Nuclear energy

Sizewell nuclear plant is 'terrible deal' for British taxpayers, MPs conclude

Parliamentary inquiry says consumers are carrying 'extraordinary' financial risk and footing most of the £40bn bill as private investors 'cash in'

The 3.2-gigawatt Sizewell C project in Suffolk is due to provide electricity for the equivalent of 6mn homes when it becomes operational at the end of the 2030s © Geogphotos/Alamy

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The £40bn Sizewell C nuclear plant is a "terrible deal" for the UK taxpayer and a financing model that must never be repeated, a powerful parliamentary inquiry has concluded.

Taxpayers and consumers are shouldering "extraordinary" financial risk and footing the vast majority of the bill for the facility being built by a consortium that includes the UK government and the French utility EDF, while private investors "cash in", according to the Public Accounts Committee made up of cross-party MPs.

However, the government had no option but to provide such attractive terms to investors owing to the failure of successive governments to lay the groundwork for nuclear investment, the MPs said, urging ministers to build confidence in the sector so better terms can be negotiated in future.

“The high level of risk borne by taxpayers and consumers for the construction of Sizewell C is extraordinary,” PAC chair Sir Geoffrey Clifton-Brown said as he outlined the committee’s findings on Wednesday. Private investors would receive “significant returns on their investments, while customers are likely to be saddled with higher energy bills”, he continued.

“Sizewell C represents a terrible deal for the UK taxpayer,” the PAC said. “The UK must never be put in this position again.”

Almost all of Britain’s existing nuclear plants are steadily coming to the end of their working lives, with efforts to replace them complicated by high costs and the length of time it takes to build new projects.

The 3.2-gigawatt Sizewell C project in Suffolk is due to provide electricity for the equivalent of 6mn homes for at least sixty years when it becomes operational at the end of the 2030s. It is one of only two nuclear plants approved in a generation after Hinkley Point C, being built by EDF in Somerset.

The Sizewell C construction cost, excluding finance costs, is estimated at £38bn in 2024 prices, or about £40bn in today’s money. The vast majority of this will come from the UK government, which is providing £3.8bn in equity and almost £37bn in loans funded by government borrowing.

EDF, which is supplying the reactor technology, is contributing £1.05bn while private investors La Caisse, Centrica and Amber Infrastructure are putting in a further £3.65bn.

The power plant is being built under a so-called regulated asset base model that means consumers begin paying for it from the outset of construction. The idea is to lower finance costs by reducing the risk for developers.

The National Audit Office has estimated Sizewell C’s finance costs are about five percentage points below those of Hinkley Point C.

Previous projects using the pressurised water reactor design being built at Sizewell C have been hit by heavy delays and cost overruns, including Hinkley Point C.

Yet despite providing the majority of the overall funding, the UK government has a minority stake in the delivery body that controls the project, an arrangement that the parliamentary committee said may make the government less able to intervene if things go wrong.

Its analysis shows that if costs rise to £47.7bn, the upper end of a potential cost range, consumers could pay £9.8bn more during construction and £12bn more over Sizewell C's operating life, "while private investors may only need to put in an extra £30mn".

Alison Downes at Stop Sizewell C, a local campaign group, and Steve Thomas, emeritus professor of energy policy at the University of Greenwich, urged the government to immediately cancel Sizewell C "before any more public money is wasted".

Nigel Cann, chief executive of Sizewell C, said the plant was "the right investment for Britain" that would build energy independence, lower bills and provide reliable low-carbon electricity for decades to come.

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