

We'll offer the Chinese £2 billion of loan guarantee...

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As [Nick Butler has said in the FT](#) this morning:

There is, it seems, no limit to the lengths to which George Osborne, the UK chancellor, is prepared to go to please China. The most recent example is the latest chapter in the saga of the proposed Hinkley Point nuclear power plant in south-west England. Mr Osborne, on a visit to Beijing, has offered the Chinese £2bn of government guarantees in return for their investment in the much delayed project.

There is straightforward perversity in the logic behind this deal, which is (it should be recalled) for a French controlled nuclear power project.

First, it shows that the government can have an industrial strategy when it wants one, although in this case why nuclear is in the mix and renewables are out is hard to assess.

Second, it shows it is more than willing to back that strategy with money.

Third, it is willing to engage with loan arrangements in financial markets to achieve this goal.

The question then is why is it willing to intervene in this particular way? Wouldn't it be much wiser, if it is willing to take such risks, to raise the money as a bond issue by a National Investment Bank and to then lend the funds from that Bank to this project directly?

When there remains demand for UK gilts (and it is down at present because of interest rate uncertainties, but has by no means gone away) why spend so much money aiding the Chinese to provide this funding when it is readily available at home at what will, almost certainly, be lower overall cost?

It is genuinely hard to see how the proposed deal comes close to economic competence when there could, so easily, be a better deal on the table.

