estimate forecasting

3.7 We have previously reported disagreements between sponsor departments and delivery bodies over forecast costs and whether the project is on track.¹⁸ To avoid this risk, DESNZ and the other investors have agreed to rely on the Company's forecasts as a single agreed basis for cost, schedule and progress reporting.

3.8 The Company told us it will update its forecasts annually. Updated forecasts will be verified by an independent technical advisor appointed by the Company under a deed of appointment that also includes Ofgem as a party, and also by the private investors' technical advisors.

Integrating contractors and work packages

3.9 Major projects often experience delays from poor integration between different contractors.¹⁹ The Company told us it had drawn lessons from both Hinkley Point C (HPC) and High Speed 2 when designing its alliancing arrangements. These are contracting arrangements where several contractors collaborate and share risk among themselves and the client. The Company has established one alliance and is establishing another. SZC's current alliancing arrangements are dependent on the success of the following:

- **Joint-incentive payments:** Contractors in the established alliance will share up to 14% of total payments if they collectively meet goals.
- **The responsible designer role:** This is carried out by Électricité de France (EDF) and its subsidiary Edvance, working on the design across both HPC and SZC.
- **The Company's role within the alliance:** The Company sets priorities, agrees goals and oversees progress.

¹⁸ Comptroller and Auditor General, *HS2: update following cancellation of Phase 2*, Session 2024-25, HC 128, National Audit Office, July 2024.

¹⁹ Comptroller and Auditor General, *Completing Crossrail*, Session 2017-2019, HC 2106, National Audit Office, May 2019; Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019-2021, HC 960, National Audit Office, November 2020.

Figure 13
Governance of the Sizewell C (SZC) companies as at April 2026

SZC companies are joint ventures with joint decision-making by directors nominated by their shareholders, currently including civil servants from the Department for Energy Security & Net Zero (DESNZ) and UK Government Investments (UKGI)

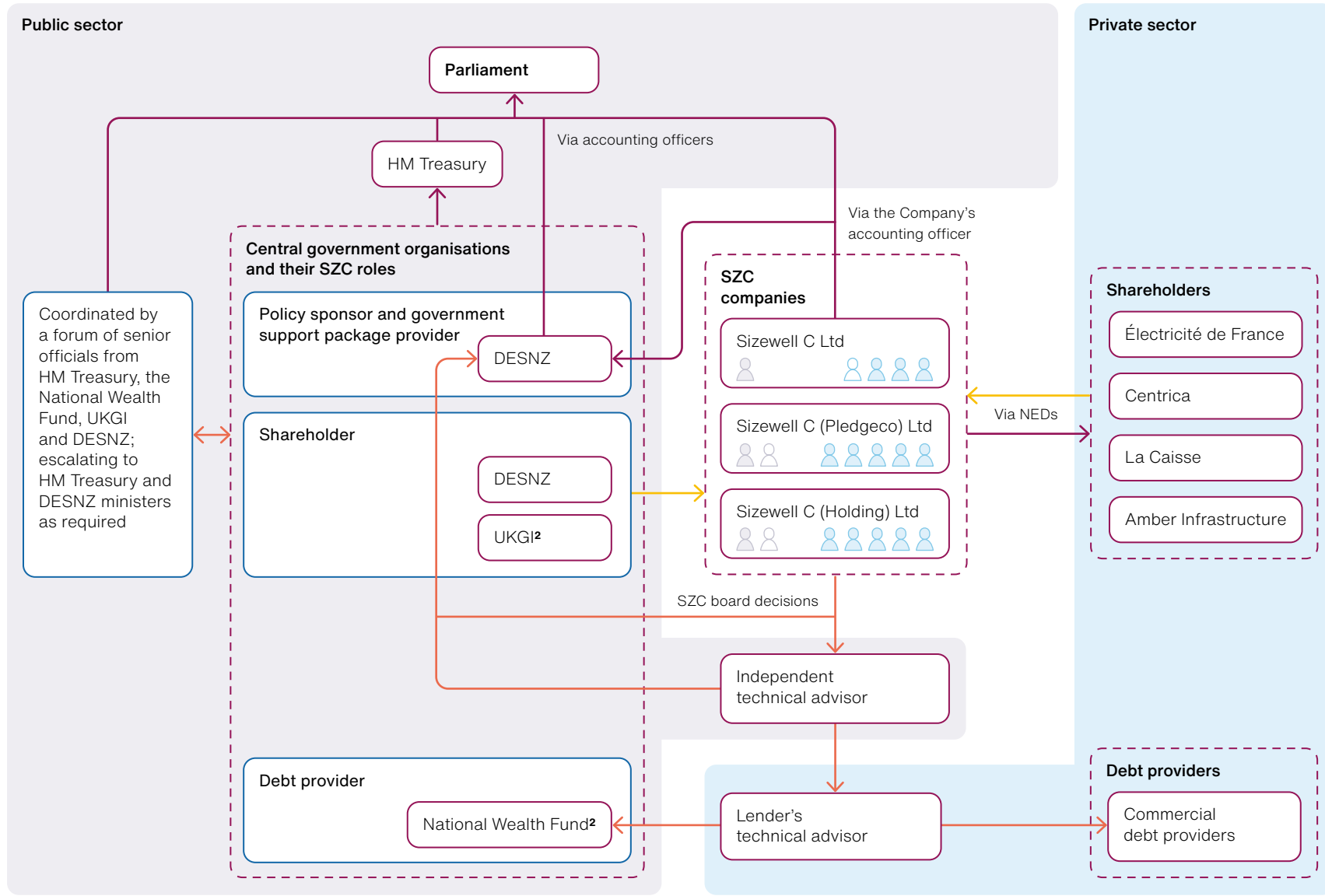






Figure 13 *continued*

Governance of the Sizewell C (SZC) companies as at April 2026

- Accountability
- Shareholder influence
- Information
-  Government shareholder non-executive director (NED) position filled
-  Government shareholder NED position unfilled
-  Private sector shareholder NED position filled
-  Private sector shareholder NED position unfilled

Notes

- 1 The composition of Sizewell company boards is set out in the shareholders' agreement. Shareholders influence the Sizewell companies through their non-executive directors (NEDs) on the company boards. Government shareholder NEDs are currently civil servants from DESNZ and UKGI. This Figure does not include independent NEDs, such as the chair. The chair does not have a vote on matters reserved for Sizewell C (Holding) Ltd.
- 2 UKGI and the National Wealth Fund are owned by HM Treasury.
- 3 The government also has regulatory roles not shown in this figure, including Ofgem as economic regulator.

Source: National Audit Office analysis of Department for Energy Security & Net Zero documents

Contractual incentives

3.10 Most mega-projects engage contractors on a 'cost-plus' arrangement (costs plus a mark-up). This is because such projects normally have too much uncertainty for contractors to provide a fixed price. However, these contracts do not incentivise contractors to control costs, requiring strong contractor oversight.

3.11 The Company told us that work packages under its alliancing arrangements are only contracted once bottom-up estimates (based on completed designs and an agreed methodology) have been completed. It uses open-book arrangements to estimate contractor corporate overheads. The Company then pays contractors to deliver work packages, plus an agreed fixed amount for overheads and profits. As this profit element is fixed, higher delivery costs reduce contractors' profit margins rather than increase them. The Company describes these as 'cost-but-not-plus' contracts.

Ensuring a workforce with requisite skills and experience

3.12 The Company told us it has forecast the skills it needs by integrating its workforce and project planning. It expects to need around 8,000 workers on site during peak construction, including 1,500 apprentices. It believes it can meet its workforce needs by setting clear workforce planning requirements in contracts, using a common language to describe required capabilities, and planning transport and accommodation for workers.

Timely consenting, permitting and licensing

3.13 Delays to, or breaches of, planning consents, environmental permits or nuclear licences pose a significant risk to nuclear projects. HPC experienced several delays and reports being required to make 7,000 changes to its reactor designs to achieve regulatory approval. The Company resources a central function to act as a single point of contact for regulators, to plan and manage dependencies and linkages, and maximise the benefits of replication. It told us this has allowed it to obtain its main consents, permits and licences and that it is on track for the rest.

Community engagement

3.14 The Company is seeking to ensure that its social benefit and communication budget (around £130 million) goes beyond meeting its legal and licensing obligations, to help to reduce costs or address delivery risks. It told us its spend includes:

- supporting a local further education college to reduce worker travel time and increase course completion rates;
- setting targets for local recruitment to reduce accommodation overheads;
- delivering commitments set out in the Development Consent Order, such as a 19% biodiversity net gain through creating new habitats; and
- reusing or recycling to create efficiencies while reducing its carbon footprint.

Fostering the right culture

3.15 Other nuclear sites have faced allegations of poor industrial and contractor relations and bullying, which some have linked to safety issues and project delays. The Company told us it wants a strong and shared culture across the project, including its contractors. It told us that all leaders and managers attend a common leadership programme, helping to establish common workforce norms across alliances. It monitors implementation through workforce surveys of all staff with site access, and told us it has a workforce code of conduct, including audited whistleblowing arrangements, that applies across contractors.

Appendix One

Our audit approach

Our scope

1 This report examines the deal the Department for Energy Security & Net Zero (DESNZ) has reached with Électricité de France (EDF), La Caisse, Centrica, and Amber Infrastructure to build a nuclear power station in Suffolk known as Sizewell C (SZC). It 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 Hinkley Point C (HPC), and cost forecasts;
- the negotiations and main features of the deal between DESNZ and other investors, and costs and returns to different parties; and
- how DESNZ and Sizewell C Ltd (the Company) are managing key risks to delivery.

Audit access rights

2 Our report is based primarily on information provided by DESNZ, and the Company which will build and operate SZC, and the Company's parent Sizewell C (Holdings) Ltd. The National Audit Office (NAO) became the value-for-money auditor of the Company and Sizewell C (Holdings) Ltd in November 2025 as part of the shareholders' agreement between DESNZ and the other investors. This provides us with access rights to documents and explanations, and the right to examine the economy, efficiency and effectiveness by which the Company uses its resources. The accounts of the Sizewell companies are audited by a private firm. The NAO has existing access rights to audit DESNZ, as with any other central government department.

Our evidence base

3 The NAO started to scope and request documents and explanations on the SZC project from December 2024, as DESNZ drew closer to reaching its final investment decision. DESNZ reached this in July 2025, and legal contracts between the Company's shareholders (including DESNZ) came into effect (financial close) in November. Following financial close, we conducted our fieldwork from November 2025 to March 2026.

Document review

4 We reviewed documents from DESNZ and the Company. In addition to human review, we used Microsoft Copilot to assist in analysing the large number of documents provided, always verifying its outputs by manually checking to the source material. Documents analysed in this study included:

- governance documents such as versions of the shareholders' agreement, and papers and minutes of relevant boards within the government;
- five versions of the business case for the SZC project, completed between 2021 and 2025, with supporting material;
- records of third-party assessment and assurance of the project;
- presentations from DESNZ and the Company created for the NAO;
- documents setting out the government's approach to negotiations; and
- submissions to support ministerial decisions.

Our review of material on modelling is set out in a later section of the Appendix.

Interviews

5 We undertook a large number of interviews, including with government officials from DESNZ, Ofgem, the National Infrastructure and Service Transformation Authority (NISTA)²⁰ and HM Treasury. Interviewees included those leading the negotiation of the deal; those who hold the role of non-executive directors on the SZC company boards; and those who have undertaken detailed analysis on the business case supporting SZC. We also interviewed Company employees who hold roles in project management and project delivery, and DESNZ external advisors, including their legal advisors and advisors who assisted in the preparation of key modelling. These interviews included discussions on topics including, but not limited to:

²⁰ On 1 April 2025, NISTA brought together the functions of the National Infrastructure Commission and the Infrastructure and Projects Authority.

- the approach to government negotiations;
- assurance around costings and timeframes of delivery;
- operational incentives;
- corporate readiness and governance; and
- ongoing monitoring of delivery.

6 We also spoke to representatives of EDF and the other private investors: La Caisse, Centrica and Amber Infrastructure. In each case, these representatives were the non-executive directors of the Company who had been appointed by those investors.

Expert panel

7 We shared a draft version of this report with external experts for comment, including:

- Professor Sir Dieter Helm – Professor of Economic Policy, University of Oxford;
- Professor Michael Pollitt – Professor of Business Economics, Cambridge Judge Business School, University of Cambridge;
- Professor Simon Taylor – Management Practice Professor of Finance, Cambridge Judge Business School, University of Cambridge;
- Dr Keith MacLean OBE, Managing Director, Providence Policy; and
- Professor Jim Watson – Professor of Energy Policy, University College London; Director, UCL Institute for Sustainable Resources.

Approach to key judgements

Understanding DESNZ's and the Company's approach to delivery risk

8 We focused our attention on key risks identified through our recent work on major projects, and mega-projects in particular. We also asked the Company to set out how it was transferring lessons from Hinkley Point C (HPC) to the project and how it was preparing to manage key risks following financial close.

9 We sought to understand the Company's approach but did not seek to assess how well it has been implemented or how far the risks have been mitigated. We expect to return to this area in later work.

Understanding of the Company's cost forecasting

10 We asked the Company to set out how it had gone about establishing its cost forecasting, the certainty it had behind such forecasts, and what underpinned this certainty. We sought to understand the basis of its cost forecasts and how it had applied risk analysis to those forecasts.

11 We have not sought to undertake our own assessment of the cost estimates or our own risk analysis of them. The Company told us that it has assurance from due diligence on its cost estimates undertaken by three firms of advisors. One of these firms also acts as independent cost advisors to the debt providers and shareholders.

International insights and HPC

12 We compared key assumptions in the SZC business case, such as the potential for delays, cost overruns, and the expected availability, with other examples of European pressurised water reactors (EPR) which have been developed in other countries including Finland, China and France. We also compared SZC to HPC, being built by EDF in Somerset. The evidence for these comparisons has been collected through publicly available documents including from the *Cour des comptes* (the supreme audit institution of France where the EDF group is based), the International Atomic Energy Agency, and public reporting by EDF. We have not verified these comparisons beyond the publicly available information.

13 We reviewed academic and other literature on the causes of poor performance in nuclear projects. This served as context for both the comparisons described above and our wider discussions with DESNZ and the Company about how they were seeking to avoid problems that have been seen elsewhere.

Benchmarking SZC's cost of finance

14 To assess SZC's cost of finance we used DESNZ's benchmarks which it commissioned from financial advisors when undertaking the SZC deal. These benchmarks were mainly post-tax equity returns, which DESNZ adjusted to reflect changes in the underlying risk-free borrowing rate (the cost of government borrowing identified through long-dated UK government gilt yields). To provide wider context, we also compared SZC's cost of finance with HPC and the Thames Tideway Tunnel (TTT), using publicly available information. These comparisons are illustrative and are intended to show relative differences in financing costs rather than provide precise like-for-like benchmarks.

Hinkley Point C

15 For HPC, we used the 9.04% post-tax project-level return reported in our 2017 report. We adjusted this upwards by around 4 percentage points to reflect the increase in the risk-free rate, using changes in 20-year Bank of England spot gilt yields between the period when the HPC deal was agreed and the period leading up to SZC final investment decision. This implies an adjusted HPC project return of around 13%.

16 As HPC is financed largely through equity rather than a mix of debt and equity, its project-level return is broadly comparable to SZC's expected unleveraged post-tax project internal rate of return at the lower regulatory threshold of 8.05% before taking account of recycling and 6.29% after taking account of recycling. On this illustrative basis, we concluded that SZC's cost of finance is around 5 percentage points lower than that of HPC after adjusting for changes in the risk-free rate and before recycling.

Thames Tideway Tunnel

17 For TTT, we used the 2.497% project bid weighted average cost of capital (BWACC) set out in the TTT project licence. This BWACC is a real-terms regulated parameter used to calculate allowed revenues during construction, rather than a measure of investor returns. To help interpret the difference between TTT and SZC, we:

- compared the 10-year Bank of England spot gilt rate at the time the TTT licence was awarded (2015) with the equivalent rate in June 2025. This shows an increase in the risk-free rate of around 2.4 percentage points.
- considered the two project's difference in the treatment of inflation. TTT's regulated asset base is adjusted annually by the retail price index (RPI) and SZC's is adjusted by consumer price index including owner occupiers' housing costs (CPIH).

After reviewing these factors, we made a qualitative judgement that, SZC's regulated cost of capital of 6.73% (CPIH-real) remains higher than that achieved for TTT.

18 These comparisons are imperfect and are intended to illustrate relative differences in the cost of finance, not to provide precise like-for-like estimates. Adjusting for movements in Bank of England spot gilt yields captures changes in the risk-free rate, but does not control for other factors such as equity risk premia, market sentiment, regulatory risk, or project-specific risk. In addition, project internal rates of return and weighted average costs of capital are not comparable metrics. The former reflects the return investors may expect from a project, while the latter is a regulated parameter used to calculate allowed revenues. The differences identified between SZC and HPC, and between SZC and TTT, should not be added together or compared quantitatively.

Our consideration of models and analysis

Business case modelling

19 We sought to understand how DESNZ had modelled the impact of SZC to inform its business case. DESNZ used two key models for its analysis.

- **The Dynamic Dispatch Model (DDM):** This models how energy investors (such as owners of power stations) respond to policy decisions and other changes, and how this affects capacity, costs, prices, security of supply, and carbon emissions across Great Britain's electricity market in the medium to long term.²¹
- **The SZC financial model:** This models the project's forecast revenues, expenditure, financing and impact on consumer bills.

20 DESNZ used these models to inform several separate pieces of analysis:

- **Strategic case analysis:** DESNZ used the DDM to assess the strategic case for a new large-scale nuclear power station in delivering net zero. It finalised this analysis in 2021 and ran the modelling to 2050.
- **A quasi-public sector comparator:** To support decision-making about the use of private investors, DESNZ used the SZC financial model to calculate the extent to which private investors would need to bring benefits to justify their additional cost. The final version of this analysis was completed in June 2025, and the modelling ran to circa 2100.
- **Final Business Case value-for-money (VFM) analysis:** DESNZ used the DDM and SZC financial model to assess the economic case for SZC until the end of its operating lifetime. It finalised this analysis, which involved two different metrics, in 2025, and ran the modelling to circa 2100. DESNZ published a summary of this assessment in July 2025.²²

Limitations of the models

Dynamic Dispatch Model

21 DESNZ uses the DDM for decision-making across many different areas. It was originally developed in 2011 and DESNZ has published its quality assurance of the model.²³ As SZC was approaching its final investment decision in 2025, DESNZ was still in the process of developing and testing a replacement for the DDM, which was not available in time for its analysis of SZC. The DDM's characteristics and known limitations include the following.

21 This model excludes Northern Ireland, which operates on a separate electricity system to the rest of the UK.

22 Department for Energy Security & Net Zero, *Sizewell C (SZC) Final Investment Decision: Value for Money (VfM) assessment*, July 2025.

23 D Newbery and D Ralph, *Assessment of LCP's Dynamic Dispatch Model for DECC*, July 2011; Department of Energy & Climate Change, *Modelling Quality Assurance of the Dynamic Dispatch Model: Internal Review*, September 2014.

- It models agent decision-making up to 2060. To cover the remaining 40 years of SZC's expected operational life, DESNZ averaged the outputs for the 10 years to 2060 and extended this average result to cover the period from 2060 to 2100.
- It requires assumptions about the construction and operation cost,²⁴ generating performance and carbon intensity of the different generation technologies included, including for plants constructed throughout the period to 2060.
- It models the electricity system given relatively typical weather variability, and does not include more extreme weather conditions or the impact of climate change.
- It assumes current market arrangements continue for the life of the model.
- It does not include multiple-day or longer-duration storage.
- It approximates transmission network costs and the impact of remotely located generation.
- It was not possible to include SZC's regulated asset base (RAB) determined costs within the DDM. For analysis where SZC costs needed to be included, this meant DESNZ ran the model with zero capital cost for SZC and then manually added SZC revenues from the financial model to the modelled outputs.

The SZC financial model

22 The SZC financial model is bespoke to this project and was subject to scrutiny by SZC's investors. Some aspects of the revenue and financing within the model are determined by the Company's economic licence and agreements with equity and debt providers. Nonetheless, the model relies on key assumptions including:

- The forecast construction costs. DESNZ used the lower and higher regulatory thresholds (with associated schedules) as the main lower and upper bounds of construction costs for its analysis. These are the circa p50 and p90 forecasts, and therefore approximately 60% of outturns will fall outside of this range.
- Forecasts of inflation and future refinancing costs.
- Sale of investments in SZC. Where the model calculated lifetime internal rates of return, it assumed that non-government investors would sell their share of equity once SZC is operational at a value equivalent to their share of the regulated asset base. This implies that a purchaser of that share of equity would value it with the same cost of capital as Ofgem will set for SZC during its operations.
- Energy prices. For the calculation of the impact on households, the model includes a DESNZ projection of future wholesale energy prices.

²⁴ Department for Energy Security & Net Zero, Energy generation cost projections. Available at: <https://www.gov.uk/government/collections/energy-generation-cost-projections>

Understanding the strategic case analysis

23 We sought to understand the modelling that DESNZ had drawn on to support its strategic case for new nuclear. A document setting out the key elements of the approach was published in 2020.²⁵ In essence, DESNZ used the DDM to model the cost and carbon intensity of the electricity system in 2050 for thousands of different mixes of electricity generation technologies and a range of future levels of electricity demand. This work enabled a wide range of comparisons to be made, for example of how costs and carbon intensity change with different generation mixes.

24 DESNZ told us the analysis was updated in 2021 using more recent generation cost assumptions and other updates, such as to fossil fuel prices. These results were used to make comparisons that focused more clearly on the impact of different levels of nuclear generation. DESNZ told us this update did not significantly change the broad conclusions of the 2020 analysis. DESNZ continued to use some results from the 2021 analysis in business cases, submissions to decision-makers and presentations to us.

Testing the approach to assessing value for money (VFM)

25 DESNZ's approach to the remaining pieces of analysis was shaped by:

- trying to replicate standard metrics within HM Treasury guidance as far as possible for a non-standard project that evolved over time;
- adapting guidance that, prior to February 2026, did not envisage a project of this nature; and
- seeking to isolate specific aspects of the project in separate pieces of analysis.

26 We sought to test the overall results by, in contrast:

- going back to first principles and applying them to the project in its final form;
- drawing on the new HM Treasury guidance which we had seen in draft but which had not been available to DESNZ as it developed its modelling;²⁶ and
- as far as possible, assessing the project as a whole.

27 We set out our approach and the differences from DESNZ's analysis in more detail below to inform future analysis of projects with similar characteristics.

²⁵ Department for Business, Energy & Industrial Strategy, *Modelling 2050: Electricity System Analysis*, December 2020.

²⁶ HM Treasury, *The Green Book: UK Government Guidance on Appraisal*, February 2026.

The final business case VFM assessment

28 The underlying analysis used the combination of the DDM and the SZC financial model to estimate the net present social value of building SZC relative to a net zero compliant counterfactual, comparing them across the whole life of the SZC project. This analysis used similar, but not identical, assumptions as for the strategic case analysis already described (for example, technology costs, growth in power demand).

29 DESNZ assessed a range of alternative counterfactuals before choosing the counterfactual scenario it decided could most feasibly replace the electricity output of SZC at low cost and low carbon: an additional 8 gigawatt (GW) of onshore wind and 7 to 8GW of offshore wind. Counterfactual scenarios involving additional hydrogen to power²⁷ or gas with carbon capture, utilisation and storage (CCUS) capacity were rejected for having higher carbon emissions and relying on emerging technologies. Social costs and benefits captured in the DDM that differ between the SZC and counter-factual scenarios include both those that are obvious (and large), such as network and interconnector costs, and those that are less obvious (and smaller), such as carbon costs and costs of power system unreliability (as measured by expected demand not met multiplied by the value of lost load).²⁸

30 DESNZ modelled net savings from building SZC against this counterfactual in four core scenarios across two variables.

- **Low and high electricity demand:** Varying between 587 terawatt-hour (TWh) to 664TWh a year by 2050, which represents an increase of 84% to 108% on top of 2024 demand.
- **Low and high construction costs:** Varying between the lower and higher regulatory thresholds (with corresponding shorter and longer construction times).

In all instances, the costs of SZC were derived from the financial model.

31 Calculating net present social value involves modelling costs and benefits over time and discounting them to current values. It is therefore always sensitive to the choice of discount rate.

²⁷ This assumed the hydrogen was produced from methane using steam reformation, with carbon capture and storage (sometimes labelled 'blue' hydrogen).

²⁸ Department of Energy & Climate Change, *Annex C: Reliability Standard Methodology*, 2013; London Economics, *The Value of Lost Load (VoLL) for Electricity in Great Britain: Final report for Ofgem and DECC*, July 2013.

Return on government investment

32 As a separate metric, DESNZ calculated a social return on government investment, representing the net present social value per pound (£) on the government's balance sheet. This metric treated the full capital cost as government investment, despite a significant proportion being financed by private investors, because the project is expected to be 'on balance sheet' for accounting purposes. HM Treasury's February 2026 guidance no longer recommends this approach as it advantages projects that are 'off balance sheet' over ones that are on.²⁹ We have not used this metric in our analysis.

DESNZ's approach to capturing the benefit of using cheaper government borrowing

33 We questioned DESNZ over how it captured the benefit of using cheaper government borrowing in its modelling of the net present social value of the project. DESNZ's modelling focuses on the impact to consumers and treats the government policy decision to 'recycle' all profit from the government's investment in SZC to consumers as reducing the cost of the project. This then acts as a proxy for using cheaper government finance. In our view, DESNZ's approach to this made it difficult to understand the interaction between its use of government borrowing costs and the social time preference rate. However, we tried different ways of modelling this and they provided higher net present social values. We concluded that this methodological choice would not have made a difference to DESNZ's decision to approve SZC.

The benefit required from private sector investors to balance their cost

34 While DESNZ did not calculate a pure public sector comparator in the later stages of the project, it did seek to establish whether it was credible that private investors could bring sufficient benefit to balance the additional cost of using private finance. To support this judgement, DESNZ calculated a 'no further equity investment other than by government' comparator by calculating the equivalent strike price assuming:

- outturn at the higher regulatory threshold;
- that EDF would not invest any more than the development funding provided up to 2023, leaving it with around 7% of the equity;
- that DESNZ held the rest of the equity; and
- that the provision of debt was as in the actual deal.

The calculation was adjusted for taxation to treat both options fairly.

29 HM Treasury, *The Green Book: UK Government Guidance on Appraisal*, February 2026.

35 DESNZ then looked at the actual deal agreed with the private investors and assessed how far the costs and the delay would need to reduce below the higher regulatory threshold for the equivalent strike price to equal its ‘no further investment comparator’. It calculated it would need to see a capital cost reduction of £3.9 billion and a schedule reduction of 24 months. DESNZ’s calculation is limited in that it uses only the financial model and not the DDM, and so does not capture wider system costs of the difference between a shorter and longer construction period.

36 We produced our own public sector comparator to assess the impact of the use of different financing arrangements on the net present social value of the project. This used the new HM Treasury guidance on preparing public sector comparators published in February 2026, which we had seen in draft but which had not been available to DESNZ when it produced its modelling.³⁰ We:

- used the inputs and outputs from DESNZ and the Company’s economic case modelling for both the financial model and DDM;
- generated a public sector comparator that assumed the Company’s capital and operating expenditure would remain the same over the whole life of the project, but removed all the financing arrangements;
- compared this to SZC, by modelling its total recovered revenue, equity and debt cashflows produced by the financial model and DDM – we included the government’s initial debt and equity investments as negative cashflows and included the payments by the Company to government as positive cashflows; this differs from DESNZ’s treatment of recycling set out in paragraph 33 above, but in our view better reflects the impact of the project on the citizen as both taxpayer and consumer; and
- discounted all the scenarios at the social time preference rate.

37 Our public sector comparator is equivalent to a fully public sector approach, with all financing and development funding coming from the government (or with EDF’s development funding being returned at financial close at a value that makes it neutral in net present value terms). It is theoretical in that it is not certain that this approach could have been delivered, for example that the regulated asset base model could have been used with 100% public financing. EDF told us that it would have been happy to purely act as a contractor to the government, rather than an investor. However, DESNZ told us that EDF investment, giving EDF stronger incentives to support the project’s success, was a precondition for DESNZ to approve the project.

³⁰ HM Treasury, *The Green Book: UK Government Guidance on Appraisal*, February 2026.

38 The benefit of the NAO's public sector comparator is that it shows the full cost of using private sector finance and not delivering the project as a public sector project fully funded at the gilt rate. It uses the DDM to place a social value on the schedule difference between the different construction outturns. The result is not directly comparable with DESNZ's result. However, the NAO's modelling of a public sector comparator confirmed the main conclusions that can be drawn from DESNZ's analysis: private sector investors would need to bring a significant benefit to balance their additional cost, but this level of benefit is available to be delivered given the difference between value at the higher regulatory threshold outturn and value at the lower regulatory threshold outturn.

39 The output of the public sector comparator is subject to the same uncertainties as the calculation of the net social present value but is particularly sensitive to the choice of discount rate. For example, the use of a gilt rate of 4.6% increases the requirement of improvement demonstrable by the use of private investors from £4.0 billion to £7.5 billion whereas a gilt rate of 6.15% decreases the requirement to £3.0 billion.

Our methodology of cost conversions

Nominal to 2024-25 real

40 Nominal values presented in this report have been converted to real 2024-25 prices using the Consumer Price Index including owner occupiers' housing costs (CPIH) index embedded within the financial model jointly used by SZC and DESNZ. Cash flows were first inflated or deflated to constant prices in the year in which expenditure was incurred, and subsequently aggregated across the relevant period. The conversion to the 2024-25 price base was undertaken using the CPIH index level at the end of the 2024-25 financial year, which was 134.98.

2012 to 2025 real

41 The HPC values originally expressed in 2012 prices have been converted to real 2025 prices using the Consumer Prices Index (CPI) on an annual basis. The conversion applies CPI index values of 96.04 for 2012 and 138.37 for 2025.

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