National Audit Office

Department for Energy Security & Net Zero 2025-26

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OVERVIEW

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Summary

C&AG introduction

In 2025, we set out our new five-year strategy. In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

The Department for Energy Security & Net Zero	
Purpose	The Department for Energy Security & Net Zero (DESNZ) is responsible for the government's mission for the UK to become a "clean energy superpower". The mission has two pillars: Clean Power by 2030 and Accelerate to Net Zero, supported by four strategic outcomes.
Financial management	
Total net spending	DESNZ's spending doubled to £13.4 billion in 2025-26 – an increase of £6.7 billion from 2024-25. This is spending that DESNZ controls directly and through its arm's-length bodies (ALBs).
Managing major projects	DESNZ's major projects and programmes include: Sizewell C (£4.7 billion) – a new nuclear power station in Suffolk; nuclear decommissioning (£3 billion); and interventions intended to support affordable energy and action on climate change (£2.7 billion).
Spending Review settlement	DESNZ received a 16% a year real-terms increase in its capital budget between 2023-24 and 2029-30, excluding Sizewell C. However, since then DESNZ has had a net reduction of around £3.1 billion from its budget for 2026 to 2030, which reduces the amount it can spend on equity and loans, and increases the proportion of its capital grants that are fully allocated.
Managing financial liabilities	DESNZ and its ALBs manage a range of complex and long-term financial liabilities needed to build and run energy infrastructure and manage the ongoing costs left by nuclear and fossil fuel infrastructure after it has closed. At 31 March 2026, DESNZ had net liabilities of £228.9 billion. Its scheme to support low-carbon electricity generation, Contracts for Difference, had the largest increase.
Resilience and risk	
Managing organisational and project risks	DESNZ is managing long-term strategic risks, such as maintaining affordable and secure energy supplies, securing the private investment needed for the energy transition to clean power, protecting critical energy infrastructure from disruption, and ensuring it has the funding, skills and organisational capacity required to deliver its objectives. DESNZ also has 12 of the government's portfolio of 81 major projects, each with significant delivery risks.
Developing a new finance model for Sizewell C	DESNZ reached a final investment decision on Sizewell C in 2025-26, using a novel delivery and financing model that combines public and private investment with a Regulated Asset Base mechanism. The project is intended to strengthen long-term energy security, but achieving the expected benefits will depend on successful delivery of this complex major project.
Overseeing an upgrade to the grid	Delivering Clean Power 2030 depends on upgrading an ageing electricity transmission network, with £70 billion of planned investment by 2031 – around four times the current rate. But delivering these upgrades on time will be very challenging.
Reforming home retrofit	Weaknesses in the design, oversight, quality assurance and consumer protection arrangements for DESNZ's Energy Company Obligation (ECO) scheme contributed to widespread installation problems in up to 23,000 homes with external wall insulation, and suspected fraud. DESNZ ended the scheme and is consulting on reforms to consumer protection under the Warm Homes Plan.
Productivity	
Nuclear decommissioning	Cleaning up the UK's legacy nuclear sites will take until 2150 and cost £115 billion. The estimated cost of decommissioning has increased because some work is now expected to start later or take longer, extending the cost of keeping ageing sites safe and operational.
Efficiency savings	DESNZ has committed to efficiency savings of £157 million a year by 2028-29 through workforce, digital and operational reform.

About the Department for Energy Security & Net Zero (DESNZ)

The Department for Energy Security & Net Zero (DESNZ) leads on the government's mission to make the UK a **clean energy superpower**.

The mission is underpinned by two pillars.

- **Clean Power by 2030:** DESNZ's aim is that, by 2030, clean sources will produce at least 95% of Great Britain's energy generation. In 2025, 73.3% of Great Britain's power generation came from clean sources, such as wind and solar power.
- **Accelerate to Net Zero:** The UK has committed to reaching net zero by 2050. To support this objective, DESNZ is delivering interventions to accelerate the transition to net zero, including support for clean energy industries and decarbonisation of home heating through the Warm Homes Plan.

In its *Annual Report and Accounts 2025-26*, DESNZ reports its performance against **four strategic outcomes** (**Figure 1**).

Our report *Achieving environmental improvement and responding to climate change: enablers for success* identified enablers for the government to improve the delivery of its climate change goals, such as ensuring effective arrangements to coordinate across government and to work with local government.

Figure 1

Department for Energy Security & Net Zero (DESNZ) strategic outcomes in 2025-26

In 2025-26, DESNZ had four strategic outcomes for its work

Strategic outcome	Examples of actions and performance DESNZ reported against these outcomes in its Annual Report and Accounts 2025-26
Enhance energy security	Continue to deliver the **Clean Power 2030 Action Plan**, which included speeding up planning decisions to prioritise critical infrastructure. Launched a package of measures in March 2026 to **mitigate the impact of geopolitical instability on energy markets**. **Advanced energy cooperation with the EU** by agreeing to enter formal internal electricity market negotiations.
Protect billpayers	Launched the £15 billion **Warm Homes Plan** in January 2026, aiming to help millions of households reduce energy bills through home energy efficiency upgrades. Decrease in average household **gas and electricity bill**, from £1,896 in 2024 to £1,784 in 2025. Fewer **fuel poor households** in England, from 2.47 million in 2024 to 2.36 million in 2025.
Create economic growth for the UK and generate and protect jobs	Doubling of investment in UK clean energy industries to over £30 billion per year under the **Clean Energy Industries Sector Plan**. **Advanced clean energy investment and green growth** through supply chain funding, industrial investment and targeted support for UK industry. UK **low carbon and renewable energy economy employment** has increased by 51.6% between 2015 and 2024.
Reduce the UK's emissions	Decrease in provisional UK carbon dioxide equivalent **greenhouse gas emissions** of 1.82% between 2024 and 2025. Delivery of a 73.3% share of GB electricity from **low-carbon sources** in 2025. Launched a declaration **at COP30** to accelerate actions to tackle super-pollutants, including methane.

Note

1 Figures for the average household combined electricity and gas bills (UK) in 2025 are provisional.

Source: National Audit Office analysis of Department for Energy Security & Net Zero, *Annual Report and Accounts 2025-26*

How DESNZ is structured

DESNZ is led by the Secretary of State for Energy Security and Net Zero, and the Permanent Secretary.

DESNZ reorganised its existing structure into six new Director General-led groups (**Figure 2**).

The department is also supported by a Chief Scientific Adviser.

DESNZ hosts Integrated Corporate Services, which provides shared corporate and enabling services across a number of government departments.

In 2025-26, DESNZ's core department employed 4,791 people (4,505 in 2024-25). This figure is based on the full-year equivalent average and includes both permanent and fixed-term contracts. It only includes active workers and excludes those currently on maternity leave or outward loans.

Figure 2

How the Department for Energy Security & Net Zero (DESNZ) is structured

DESNZ is organised into six groups

Net Zero, Climate and Energy System Strategy	Energy Market Reform	Household Consumers and Energy Retail	Economy, International and Security	Nuclear and Major Projects	Corporate Delivery Group
Strategy	Electricity Security & Market Reform	Strategy & Policy	International Climate Finance & Strategy	DESNZ Chief Negotiator	HR & Organisational Development
Net Zero Strategy	Renewable Electricity	Transformation & Portfolio	International Energy & Trade	Carbon Capture, Usage and Storage (CCUS) Delivery	Finance
Analysis	Electricity Systems & Networks	Consumer Protection	International Climate Negotiations & UK Chief Climate Negotiator	Hydrogen, Hynet & Peak Delivery	Change & Transformation
Head of Clean Power 2030	Offshore Petroleum Regulator for Environment & Decommissioning	Capital Delivery	Energy Security & Resilience	CCUS & Hydrogen Policy	Digital, AI & Data
	Energy Development Planning	Regulation	North Sea Transition	CCUS & Hydrogen Portfolio	Commercial
		Smart Meters Programme		Nuclear Power, Infrastructure & Decommissioning	Grants & Loans
		Prices & Retail Markets		Nuclear Protection	Portfolio Management
				Nuclear Projects	Communications
				New Nuclear & Fusion	Legal

Note

1 Each group comprises several individual directorates.

Source: National Audit Office summary of Department for Energy Security & Net Zero information

DESNZ's arm's-length bodies and other bodies

DESNZ sponsors more than 20 arm's-length bodies and other organisations to support the delivery of its objectives (Figure 3). The largest of these is Sizewell C, with expenditure of £4.7 billion in 2025-26 (excluding Regulated Asset Base funding).

These bodies undertake a wide range of policy, regulatory and operational functions.

Key changes to the departmental group in 2025-26

- **Liverpool Bay CCS Limited** is a company operating in the northwest of England responsible for transporting and storing captured carbon dioxide. It was consolidated into the DESNZ departmental group in 2025-26.
- **Sizewell C (Pledgeco) Limited** was incorporated in May 2025 and consolidated into the DESNZ departmental group alongside the other Sizewell C companies. This newly created subsidiary has been established to manage the Sizewell C Group's debt financing arrangements.

Figure 3

The Department for Energy Security & Net Zero's (DESNZ's) arm's-length and other bodies, 2025-26

DESNZ works with more than 20 related bodies

Departmental group		Wider group
Non-departmental public bodies	**Companies**	**Public corporations**
Civil Nuclear Police Authority	Bulb Energy Ltd	United Kingdom National Nuclear Laboratory Limited
Climate Change Committee	Electricity Settlements Company Ltd	National Energy System Operator Limited
Committee on Fuel Poverty	Enrichment Holdings Ltd	**Central government fund**
Committee on Radioactive Waste Management	Great British Energy Group Limited	Nuclear Liabilities Fund
Mining Remediation Authority (formerly Coal Authority)	Great British Energy – Nuclear	**Non-ministerial department**
Nuclear Decommissioning Authority	Liverpool Bay CCS Limited	Office of Gas and Electricity Markets (Ofgem)
North Sea Transition Authority (formerly Oil and Gas Authority)	Low Carbon Contracts Company Ltd	
UK Atomic Energy Authority	Net Zero North Sea Storage Ltd	
	Salix Finance Limited	
	Sizewell C Limited	
	Sizewell C (Holding) Limited	
	Sizewell C (Pledgeco) Limited	

Notes

1 The 'Departmental group' excludes some organisations that are separate legal entities, but whose accountability flows from the organisations represented in the Figure.

2 The 'Wider group' includes organisations not in the 'Departmental group' that work to achieve DESNZ's objectives, which are not consolidated in the group accounts.

3 Great British Nuclear was renamed Great British Energy – Nuclear in June 2025, having previously been redesignated from British Nuclear Fuels Limited in March 2024.

4 Following work undertaken in response to the Cabinet Office review of the arm's-length body landscape, the Committee on Fuel Poverty and the Committee on Radioactive Waste Management, both formerly advisory non-departmental public bodies, were reclassified as expert committees.

5 Sponsorship of the Office for Nuclear Regulation moved from the Department for Work & Pensions to DESNZ on 1 August 2026.

Source: National Audit Office analysis of Department for Energy Security & Net Zero, *Annual Report and Accounts 2025-26*

Where DESNZ spent the money under its control

DESNZ spent £13.4 billion in 2025-26 across a range of activities and arm's-length bodies – double its spending of £6.7 billion in 2024-25.

Around 85% of its spending under its Departmental Expenditure Limit (spending to cover plans DESNZ is committed to, announced at spending reviews) was capital expenditure on major projects (**Figure 4** on page 8). For example:

- £4.7 billion on **Sizewell C** – nearly triple the level in 2024-25;
- £3.1 billion through the **Nuclear Decommissioning Authority** – an increase of 3% compared to 2024-25;
- £755 million on **Net Zero North Sea Storage** – an increase of 72% compared to 2024-25; and
- £658 million with **Liverpool Bay CCS Limited**, as part of its Carbon Capture, Usage and Storage programme. This was the first year that spending by Liverpool Bay CCS Limited was reflected in DESNZ's accounts.

Some other key areas of spending include:

- DESNZ spent £2.7 billion on interventions to support **affordable energy** and **climate change and decarbonisation** – an increase of around 17% compared to 2024-25; and
- DESNZ spent £783 million on **capability** (covering, for example, resourcing, training and staff development) in 2025-26, compared to £412 million in 2024-25.

The Comptroller and Auditor General's (C&AG's) opinion on DESNZ's annual report and accounts for 2025-26

The C&AG concluded that DESNZ's financial statements gave "a true and fair view of the state of the department and the departmental group's affairs as at 31 March 2026", with one qualification. He was unable to obtain sufficient evidence with regards to the transactions and balances managed by Liverpool Bay CCS Limited (Liverpool Bay) – owner and operator of transportation and storage infrastructure for CO_2. This was because Liverpool Bay's external auditor was unable to confirm its independence from DESNZ, so the C&AG could not use its work to support his opinion.

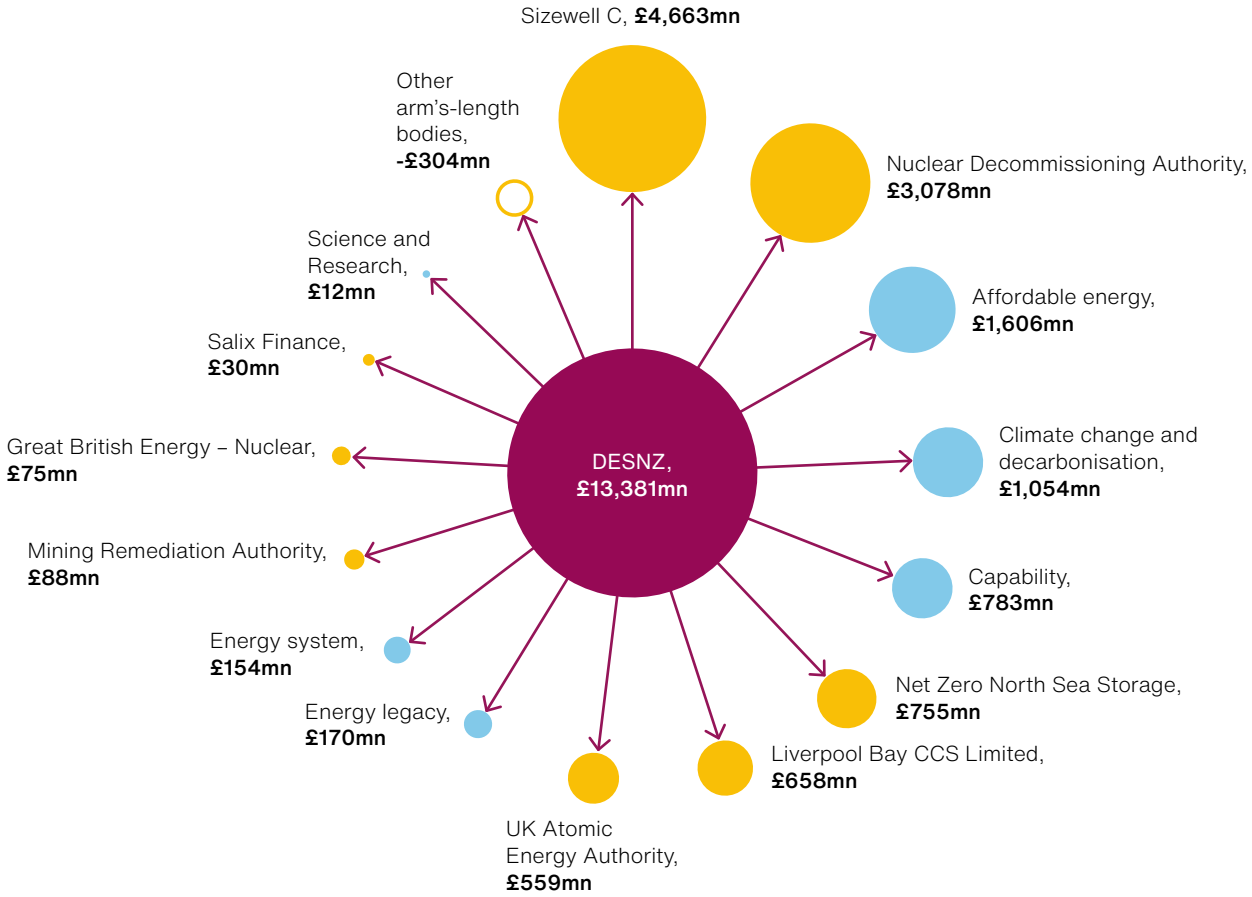


Where DESNZ spent the money under its control *Continued*

Figure 4

Department for Energy Security & Net Zero (DESNZ) spending, 2025-26

DESNZ's Departmental Expenditure Limit (DEL) net spending amounted to £13.4 billion in 2025-26



Key

- Total spending
- DESNZ direct spending on policy areas
- Spending by DESNZ arm's-length bodies and other bodies
- DESNZ negative spending (net income) by arm's-length bodies

Notes

1 DESNZ's expenditure total of £13.4 billion is net of the £0.3 billion income it received through the activities of its arm's-length bodies. This figure is represented as a negative number to indicate this is income rather than expenditure.

2 Figures are based on total net combined resource and capital expenditure within Departmental Expenditure Limits (DEL). This is spending to cover plans DESNZ is committed to, announced at spending reviews. The Figure does not include Annually Managed Expenditure, which is spending that 'cannot reasonably be subject to firm three-year limits' and is typically more difficult to predict.

3 From 2026-27, expenditure on Sizewell C will be classified as Annually Managed Expenditure as it has been classified a 'mega project'.

Source: National Audit Office analysis of data from Department for Energy Security & Net Zero, *Annual Report and Accounts 2025-26*

Managing complex financial liabilities

DESNZ is responsible for financing several large, long-term schemes to build and run energy infrastructure and manage the costs left by nuclear and fossil-fuel infrastructure.

At 31 March 2026, DESNZ had net liabilities of £228.9 billion, an increase of £28.8 billion from £200.1 billion at 31 March 2025. DESNZ reported that the largest effect on this change was the recognition of liabilities for Contracts for Difference awarded through a competitive process known as Allocation Round 7.

Because of their scale and long-term nature, DESNZ finds it difficult to budget accurately for these liabilities. Its Annually Managed Expenditure was £28.5 billion in 2025-26, £52.5 billion below its £81.0 billion budget. The largest variances were £27.1 billion for movements in the nuclear provision and £23.9 billion for the valuation of Contracts for Difference (**Figure 5**).

Figure 5

Department for Energy Security & Net Zero's (DESNZ's) main financial liabilities

DESNZ underspent by £52.5 billion against its budget for Annually Managed Expenditure because its financial liabilities are difficult to estimate

Main liabilities	Nuclear decommissioning	Contracts for Difference (CfDs)	Low Carbon Hydrogen Agreements	Mining Remediation Authority
	(£bn)	(£bn)	(£bn)	(£bn)
Undiscounted value March 2026	**276.4**	**166.1**	**2.8**	**11.8**
Book Value at 31 March 2026	**115.6**	**110.9**	**2.2**	**1.6**
Book Value at 31 March 2025	**110.1**	**90.4**	**1.2**	**1.7**
Description	The Nuclear Decommissioning Authority recognises the estimated future cost of decommissioning its nuclear sites as a provision.	CfDs support low-carbon electricity generation by providing generators with a set price. Their valuation depends on forecasts including future electricity generation and wholesale prices.	Low Carbon Hydrogen Agreements provide contractual support for low-carbon hydrogen production. The accounts recognise the estimated future liability arising from these agreements.	The Mining Remediation Authority manages the effects of past coal mining. Its provision reflects the estimated future costs of matters including public safety claims, incidents and litigation.
Movement	**Increase of £5.5bn**. Higher estimated future costs of £48.4bn, including costs moved into later periods, were mostly offset by increased discounting.	**Increase of £20.5bn**, mainly owing to new contracts awarded through Allocation Round 7.	**Increase of £1.0bn**, reflecting changes in the estimated future payments under the agreements.	**Decrease of £0.1bn**, reflecting changes in estimated future expenditure and discounting.
Contribution to underspend of £52.5 billion	**£27.1bn underspend**, reflecting uncertainties at the time of budgeting for movements in the provision and increased discounting.	**£23.9bn underspend**, reflecting the inherent volatility of the valuation of CfDs and their sensitivity to electricity prices.	**£0.9bn underspend** because contracts under Hydrogen Allocation Round 2 were not signed during the year as expected.	**£0.4bn underspend**, reflecting uncertainty when the budget was set about the final cost of public-safety claims, incidents and litigation.
Key valuation issues	Sensitive to assumptions about future costs, delivery methods and timetables, particularly at Sellafield and related to the Geological Disposal Facility, and to discount rates.	Sensitive to wholesale electricity prices, generation volumes, load factors and discount rates.	Sensitive to the volume of hydrogen sold to qualifying customers and the prices producers achieve.	Sensitive to mine-water treatment costs, public-safety incidents, subsidence claims and discount rates.

Note

1 Numbers do not all sum due to rounding.

Source: National Audit Office analysis of Department for Energy Security & Net Zero, *Annual Report and Accounts 2025-26*

Assurance over performance

Our recent work has highlighted how DESNZ needs to strengthen its assurance over the performance of the systems and organisations it is relying on to deliver the outcomes it is paying for.

Understanding the performance of others

DESNZ must gain assurance that its plans are delivering outcomes successfully by monitoring the performance of over 20 arm's-length and other public bodies it works with as well as the private bodies that make up the delivery chains on which it relies, for example, to retrofit insulation and decarbonise heating in people's homes (**Figure 6**).

How DESNZ uses outcome boards to assess performance across government

Delivering the government's mission to become a clean energy superpower is a shared responsibility, requiring engagement from business and industry.

One way that DESNZ is seeking to lead delivery of such government-wide objectives is through the use of five cross-cutting outcome boards. These outcome boards focus on the delivery of objectives that it is seeking from the energy system, such as energy security and energy affordability.

These outcome boards take into account the collective performance of individual projects, programmes or portfolios when assessing progress against objectives.

Figure 6

Issues in the Department for Energy Security & Net Zero's (DESNZ's) monitoring of performance identified by our work

DESNZ has shown some repeated weaknesses (and some strengths) in its assurance that spending is delivering the outcomes it wants to see

Type of delivery	Issues identified in recent work by the National Audit Office and the Committee of Public Accounts
Delivery chains for household retrofits	In *Energy efficiency installations under the Energy Company Obligation* (2025), we found limited DESNZ oversight of suspected fraud and widespread quality failures, and called for annual reporting on fraud, error and non-compliance across all retrofit schemes. In *Decarbonising home heating* (2024) we found that DESNZ does not have all the information it needs on heat pump installations to monitor whether progress is on track and to identify key barriers to uptake.
Financial incentive schemes in energy generation and industrial emissions	Our 2024 report *The government's support for biomass* found gaps in DESNZ's arrangements for monitoring whether the biomass industry is meeting high standards of sustainability, and that DESNZ had not evaluated the effectiveness of these arrangements. By contrast, in 2025, our report *UK Emissions Trading Scheme* highlighted reasons for DESNZ to have confidence in its assurance over scheme compliance, including the mandated use of independent verifiers of emissions measurements. Our report *Upgrading the electricity transmission network* (2026) found that DESNZ has improved oversight of Transmission Owners' upgrades of the grid, but there was scope to strengthen the grid upgrades portfolio management function.
Arm's-length and other bodies: tracking performance	The Committee of Public Accounts' report on Sellafield (2025) warned that targets set for Sellafield Ltd, a subsidiary of the Nuclear Decommissioning Authority (NDA), do not support DESNZ and the NDA in holding Sellafield Ltd to account for poor performance. By contrast, our 2026 report *Sizewell C* highlighted how DESNZ has agreed to use Sizewell C Ltd's cost and progress forecasts, verified by an independent technical advisor, to monitor performance of delivery against estimates of costs against its baseline and risk adjusted scenarios.

Source: National Audit Office (NAO) analysis of reports by the NAO and Committee of Public Accounts

Managing strategic risks

DESNZ manages risks across an increasingly complex delivery environment.

This includes risks associated with delivering a complex portfolio of major programmes, alongside functional risks relating to information security, staffing and policy implementation (**Figure 7**).

Robust and effective risk management is essential to securing long-term value for money

Our good practice guide *Overcoming challenges to managing risks in government* highlights the need for departments to balance immediate and competing demands with long-term value for money. Resilient public services require a conscious balancing of current and future needs, and improved prevention and preparedness for a range of risks.

DESNZ's approach to risk management

DESNZ continues to manage strategic risks through its portfolio management approach introduced in September 2024 to support oversight of its complex programme portfolio. Risks are managed at programme level, with a Portfolio Board providing assurance and escalating significant risks to the Departmental Strategic Risk Register.

Figure 7
Departmental Strategic Risk Register 2025-26

The Department for Energy Security & Net Zero (DESNZ) added one risk to its strategic risk register in 2025-26

Risk	Relevant strategic priority
Unaffordable energy bills – gas price rises	Protect billpayers
Disruption to supplies of gas/electricity/fuel to meet near-term demand	Protect billpayers; Enhance energy security
Energy supplies and/or systems disrupted due to disorderly energy transition	Reduce emissions; Enhance energy security
Failure to meet legally binding net zero commitments and carbon budgets	Reduce emissions
Failure to provide leadership in the global fight to tackle climate change	Reduce emissions
Failure to secure sufficient levels of private investment required to deliver the clean energy mission	Reduce emissions; Create economic growth and good jobs
Catastrophic incident affecting energy/nuclear critical national infrastructure	Enhance energy security
Insufficient funding could limit ability to deliver objectives	Corporate risk
Sensitive information is compromised or lost (for example cyber-attacks)	Corporate risk
Current and future workforce has structural gaps	Corporate risk
Departmental morale, engagement and wellbeing	Corporate risk
Failure to embed Public Sector Equality Duty in policy design and delivery	Corporate risk
New risk for 2025-26	
Environmental Principles Policy Statement compliance risk	Corporate risk

Note
1 Descriptions of risks are abbreviated from original versions.

Source: National Audit Office summary information from the Department for Energy Security & Net Zero, *Annual Report and Accounts 2025-26*

Departmental risks: climate change reporting

Central government has been implementing new annual reporting requirements, aligned with the Task Force on Climate-related Financial Disclosures (TCFD), to provide transparency and accountability on climate-related issues. The disclosures were phased in over three years from 2023-24.

Our 2025 report *Implementation of climate-related reporting in central government annual reports* found that TCFD-aligned reporting has the potential to deliver significant benefits, improving public bodies' understanding of climate-related risks and increasing senior engagement with climate issues. We identified six common challenges faced when preparing TCFD-aligned reporting: skills and capability gaps, lack of organisational buy-in, accessibility of guidance, data limitations, timeline constraints, and resource and budgeting.

DESNZ's TCFD reporting

DESNZ set out its latest TCFD statement in its *Annual Report and Accounts 2025-26*. Because tackling climate change is central to DESNZ's role, its reporting covered the core department and 10 other public bodies in its greening government commitments family, and set out its impact across the whole of the UK. Not all information was available from all the bodies in scope.

As part of its disclosure, DESNZ states that its assessment of climate risk is central to its overall risk assessment processes. For example, three of its eight strategic delivery risks relate to what it describes as climate change and international action.

In its *Annual Report and Accounts 2025-26*, DESNZ reported data on a number of different aspects of its sustainability performance and that of its group, examples of which are summarised in **Figure 8**. Comparable figures for 2024-25 are not available because of, for example, the different number of bodies that were within the scope of the disclosure.

DESNZ also disclosed its spending on carbon offsetting – £5,000 to compensate for emissions arising from DESNZ travel to COP30 events during 2025.

Figure 8

The Department for Energy Security & Net Zero's (DESNZ's) sustainability reporting, 2025-26

DESNZ reports on aspects of its sustainability performance such as emissions and water consumption

	2025-26
Carbon emissions data	
Scope 1 emissions Emissions (direct sources owned or controlled by the organisation) (gas) (tonnes CO_2 equivalent)	3,923
Related gas consumption (KWh)	15,705,345
Scope 2 emissions Emissions (indirect – energy consumed which is supplied by another party) (electricity) (tonnes CO_2 equivalent)	11,499
Related electricity consumption (KWh)	58,759,962
Scope 3 emissions Emissions from business travel (tonnes CO_2 equivalent)	4,382
Emissions from ICT (tonnes CO_2 equivalent)	1,570
Emissions expenditure	
Expenditure on Scope 1 and 2 emissions (£'000)	9,787
Emissions Scope 3 emissions (£'000)	4,798
Other metrics	
Municipal waste (tonnes)	1,575
Water consumption (cubic metres)	47,115
Water supply and sewage costs (£'000)	117

Source: National Audit Office summary of information from the Department for Energy Security & Net Zero, *Annual Report & Accounts 2025-26*

DESNZ's major projects

The National Infrastructure and Service Transformation Authority (NISTA) has narrowed the Government Major Projects Portfolio to projects with a whole-life cost of more than £1 billion, that support a top government priority and would benefit most from central support and scrutiny. DESNZ now has 12 of the 81 projects in the portfolio, the second highest number of any department after the Ministry of Defence. NISTA's assessments indicate these have significant delivery risk (**Figure 9** on pages 13 and 14).

Figure 9

The Department for Energy Security & Net Zero's (DESNZ's) projects on the Government Major Projects Portfolio (GMPP), as at 31 March 2026

DESNZ projects on the GMPP given a confidence rating assessment by NISTA are all amber or red

Project name	Project description	End date	Whole life cost (2024-25 prices)	NISTA confidence rating assessment
			(£bn)	
Sizewell C	New nuclear project	1 July 2039	38.2	Not disclosed
East Coast Cluster	Carbon capture, usage and storage for industrial hubs in Teesside and Humberside	Not disclosed	Not disclosed	Not disclosed
HyNet Cluster	Carbon capture, usage and storage for industrial hubs in Merseyside and north Wales	Not disclosed	Not disclosed	Not disclosed
Small Modular Reactors	Development of small nuclear reactors, led by Great British Energy – Nuclear	Not disclosed	Not disclosed	Not disclosed
Great British Energy	Set up Great British Energy as an independent, publicly owned energy company to support investment in clean energy infrastructure	30 October 2026	Not disclosed	**Amber**
Spherical Tokamak for Energy Production	Development of a prototype fusion power plant	1 April 2045	In planning stage	**Amber**
Warm Homes Agency	Creation of the new Warm Homes Agency to support the Warm Homes Plan	31 March 2027	0.3	**Red**

Figure 9 *continued*
The Department for Energy Security & Net Zero's (DESNZ's) projects on the Government Major Projects Portfolio, as at 31 March 2026

Project name	Project description	End date	Whole life cost (2024-25 prices)	NISTA confidence rating assessment
			(£bn)	
Warm Homes: Local Grant	Energy efficiency and low-carbon heating improvements for low-income households	1 September 2028	0.5	**Amber**
Social Housing Decarbonisation Fund	Decarbonise social housing over the 2020s in pursuit of carbon and fuel poverty targets	31 March 2030	2.3	**Amber**
Boiler Upgrade Scheme	Grant available to households in England and Wales towards the cost of a heat pump	31 March 2030	3.1	Not rated – Senior Responsible Owner rates as Amber
Hydrogen Allocation Round 2	Support for low-carbon hydrogen production across the UK	31 December 2041	9.4	**Red**
Geological Disposal Facility	Construction of a permanent disposal facility for the UK's most hazardous radioactive waste	31 January 2050 – 31 March 2060	20.3 – 53.3	**Red**

Notes
1 Where the end date or whole life cost states 'Not disclosed' this is because the information is exempt as commercially sensitive.
2 We have taken the end date and the estimated cost for Sizewell C from our May 2026 report *Sizewell C*.
3 The end date and whole life costs for the Geological Disposal Facility are presented as a range from a low to high estimate.

Source: National Audit Office analysis of National Infrastructure and Service Transformation Authority, *Government Major Projects Portfolio*, 31 March 2026; and *Annual Report 2025-26*; and other public sources

Sizewell C

Sizewell C is a new nuclear power station being built in Suffolk and one of the country's largest infrastructure projects. It is intended to strengthen long-term energy security. In May 2026 we reported on the deal the government made with private investors to support the construction of Sizewell C, following DESNZ's final investment decision on the project in 2025-26. We examined DESNZ's decision to support the project leading up to the deal, features of the deal, and how Sizewell C Ltd plans to manage delivery risks during construction.

Our key findings

Our report found that DESNZ had looked to learn from the problems of previous nuclear power construction projects and other large infrastructure schemes, resulting in a novel financing structure (**Figure 10** on page 16).

DESNZ hopes that a new delivery and financing model means Sizewell C will deliver to time and budget where others did not. DESNZ will need to monitor the risks to taxpayers and billpayers closely. Amongst other things we found that:

- Sizewell C's electricity will cost more to generate but reduces overall system costs compared to renewables. This is subject to inherent uncertainty, but DESNZ views it as less risky than untested technologies.
- Other nuclear projects experienced large cost and schedule overruns. Sizewell C hopes to avoid this by replicating the design and approach of the UK's other nuclear project at Hinkley Point C (HPC).
- DESNZ has developed a new delivery and financing model for Sizewell C that combines public and private investment, together with a regulated asset base model which allows for consumers to finance the project during construction.
- The sharing of risk with the taxpayer and consumer appears to have reduced the cost of financing the project, but the rewards to investors appear high, given their limited exposure to project risk.
- 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 Sizewell C will deliver to time and budget where others did not.

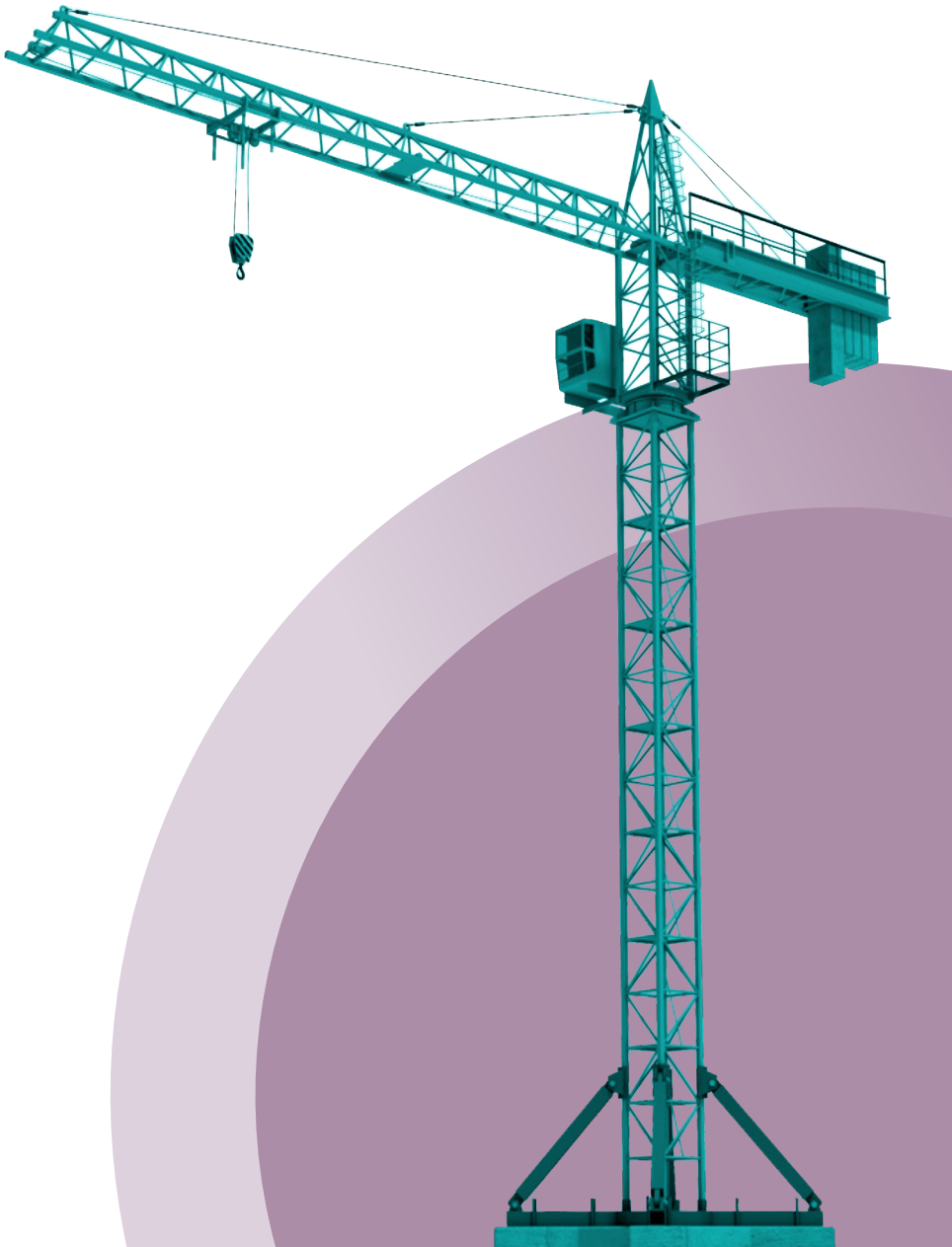
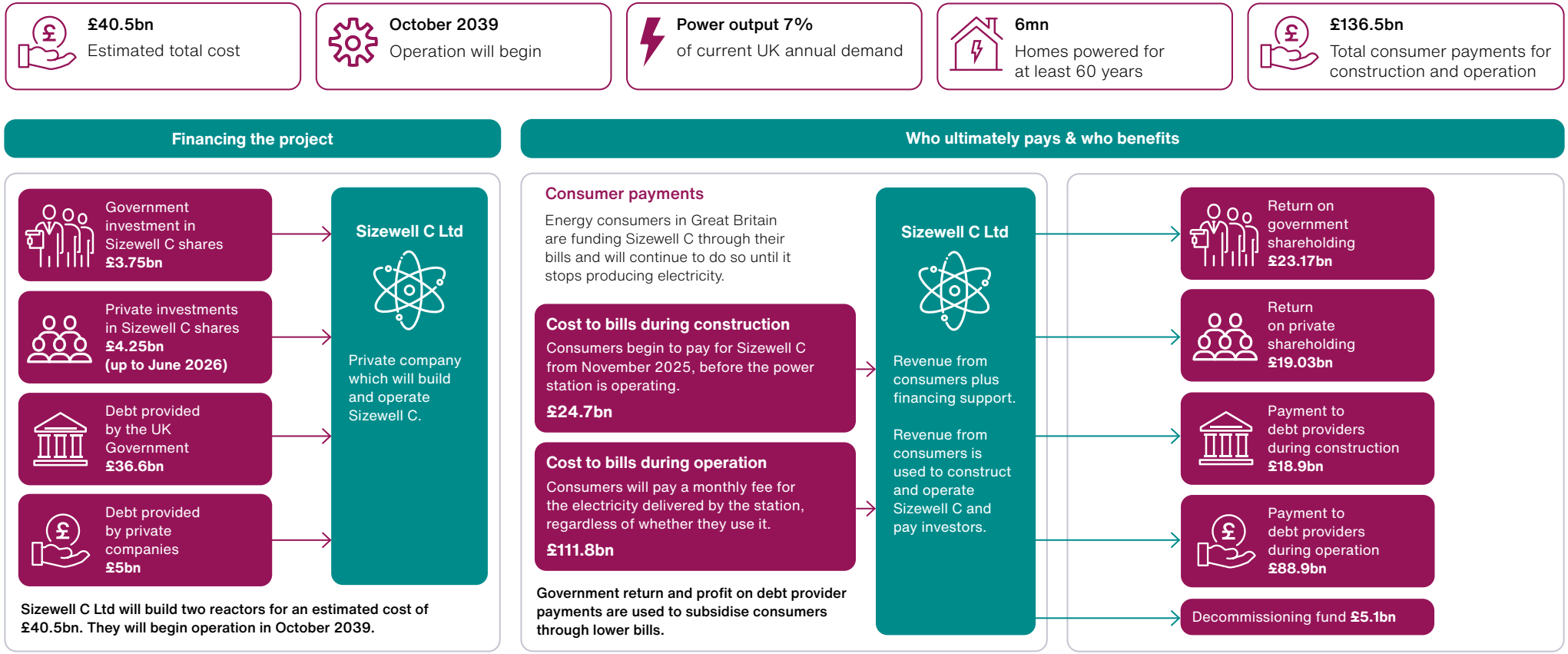


Figure 10

Sizewell C – how it will be paid for (if it goes to plan)

While government and private investors are putting money into the project, the costs will ultimately fall to consumers



Notes

1 Shareholder investments into Sizewell C are a mixture of share types and shareholder debt.
2 Sizewell C will receive regulated revenue and financing support.
3 Figures shown are rounded.
4 All figures assume the project is delivered at the Lower Regulatory Threshold, close to the mid-point of the range of cost forecasts and schedules.

Source: National Audit Office analysis of Sizewell C Ltd's financial model, May 2026

Consumer protection for retrofitting homes

Four of DESNZ's major projects relate to retrofitting housing to provide warm green housing. In October 2025, we published *Energy efficiency installations under the Energy Company Obligation*, which reported on failures in the Energy Company Obligation (ECO) and raised concerns about consumer protection.

The government's policy

The government's ECO scheme required medium and large energy suppliers to fund the installation in homes of energy-efficiency measures such as insulation. The government expected that the two most recent ECO schemes – ECO4 and the Great British Insulation Scheme (GBIS) – together would deliver £280 million in annual energy bill savings for households and contribute to the government meeting its carbon budgets.

Why the NAO examined ECO

During 2024, TrustMark (the government-endorsed quality scheme for energy efficiency retrofits) informed DESNZ of two separate issues on its ECO schemes:

- suspected fraud, whereby some retrofit businesses were overclaiming for work; and
- that high levels of external wall insulation installations were non-compliant with the relevant quality standard.

Our findings on ECO schemes

Clear failures in the design and set-up of ECO4 and GBIS, and in their consumer-protection and quality-assurance system, led to widespread quality problems and suspected fraud. DESNZ and Ofgem responded quickly once the scale of the issues became clear. Wider reform is needed so that future schemes have clearer accountability, stronger controls, better information and effective consumer redress. We found:

Widespread quality failures

- **98%** of homes with external wall insulation had major issues requiring remediation (between 22,000 and 23,000 homes).
- **29%** of homes with internal wall insulation had major issues requiring remediation (between 9,000 and 13,000 homes).

The cost of remediation should normally be from £250 to £18,000 per property if it is done before the poor-quality installation causes damage.

Suspected fraud

In November 2024, Ofgem estimated that businesses had falsified claims for ECO installations in between 5,600 and 16,500 homes, potentially claiming between £56 million and £165 million from energy suppliers.

Weaknesses across the system

Failures in scheme design, oversight, quality assurance and consumer protection allowed substandard work in a complex delivery chain. Weaknesses included:

- an overly complex consumer protection system that ultimately failed due to unclear and fragmented roles, responsibilities and accountabilities among DESNZ, Ofgem, and private installers and certifiers;
- weak government oversight resulting in widespread issues with ECO not being identified sooner; and
- insufficient audit and monitoring, with weaknesses that allowed installers to 'game' the system.

Developments since we reported

In the November 2025 Budget, the government announced it would end ECO, with no levies on bills from April 2026.

In January 2026, the government published its Warm Homes Plan setting out how it intends to cut energy bills and upgrade homes in the future. This includes proposals to reform consumer protection for home upgrade schemes, which it is currently consulting on.

In April 2026, the Serious Fraud Office and National Crime Agency announced an investigation into three companies delivering ECO contracts, searched six sites, and arrested four people.

Clean Power 2030: upgrading the grid

Much of Great Britain's electricity transmission network (the grid) was built between the 1950s and 1970s and is poorly matched to how electricity is produced today. To avoid overloading certain wires, the system operator pays some generators to turn down and others to turn up, leading to constraint costs which are added to consumer bills. Our September 2026 report *Upgrading the electricity transmission network* looked at the government's progress in upgrading the grid as part of the Clean Power 2030 challenge.

Our key findings

- **DESNZ has allowed renewable electricity generation to expand faster than the grid.** This has led to constraint costs rising from £0.6 billion in 2018-19 to £1.9 billion in 2025-26. The National Energy System Operator (NESO) expects them to rise by £8 billion by 2030 if upgrades are not sped up.
- **Opportunities to upgrade the grid earlier were missed.** Without an agreed spatial plan, DESNZ, Ofgem and NESO lacked a shared view of future investment needs, and some proposed grid upgrades were not approved when first proposed. NESO is now developing a spatial plan.
- **Ofgem estimates that Transmission Owners, which own and manage the grid, need to spend up to around £70 billion over 2025–2031 on grid upgrades as part of Clean Power 2030**, quadrupling the current rate of investment (**Figure 11** on page 19).
- **Ofgem estimates that this investment will save a typical household £60 a year by 31 March 2031.** This is compared with a scenario with no grid upgrades. It assumes transmission charges would increase by around £60, from £44 to £104. However, these costs would be offset by £120 in savings from reduced constraint costs and lower dependence on gas, resulting in a net annual bill saving of around £60.
- **Value for money now depends on delivery.** Delivering all the upgrades by 2030 will be very challenging; there remain significant planning, supply chain and system access risks.
- **DESNZ, Ofgem and NESO are working to speed up delivery of grid upgrade projects.** For example, DESNZ has announced reforms to streamline planning; and Ofgem has begun to allow Transmission Owners to procure some materials in advance of planning consents.
- **Many of the remaining grid upgrades are at risk of not being completed when needed.** Most are at an early stage, and some are already forecast for delivery after 2030. There has been no significant acceleration of the three projects NESO said needed to be accelerated, and one further project has been delayed beyond 2030.

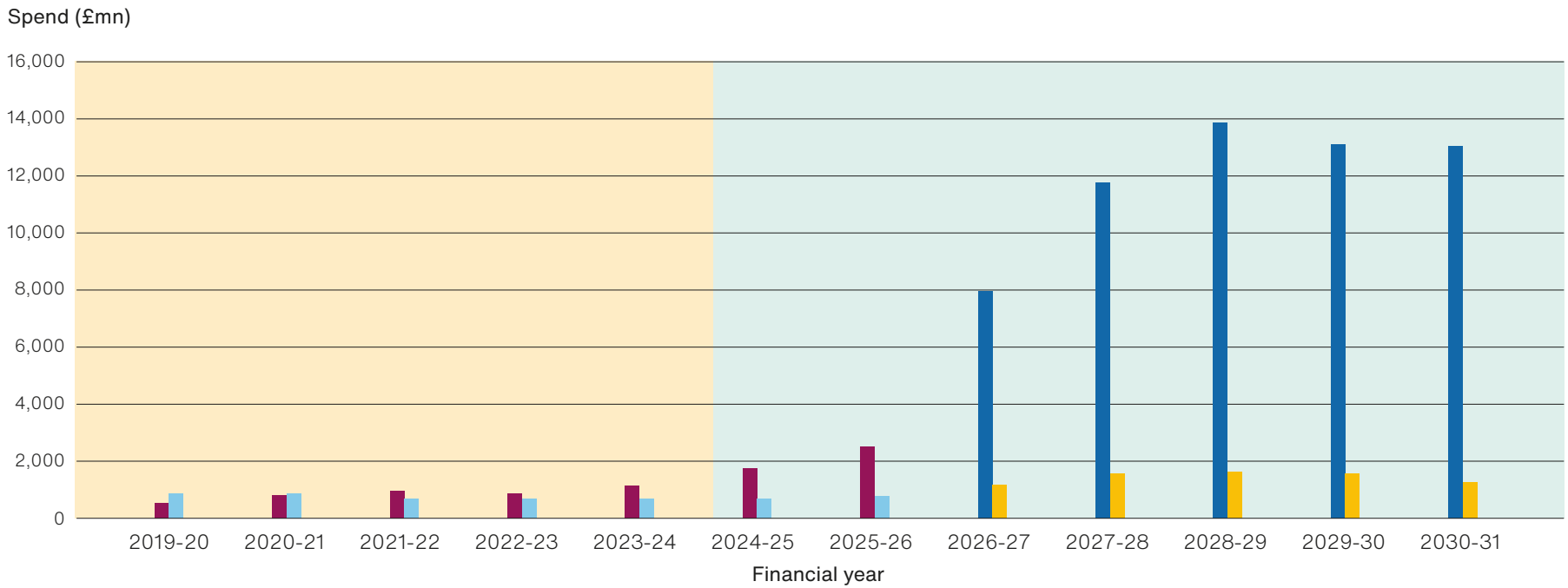


Clean Power 2030: upgrading the grid *Continued*

Figure 11

Total spending on grid investments required for Clean Power 2030, 2019-20 to 2030-31

Spending on grid upgrades is set to increase substantially in the next five years



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Spend on upgrades (£mn)	527	786	941	849	1,151	1,726	2,514					
Spend on maintenance (£mn)	858	870	672	697	672	686	759					
Budget for upgrades (£mn)								7,951	11,757	13,860	13,084	13,033
Budget for maintenance (£mn)								1,177	1,549	1,629	1,537	1,256

Note

1 We have converted all spending to 2025-26 prices, using inflators based on the Consumer Price Index (CPI) measure of inflation. We have rounded spend to the nearest million.

Source: National Audit Office analysis of Ofgem data

Taking a portfolio approach to technology risk

Ongoing reductions in emissions will require the extension of decarbonisation efforts to new sectors and the roll-out of new technologies at scale.

DESNZ will need to manage the risk that certain low-carbon technologies or behaviours do not develop as fast or as effectively as projected. Mitigating this risk will require DESNZ to take a portfolio approach, with the flexibility to ramp up existing or introduce new programmes to make up progress where necessary.

Emissions savings from new sources

The Climate Change Committee emphasised in its 2026 annual *Progress in reducing emissions* report that while there has been strong progress on the transition to a low-carbon electricity system, progress to electrify technologies across surface transport, buildings, and industry was more mixed.

Unproven technologies

The Government Office for Science concluded in its 2025 *Net Zero Society* that we should not assume net zero technologies in the early stages of development will provide a simple answer to meeting the net zero target. It said these technologies can have a high degree of uncertainty over how, whether and when they can be scaled up and commercialised to deliver cost-effective emissions reductions (**Figure 12**).

Figure 12
Reliance on new technology to deliver emissions savings

Recent National Audit Office reports have identified risks in relying on future technological developments to meet net zero targets

Risk	Description
Underperformance in one intervention will require increased activity elsewhere	In our report *The government's support for biomass* (2024) we concluded that if DESNZ needed to lower its expectations around the contribution biomass can make it may require additional action elsewhere to achieve its net zero target. This could include increasing the capacity of other types of greenhouse gas removals technology, greater behaviour change, or innovation.
Past success does not guarantee future success	In our report *UK Emissions Trading Scheme* (2025) we found that emissions reductions to date may not necessarily be an indicator of future success. Future savings will need to come from new sectors, using new technologies – and some (for example carbon capture and storage, or sustainable aviation fuel) may take many years before they start making a significant difference to emissions.
Transformations that require household investment or behavioural change are likely to be complex	Our report on *Decarbonising home heating* (2024) highlighted that achieving the government's target of 600,000 annual installations of heat pumps by 2028 would require them to increase elevenfold between 2022 and 2028. We concluded that DESNZ was relying on "optimistic assumptions" to believe it could achieve this target.
Rapid scaling of new technology is inherently challenging	In our report *Carbon Capture, Usage and Storage* (2024) we found that DESNZ had both increased its reliance on carbon capture to achieve net zero, and downscaled the amount of carbon its first stage projects would deliver owing to feasibility challenges.
Using proven technology still carries major delivery risk but reduces overall portfolio risk	In our report *Sizewell C* (2026), we concluded that DESNZ had reasonably argued Sizewell C could reduce risk across its portfolio because it uses a proven technology, although future electricity system costs and alternative technologies are uncertain. We also found that Sizewell C still carries major delivery risks, as no nuclear power station of its type has so far been built without delays or cost increases.
Relying on new technologies to deliver maximum benefits increases risks	In *Decarbonising the power sector* (2023) we reported that DESNZ was requiring all currently known technologies to deploy at or close to the maximum level technically feasible. We found that this approach did not build resilience to potential setbacks into the government's planning.

Source: National Audit Office reports

Progress in nuclear decommissioning

The Nuclear Decommissioning Authority (NDA) is responsible for clearing up the UK's legacy nuclear sites. On current estimates, cleaning up the UK's nuclear legacy will take until 2150 and cost £114.5 billion, compared to 2137 and £112.2 billion as at March 2025 (**Figure 13**).

The principal reason for the increase in the cost of decommissioning was the NDA's expectation that some decommissioning activities will start later or take longer than previously planned, prolonging the period over which sites must remain operational and increasing lifetime support costs, including security, safety, maintenance and site management. This is partly the result of its Spending Review 2025 settlement.

The increase in the liability is partly offset because many of the additional costs are expected to arise further in the future and are therefore more heavily discounted. On an undiscounted basis, the estimated cost of decommissioning has increased by £49.5 billion.

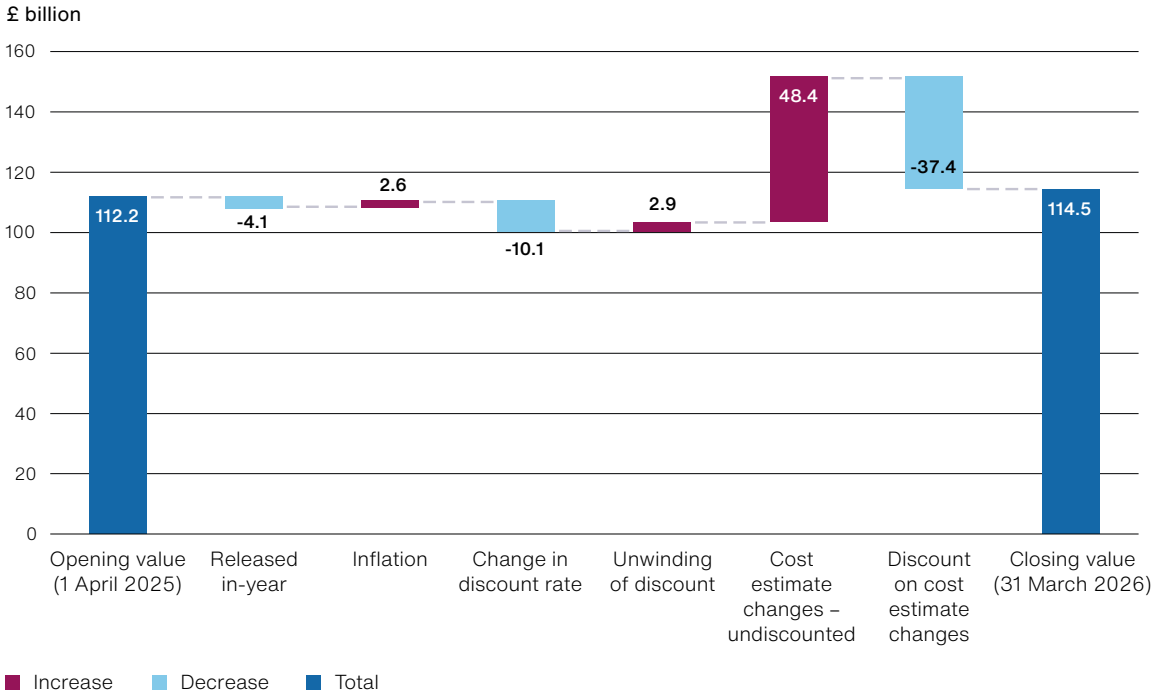
The provision was also affected by routine annual movements, including inflation, the unwinding of discounting applied to future costs, and reductions reflecting expenditure incurred on decommissioning activities. Changes in HM Treasury discount rates reduced the present value of future costs, further reducing the overall increase in the provision.

The Geological Disposal Facility (GDF) is a critical part of the UK's long-term strategy for managing its most hazardous radioactive waste. The future location of a site for the GDF is uncertain so the estimated costs are based on a generic location. Future decisions about the GDF will have a major impact on the estimate.

Figure 13

Movements in the estimated cost of decommissioning nuclear sites (nuclear provisions), 2025 to 2026

As at March 2026, the cost of cleaning up the UK's nuclear legacy was £114.5 billion



Notes

1 The Nuclear Decommissioning Authority (NDA) takes a range of factors into account in producing these figures, including the amount it has progressively spent to date on delivering its decommissioning mission, updated estimates of underlying costs, inflation, and discount rates, to reflect the value of these outgoings in today's monetary terms.

2 The increase in estimated costs in 2025-26 is mainly due to the increase in changes in cost estimates, offset by changes in the discount rate.

3 These figures differ from those on page 9 of this Departmental Overview due to prior period adjustments identified in 2025-26 that affect how the nuclear provision is presented at NDA and DESNZ.

Source: National Audit Offi ce analysis from Nuclear Decommissioning Authority, *Annual Report and Accounts 2025-26*

Changes to DESNZ's budget

What did DESNZ receive as part of the Spending Review 2025?

DESNZ received a 16% average increase in its capital budget in real terms (excluding spending on Sizewell C) between 2023-24 and 2029-30. This was the largest percentage increase in capital spending across government.

DESNZ also agreed to efficiency savings of £157 million per year by 2028-29. It aimed to do this through workforce and digital reform, and through a focus on delivery activities such as using technologies to increase productivity in arm's-length bodies. DESNZ's target for efficiency savings included £116 million of operational savings in the Nuclear Decommissioning Authority by 2028-29.

HM Treasury reported that DESNZ secured savings of £50 million in 2025-26 but did not secure any efficiencies.

What has happened since the Spending Review?

Since the spending review and summer 2026, DESNZ's capital budget for 2026 to 2030 increased by some £2.4 billion (**Figure 14** on page 23). This included £1.5 billion to cover the Warm Homes Obligation, and various movements between years and departments to cover costs towards DESNZ's objectives.

In the summer of 2026 DESNZ was asked to help fund other priorities across government including:

- £434 million towards capping bus fares;
- £1.9 billion towards *The Defence Investment Plan*; and
- £2.6 billion towards the Your First Home Scheme.

This left DESNZ with around the same level of capital grant budget but £3.2 billion less for its Financial Transactions budget to invest in loans and equity. It also had more of its budget ringfenced for specific purposes.

How is DESNZ responding to these changes?

DESNZ completed an exercise to reprioritise its budget for the autumn 2026 Budget. It has:

- deprioritised delivery of mature carbon capture, usage and storage (CCUS) projects and hydrogen projects, saving an expected £200 million and £500 million;
- identified £1 billion of reductions in the Warm Homes Plan; and
- identified a £200 million saving across Great British Energy and Great British Energy - Nuclear.

At the same time, DESNZ announced its ongoing commitment to heat pump deployment including maintaining current levels of funding of the Boiler Upgrade Scheme. It also launched the Warm Homes Loans Scheme to support heat pump and clean technology uptake. And it is looking at how loan or equity investments can support the continued development of future CCUS and hydrogen projects this Parliament.

Changes to DESNZ's budget *Continued*

Figure 14

Department for Energy Security & Net Zero (DESNZ) budget and changes since Spending Review 2025

Since Spending Review 2025 DESNZ's budget is around £3.1bn less overall. This gives it about the same resource and capital grant, but less for Financial Transactions, and more budget ring-fenced for specific things

	2026-27 £bn	2027-28 £bn	2028-29 £bn	2029-30 £bn	Total £bn
Resource budget (Resource Departmental Expenditure Limit, RDEL)					
Spending Review 2025[1]	2.0	2.0	1.7	-	5.7
Budget 2026	**2.0**	**2.0**	**1.7**	**-**	**5.7**
Capital grant budget (Capital Departmental Expenditure Limit, CDEL; excluding Financial Transactions and Sizewell C)					
Spending Review 2025	7.7	7.9	7.7	6.8	30.1
Budget 2025 and 2025-26 estimate changes[2]	+0.6	+0.8	+0.6	+0.4	+2.4
Summer 2026 cuts[3]	-0.3	-0.7	-0.5	-0.8	-2.3
Budget 2026	**8.0**	**8.0**	**7.8**	**6.4**	**30.2**
Financial Transactions					
Spending Review 2025	0.3	1.2	3.2	4.5	9.2
Summer and autumn 2026 cuts[4]	-0.2	-0.2	-1.0	-1.9	-3.2
Budget 2026	**0.1**	**1.0**	**2.2**	**2.6**	**6.1**

Notes

1 The Spending Review 2025 provided RDEL budgets up to 2028-29. There was also a 0.5% reduction of £9 million in the administrative budgets for 2028-29.

2 The changes in CDEL between the spending review and summer 2026 include the reclassification of Sizewell C as annually managed expenditure (AME; excluded from this table), an uplift in DESNZ's budget of £1.5 billion for the Warm Homes Obligation, and various movements between years and to other departments for specific services provided that contribute towards DESNZ's objectives.

3 The summer 2026 cuts to DESNZ's CDEL budget include a 1% topslice and additional savings requested by HM Treasury to fund £1.9 billion of The Defence Investment Plan, and a further cut of £454 million for the Bus Fare Cap.

4 The summer and autumn 2026 cuts to DESNZ's Financial Transactions include a 1% topslice and an additional £400 million to fund The Defence Investment Plan, and £2.6 billion for the Your First Home Scheme.

5 Numbers do not sum due to rounding.

Source: National Audit Office analysis of *Spending Review 2025*, *Budget 2025* and *Budget 2026*, and documents provided by the Department for Energy Security & Net Zero

Managing energy prices

Energy prices remain an important challenge for DESNZ. Consumers remain exposed to fluctuations in international gas markets, highlighted in part through the impact of the current Middle East conflict, which continue to influence electricity prices in Great Britain.

DESNZ has identified a significant increase in energy bills as one of the strategic risks it needs to manage. It considers the likelihood of this risk materialising and that its impact has increased compared to last year. In August 2026, Ofgem announced an increase in the energy price cap to £1,723 from 1 October 2026. Current gas prices make a further price cap rise in January 2027 likely (**Figure 15**).

In response to the immediate increases in energy prices, DESNZ and HM Treasury have:

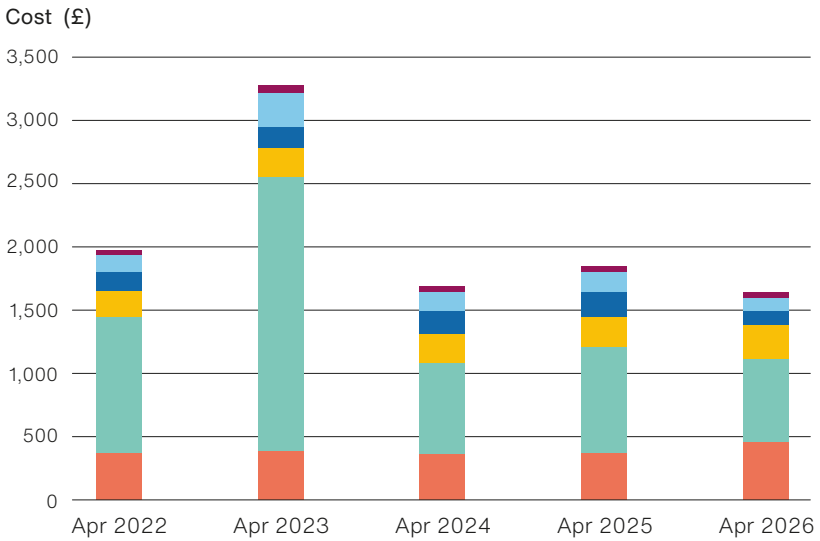
- Funded 75% of the Renewables Obligation through the exchequer instead of bills, from April 2026 to March 2029.
- Removed VAT from electricity bills from October 2026.
- Agreed a £100 Household Energy Payment for households in bands A to D in England, alongside £100 million of further funding for local authorities to provide targeted support to households acutely impacted by rising energy bills. This will be delivered by local authorities from January 2027.

In the longer term, DESNZ is also looking to improve the affordability and resilience of the energy system through its Clean Power mission. It expects greater use of domestically generated renewable and nuclear electricity to reduce exposure to fossil fuel price volatility, while managing the costs of investment required to modernise the energy system.

Figure 15

Components of a typical annual household energy bill, 2022 to 2026

A typical household's annual electricity and gas bill in April 2026 was £1,641



Notes

1 The annual household figures refer to a typical dual-fuel household paying by direct debit, at the price cap level set in April of each year.

2 All prices are nominal.

Source: Ofgem, *Energy price cap default tariff levels*; the National Energy System Operator, *Balancing Costs in Consumer Bills*

	Apr 2022	Apr 2023	Apr 2024	Apr 2025	Apr 2026
Suppliers earnings (allowance for suppliers' profits before interest or tax)	35	59	40	45	42
VAT and other	132	275	151	158	103
Government social and environmental schemes (policy costs)	153	165	188	198	106
Supplier business costs (operating, debt and industry costs)	203	223	223	235	274
Buying energy for customers (wholesale costs and Contracts for Difference costs)	1,077	2,170	720	841	652
Build, fix and repair pipes and wires to transport energy (network costs)	371	388	368	372	463
Of which:					
Balancing costs	27	41	30	41	40
Electricity transmission	35	45	40	51	83
Other electricity and gas network costs	309	302	298	280	340
Total	**1,971**	**3,280**	**1,690**	**1,849**	**1,641**

Securing electricity supply

'Enhancing UK energy security' is one of DESNZ's four strategic themes to support its clean power mission.

DESNZ believes that, as well as helping to mitigate climate change, increasing the proportion of domestically generated energy (for example, from wind farms) can make the UK more resilient to shocks in global fossil fuel prices. However, a rapidly expanded grid and a change to geographically diffuse and intermittent renewable sources may present new challenges to the resilience of the electricity supply system, which it will also need to manage.

Strategic planning to expand and decarbonise the grid

In our 2026 report *Upgrading the electricity transmission network* (hereafter 'Upgrading the network') we reported that the UK, Scottish and Welsh Governments commissioned the National Energy System Operator (NESO) to prepare a Strategic Spatial Energy Plan (SSEP), to set out the preferred type, location and timing of future generation, storage and network infrastructure.

The SSEP is expected to set out recommended pathways for the Secretary of State to select. NESO expects to publish the SSEP in 2027 and a Centralised Strategic Network Plan in 2028, setting out the grid investment needed to support it.

Climate risks to the power system

In its 2025 report *Progress in adapting to climate change*, the Committee on Climate Change highlighted how climate change could lead to increased electricity demand for cooling at the same time as reducing the efficiency of electricity distribution, due to the effects of heat (for example power line sagging). It cautioned that as wider infrastructure systems are increasingly electrified, climate impacts on electricity supply can also impact other sectors.

Grid enhancement

DESNZ believes that faster grid connections, across both transmission and distribution networks, could bring forward up to £90 billion of private investment in generation and demand projects over 10 years.

Our 2026 report Upgrading the network reported that in recent years, both the number of applications to connect to the grid and the proportion of requested connection dates that were not met have increased.

We also reported that DESNZ was taking steps to address these issues. For example, in November 2023, it published a *Connections Action Plan*. And in March 2026, DESNZ started to consult on proposals to increase the prioritisation within the queue for connections for demand projects such as data centres and to meet demand for earlier connections from, for example, housing.

Adjusting to the variable output of renewables

DESNZ has highlighted the importance of increased flexibility of the electricity system to adjust to a supply mix dominated by the variable output of renewables. In our 2026 report Upgrading the network we set out some of the challenges that the general shift towards renewables and electrification creates for managing the grid. For example:

- **increased generating capacity:** higher-generation capacity requires greater grid capacity to transmit the additional energy;
- **increased demand:** NESO is forecasting electricity demand to more than double between 2024 and 2050. This also requires greater grid capacity;
- **dispersed generation:** the transition to decarbonised power involves a shift away from a previous system built around a smaller number of large coal, gas and nuclear power stations towards a wider grid network;
- **maintaining system stability:** the transition to clean power requires other means of stabilising the grid when supply and demand changes; and
- **accessing information on supply and demand:** smaller market participants do not have to provide NESO with the same information as larger generators. This reduces NESO's visibility of activity across the system and increases its uncertainty when balancing supply and demand.

Themes from our work and DESNZ's response

Our reports make recommendations to improve value for money, and we follow up with our audited bodies on the actions they have taken in response. Themes from our recent work on DESNZ include the following.

1 Protecting consumers

In our October 2025 report, *Energy efficiency installations under the Energy Company Obligation* (hereafter 'Energy efficiency installations'), we recommended that DESNZ reform consumer protection and quality assurance. We also set out lessons to inform the design of the new system and called for clear remediation arrangements and annual reporting on fraud and non-compliance.

DESNZ agreed with our recommendations. It consulted on a new consumer-protection system between **17 June and 10 September 2026**, and has told us that its first annual report on fraud and non-compliance will be ready **in 2027**.

2 The need for clear accountability across the energy system

Across our reports *Upgrading the electricity transmission network* (hereafter 'Upgrading the network'), Energy efficiency installations and *Achieving environmental improvement and responding to climate change: enablers for success*, we called for clearer responsibilities between DESNZ and its delivery partners, stronger coordination across organisational boundaries, and accountability for delivery across whole systems rather than individual programmes.

DESNZ has introduced portfolio-level oversight of its major programmes and has told us it is developing a single statement of accountability across the energy system.

3 Nuclear decommissioning

Our 2024 report *Decommissioning Sellafield: managing risks from the nuclear legacy* (hereafter 'Decommissioning Sellafield') and the subsequent Public Accounts Committee report called for clearer reporting of performance and costs, stronger DESNZ and Nuclear Decommissioning Authority (NDA) oversight, and greater transparency about long-term trade-offs and uncertainties. This would help DESNZ assess productivity in its largest area of spending and track whether annual activity is making sufficient progress towards a mission extending well into the next century and costing around £115 billion.

The NDA has told us it is improving how it reports progress and links in-year performance to long-term objectives, following the Public Accounts Committee's recommendation. It has produced a plan setting out planned activities for the next five years. As part of its response to the Nuclear Regulatory Task Force Review, the NDA has published examples of how the government could reduce lifetime decommissioning costs. And it is finalising the method and frequency for publishing progress with decommissioning by **March 2027**.

4 Transparent reporting of delivery, cost and risk

Across our reports Upgrading the network, Decommissioning Sellafield and *Sizewell C*, we called for clearer reporting of delivery milestones, costs, benefits and risks, including how annual performance contributes to long-term outcomes and how uncertainty affects future costs.

DESNZ has expanded its reporting of climate-related risks, and is working with the NDA to improve reporting of performance and cost movements, but further work is needed to provide a clear view of whether major programmes are on track.

What to look out for

Clean Power 2030

- **Progress towards the Clean Power 2030 target** following the seventh Contracts for Difference allocation round, which DESNZ reported secured record offshore wind capacity and substantial private investment.
- **Progress delivering the electricity transmission upgrades** needed for Clean Power 2030, particularly whether major projects remain on track and whether grid connection reforms reduce delays. Our recent report on *Upgrading the electricity transmission network* found that many projects face significant delivery risks.
- **Implementation of reforms to the electricity connections process**, including prioritisation of projects that are "first ready, first needed, first connected". DESNZ is also considering how to prioritise growing demand from data centres and housing.
- **Securing future renewable energy projects.** In April 2026, DESNZ opened the competitive auction round – Allocation Round 8 – in which renewable energy projects bid to secure a Contract for Difference, the funding approach for renewable energy projects.

Strategic planning of the future energy system

- **Publication of the Strategic Spatial Energy Plan** expected in 2027 to provide a long-term view of the type, location and timing of future energy infrastructure projects.

Accelerating to net zero

- **Delivering carbon budgets.** In June 2026, the Secretary of State accepted the Climate Change Committee's recommendation for the Seventh Carbon Budget, and this was approved by Parliament. The next phase will be translating this commitment into delivery plans and policies across sectors such as buildings, industry and transport.
- **Publication of a refreshed hydrogen strategy** to outline DESNZ's vision for hydrogen, complementing electrification in the energy system. The last *UK Hydrogen Strategy* was published five years ago.

Major projects and investment delivery

- **Delivery of Sizewell C** and wider nuclear investment programmes.
- **Securing sufficient private investment** to support the clean energy mission across power, networks, nuclear, hydrogen and carbon capture. DESNZ identified this as an increasing risk in 2025-26.

Energy security and affordability

- DESNZ reported concern about the **risk of unaffordable energy bills** and continues to identify risks relating to disruption of energy supplies. Future energy prices, security of supply and resilience of critical infrastructure will remain important areas to monitor.

Workforce capability

- **The forthcoming Electricity Networks Sector Growth Plan** and wider workforce initiatives to address skills shortages for electricity network expansion.
- **Whether DESNZ has the workforce and delivery capability** required to manage an expanding portfolio of major projects.

About the NAO

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enable us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

How the NAO supports Parliament

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- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Other relevant publications

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About this report

This report has been produced to provide an overview of the NAO's examination of the spending and performance of the Department for Energy Security & Net Zero (DESNZ).

It is intended to support the Energy Security & Net Zero Committee and members across the House in their examination of DESNZ.

This report updates our previous report, *An Overview of the Department for Energy Security & Net Zero 2024-25* published on 11 November 2025.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value-for-money work, including the annual report and accounts of DESNZ and its partner organisations. In some cases, to provide the most up-to-date information, we have drawn on information from publicly available documents. We have cited these sources throughout the guide to enable readers to seek further information if required.

Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the Appendix of each report, including any evaluative criteria and the evidence base used. Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.