

The distributional impact of energy price increases in Ireland and the policy response

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QEC Research Note

June 2026

Available to download from www.esri.ie
<https://doi.org/10.26504/rn20260201>

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This Note has been accepted for publication by the Institute, which does not itself take institutional policy positions. Research Notes are subject to refereeing prior to publication. The authors are solely responsible for the content and the views expressed.

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Acronyms

CSO	Central Statistics Office
COICOP	Classification of Individual Consumption According to Purpose
HBS	Household Budget Survey
IFAC	Irish Fiscal Advisory Council
NORA	National Oil Reserve Agency
OECD	Organisation for Economic Co-operation and Development
SILC	Income and Living Conditions

1 Introduction

In late February 2026, Iran closed the Strait of Hormuz to commercial traffic in response to coordinated military strikes conducted by the United States and Israel. The Strait is one of the world's most important trade routes, through which approximately 20 per cent of global oil and liquefied natural gas supplies pass from the Gulf states to international markets. The closure provoked an immediate and substantial increase in global energy prices, with the effects felt most acutely in energy-importing economies, particularly across Asia and Europe. This price shock comes soon after an apparent stabilisation of energy prices, which had experienced significant volatility caused by the Russian invasion of Ukraine.

Recent surges in the cost of oil have caused a reemergence of cost-of-living pressures faced by Irish households and businesses, especially with regards to energy costs. In late March 2026, the global price of oil surpassed \$100 a barrel and has fluctuated around this mark since.¹ This contributed to substantial price increases at fuel forecourts around Ireland, with average diesel and petrol prices exceeding €2 and €1.80 per litre respectively.² Recent data suggest household heating costs have experienced similar volatility, with home heating oil prices rising by over 63 per cent year on year in March (CSO, 2026).^{3,4} In response, the Government has announced two packages of temporary supports for households and industry.

On 24 March 2026, the Government announced a package of temporary measures, at an estimated total cost of approximately €250 million. Excise duties on petrol and diesel were reduced by 15 cent and 20 cent per litre respectively, with these reductions intended to last until the end of May 2026. The National Oil Reserve Agency (NORA)

¹ As of 16 April 2026, the price Brent crude, the global benchmark, was approximately €95 per barrel.

² Price data for petrol, diesel and home heating oil are drawn from the European Commission's Weekly Oil Bulletin. According to the most recent data (as of April 2026), the average price of petrol was €1.881 per litre, while diesel was €2.116 per litre.

³ Kerosene is the most common type of home heating oil in Ireland, with 26 per cent of homes in Ireland, rising to 41 per cent in rural locations, reporting using kerosene to heat their home (CSO, 2025).

⁴ These price data were collected before the measures introduced by Government.

levy, of 2 cent per litre, was simultaneously temporarily suspended, providing a further reduction in fuel costs. In aggregate, these two measures reduce the effective government levy on petrol by 17 cent per litre and on diesel by 22 cent per litre. A reduction in excise of 3 cent per litre was also applied to marked gas oil or green diesel. The package also included targeted supports for households. The Fuel Allowance season was extended by one month to April, with approximately 470,000 households benefitting from the €38 per week extension, amounting to an estimated €152 per eligible household in total.⁵ Finally, the maximum repayable amount under the Diesel Rebate Scheme – which repays some of the Mineral Oil Tax paid by a qualifying road transport operators – was increased from 7.5 cent to 12 cent per litre of diesel, backdated to January 2026, partially offsetting cost pressures faced by hauliers and other fuel-intensive businesses.

Following well-documented public protests and political pressure, the Government announced a further package of fuel supports on 12 April 2026. These included a further 10 cent reduction in excise duty on petrol and diesel, extended to the end of July, and a deferral of the planned carbon tax increase from May to the Budget in October.⁶ A further 2.4 cent reduction in excise on green diesel was also introduced. Additional targeted measures for the road haulage, transport, agricultural and fisheries sectors were also announced.⁷ In total, this second package of measures is estimated to cost €505 million.

At the time of writing, the increase in price levels is difficult to measure, and it varies with political announcements and other developments related to the ongoing conflict and the passage of traffic through the Strait of Hormuz.⁸ The timing of price increases also differs

⁵ Source: Department of the Taoiseach (2026). ‘[Government announces measures to reduce energy costs](#)’, press release, 24 March.

⁶ Annual increases to the carbon tax up to 2030 are legislated for in the Finance Act 2020. The carbon tax rate is currently set at €63.50 per tonne of carbon emitted and was due to rise to €71 per tonne on 1 May 2026.

⁷ Fuel support measures comprise the temporary Road Transporters Support Scheme, which provides graduated payments to haulage and coach operators, at a cost of €40 million, and a €100 million Fuel Subsidy Support Scheme for the agricultural and fisheries sectors, with payments linked to prior fuel usage over the March to July period. In addition, up to €5 million per month has been allocated to support other affected sectors, including forestry, fisheries and specialist horticulture.

⁸ Forecasts are provided in the annual progress report of the Department of Finance (2026) and the Quarterly Economic Commentary (Barret et al., 2026).

depending on the energy source: the price of petrol, diesel and home heating oil rose immediately while the price of electricity and gas is expected to rise with some delay due to hedging strategies employed by suppliers. The magnitude of the price changes is also heterogeneous. In April, following government interventions, average diesel price surpassed €2.11 per litre, up 24 per cent on the 2025 average, and petrol exceeded €1.88, an 8.2 per cent rise on the same baseline. Home heating costs have experienced more significant volatility with prices of home heating oil rising to over €1,480 per 1,000 litres in April, an increase of 52 per cent compared to the 2025 average (European Commission, 2026).⁹ Wholesale electricity prices increased by 19 per cent in March although this price increase has yet to be passed on to households.¹⁰

In this research note, we simulate the effect of the recent energy inflation shock using SWITCH, the ESRI's tax-benefit model. We estimate the impact of these price increases on household disposable income and, in a second step, show the cushioning impact of government cost-of-living measures that affect household income and expenditure. Our central scenario for energy inflation considers the distributional impact of observed price increases (as of April), drawing on data from the European Commission's Weekly Oil Bulletin, which tracks the price of key energy products such as petrol, diesel and home heating oil.¹¹ We assess the impact of energy price changes, net of government measures, on households in each quintile of the income distribution. Alternative scenarios, which implement uniform price increases of 15, 30 and 40 per cent across all energy products, are presented in the appendix.

We then simulate the effect of both rounds of excise reductions (including the virtual suspension of the NORA levy), the extension of the Fuel Allowance season and the deferment of the carbon tax increase. Second-order inflationary effects on non-energy prices and relief for the transportation sector are not simulated.

⁹ The price data for home heating oil reflect the price of kerosene heating oil only. For more information on the methodology used in the European Commission's Weekly Oil Bulletin, visit their online [Weekly Oil Bulletin](#).

¹⁰ Burke-Kennedy, E. (2026). 'Iran war triggers 19% jump in Irish wholesale electricity prices', *Irish Times*, 14 April.

4 | Distributional impact of energy price increases in Ireland and policy response

The next two sections: review the cost-of-living measures of the last energy shock caused by Russia's invasion of Ukraine; and survey other countries' responses to the current crisis to date.

2 The Irish response to previous cost-of-living crises

A comprehensive suite of temporary cost-of-living measures was employed in response to the energy and cost of living crisis brought about by the Russian invasion of Ukraine, beginning in 2022. With inflation peaking at over 9 per cent during the summer of 2022, over a succession of budgets, the Government introduced a range of temporary targeted and non-targeted responses to mitigate the increasing cost burden being faced by households. These included lump sum payments to social welfare recipients and Child Benefit recipients, VAT reductions on energy bills and in the hospitality sector, and a series of specific energy measures such as energy credits paid directly to households, lump sum supplements for Fuel Allowance recipients, and excise reductions on petrol, diesel and marked gas oil.

A series of distributional analyses of these measures, covering the period 2022 to 2025, consistently found the overall package to be broadly progressive, driven primarily by income supports (Boyd and McIndoe-Calder, 2026; Doolan et al., 2022; Doorley et al., 2023a; Doorley et al., 2023b). Disposable income gains were realised across the income distribution, with the largest relative gains experienced by those in the lowest income decile, though cash gains were generally found to be more uniform across the distribution.

Following the initial introduction of targeted temporary measures in 2022, households across the income distribution benefitted, with the greatest benefits accruing to lower income households. This broadly progressive pattern was maintained across subsequent temporary packages of support. Temporary cost of living supports remained a feature of repeated budgets until Budget 2026, when all temporary measures were withdrawn. The withdrawal of these measures affected the entire income distribution. Assessing the distributional impact of Budget 2026 in real terms, Bercholz et al. (2025) find that, compared to a budget pegged to wage growth, households experienced an average loss of disposable income, with losses for the lowest income decile relatively larger than those for the highest income decile (Bercholz et al., 2025). The authors estimate that much of this pattern is due to the withdrawal of progressive temporary cost-of-living measures.

Although the cost-of-living measures in place between 2022 and 2025 were broadly progressive, they were also criticised for not being targeted enough. Boyd and McIndoe-Calder (2026), in an analysis of measures implemented by Government from 2022 to 2024, find that these supports on average fully offset the potential welfare loss. Most of this effect was delivered through income supports, with VAT and excise reductions delivering modest and less progressive effects. This analysis suggests that targeted measures alone would have been more cost effective. This assessment is supported by Ireland's budgetary watchdog, the Irish Fiscal Advisory Council (IFAC), which argued that a smaller cost of living package of targeted measures could have supported vulnerable households at a lower cost, while sticking to the National Spending Rule,¹² and limiting inflationary effects (IFAC, 2023). These perspectives are important when considering the policy response to the current shock being faced by the Irish economy, with a similar need to protect low-income households while respecting budgetary constraints set out in the Medium-Term Fiscal and Structural Plan (Government of Ireland, 2025).

¹² The National Spending Rule was introduced in 2021 to limit core government spending increases. The rule considers spending increases net of tax changes, limiting the overall net increase to 5 per cent. The rule expired with the change of government in 2024.

3 The international response to the current crisis

This energy crisis is a global issue and, in the context of surging energy prices, governments across Europe and beyond have implemented measures aimed at shielding consumers from the worst of rising costs, offering useful insights.

To date, Spain has employed the most extensive response observed in Europe, committing over €5 billion in supports centred on energy tax reductions and targeted fuel subsidies. Spanish fuel and electricity VAT rates have been reduced to 10 per cent, while hauliers and agricultural workers have benefitted from a 20 cent per litre reduction at the pump. Hungary and Croatia have introduced price caps at the forecourt, set between €1.50 and €1.57 per litre. Greece has implemented a three-month ceiling on profit margins across fuel and selected grocery products; stores exceeding their 2025 margins are subject to significant fines. There is also a cap on petrol and diesel prices in Greece, amounting to no more than 12 cent above the wholesale rate. The Greek government has also issued fuel subsidies directly to drivers. Germany has restricted petrol stations to a single price change per day to limit opportunistic pricing while Slovenia became the first European country to implement fuel rationing, limiting drivers to 50 litres per day. Italy has implemented temporary reductions in excise taxes and introduced 20 per cent tax credit for the fishing and agricultural industry, while Poland has combined excise reductions with VAT reductions on fuel. France has allocated €70 million to reduce the fuel costs of fuel-intensive industries such as agriculture and transport, including the suspension of excise duties on fuel for farmers and subsidies for small logistics companies. The United Kingdom has allocated £53 million (€61 million) to a package of supports focused on vulnerable consumers, particularly those in rural areas most dependent on heating oil.

Outside of Europe, governments have been forced to implement similar extraordinary measures to mitigate rising energy costs. In Asia, the continent most reliant on oil imported from the Gulf states and thus most vulnerable to price increases, governments have implemented a range of policies aimed at both reducing demand and supporting supply. Thailand introduced fuel price caps in early March

and was forced to reverse this measure soon after, citing the fiscal unsustainability of the measure, with expenditure surging to over €500 million in the first three weeks of the cap. Following the abolition of the price cap, and introduction of a smaller subsidy, fuel prices surged again. On the demand side, in both the Philippines and Sri Lanka, four-day work weeks have been introduced for public sector workers to reduce commuting time, while Myanmar has introduced restrictions on car use, with only certain cars allowed to operate on certain days.¹³ Australia has adopted its National Fuel Security Plan for a three-month period, which includes a reduction in excise duty on petrol by 32 cents per litre and a temporary reduction of the Heavy Vehicle Road User Charge to zero. In addition, a number of Australian states have introduced a temporary waiving of public transport fares to incentivise the use of more fuel-efficient alternatives to car travel.

¹³ On even dates, cars with even numbered registration plates are permitted to operate on roads, while on odd dates, only cars with odd numbered plates can drive.

4 Distributional analysis

In this section, we assess scenarios for how rising fuel and energy costs are spread across the income distribution, identifying the extent to which this burden falls disproportionately on low-income households, and evaluating the effectiveness of subsequent policy responses in shielding those most vulnerable from the negative consequences.

4.1 Methods

We employ SWITCH (v9.2), the ESRI's tax-benefit microsimulation model for Ireland. SWITCH simulates the direct and indirect tax liabilities and both cash and non-cash transfers of Irish households.¹⁴ Its core module is based on the nationally representative annual Survey on Income and Living Conditions (SILC) conducted by the Central Statistics Office (CSO). An indirect tax module was added in 2025, which runs on additional expenditure data linked to the SILC sample from the 2015–2016 wave of the nationally representative Household Budget Survey (HBS), also conducted by the CSO.¹⁵ The results are based on the HBS-linked SILC 2022 sample and updated to 2026 incomes.

There are two important assumptions underlying the analysis. First, households consume the same shares of their disposable income on each expenditure item as they did in 2015–2016. Second, they do not adjust quantities in response to price or disposable income changes. On the first assumption, official estimates on the consumption of personal income by the COICOP division suggest that aggregate budget shares remained relatively stable between 2015 and 2024, with a decrease in transport (from 0.133 to 0.099) and increases in restaurants and hotels (from 0.141 to 0.162).^{16,17} However, within broad consumption categories, there is likely to be some change over time, i.e. the adoption of electric vehicles or retrofitting of homes. Such

¹⁴ For a detailed description and validation of the SWITCH model see Keane et al. (2023).

¹⁵ This is the latest wave of HBS linked to SILC by the European Commission for their microsimulation model, EUROMOD, which the SWITCH model is based on.

¹⁶ The Classification of Individual Consumption According to Purpose (COICOP) is an international reference framework for classifying household expenditure by purpose.

¹⁷ Eurostat, '[Household final consumption expenditure by purpose](#)'.

expenditure pattern changes may affect our results if low-income households spend relatively less of their income on fuel now than they did in 2015 or if high-income households are more likely to have switched to more renewable forms of energy (such as electric vehicles and solar panels) that are little affected by the current energy inflation. Temursho et al. (2025), using macro-level projections of aggregate consumption expenditure shares and age-specific population dynamics, project that, between 2015 and 2025, most budget shares for broad categories of consumption change by less than 5 per cent across Europe, so we do not expect these changes to radically alter our results.

On the second assumption, that households do not change their consumption quantities, recent price elasticity of demand estimates for electricity suggest that EU households are highly unresponsive to price changes in the short run (Csereklyei, 2020). Similarly, recent work by the ESRI estimates low short-run price elasticities of demand for natural gas in Ireland (Wade et al., 2026). While these estimates likely hide heterogeneity across geographies, and household and dwelling types, they lend credibility to the assumption of inelastic household demand for energy in the short run.

To construct the baseline, indirect tax parameters were set at their May 2026 values without cost-of-living measures. In addition, 2025 excise good consumer prices that are unaffected by the inflation shock were updated to 2026 using the inflation forecast of the winter 2025 edition of the Quarterly Economic Commentary.

4.2 Scenarios modelled

Our central scenario implements observed price increases in home heating oil, petrol and diesel, employing data from the European Commission's Weekly Oil Bulletin, a weekly publication reporting prices of key energy products. Price inflation is measured by comparing current price levels (as of April 2026) to the 2025 average, a method that helps to limit the distorting effect of short-term price volatility. In order to accurately assess the distributional impact of price increases, net of government supports, we construct counterfactual prices – that is, what the price would have been without

government intervention,¹⁸ and compare this to baseline prices (2025 average). On this basis, estimated price increases are 52.12 per cent for home heating oil, 22.17 per cent for petrol, and 41.03 per cent for diesel. Prices for electricity, natural gas and solid fuels are held constant. These prices are incorporated into SWITCH and used as the basis for our subsequent distributional analysis.¹⁹ To assess the sensitivity of our results to the scenario parameters, results for alternative scenarios, which implement uniform price increases of 15, 30 and 40 per cent for all energy products, are available in the appendix.

The policy measures we consider are: the excise duty reductions on petrol and diesel, and the virtual suspension of the NORA levy until 31 July; the extension of the Fuel Allowance season; and the carbon tax freeze until October. Second-order inflationary effects on non-energy prices and relief for the transportation sector are outside the scope of the simulation, as they are not modelled in SWITCH.

4.3 Results

To get a sense of how households are likely to be impacted differently by energy inflation and the cost-of-living measures, Figure 1 reports the average shares of disposable income spent on home heating oil, motor fuels and natural gas by quintile (fifth) of the disposable income distribution, adjusted or ‘equivalised’ to account for household size, and by population density. Shares are calculated using 2015–2016 HBS data linked to 2023 SILC data using statistical matching; they therefore represent a pre-shock consumption pattern.

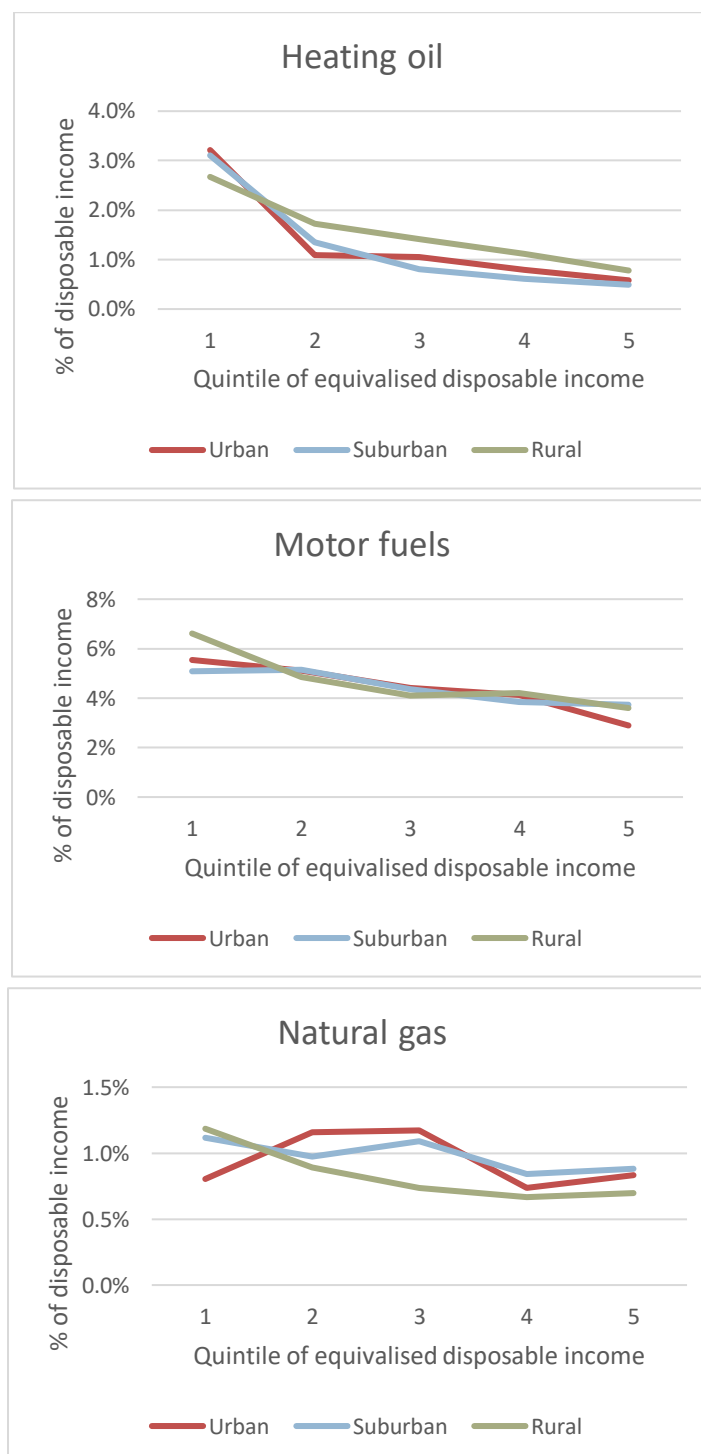
Among these categories of energy products, motor fuels make up the largest average share of consumption, followed by heating oil and, finally, natural gas. For home heating oil and motor fuels, the average share of income spent on each commodity is larger for low-income families (in quintile 1) than high-income families (in quintile 5). For natural gas, the income pattern varies by population density. The income gradient is most pronounced for heating oil with quintile 1

¹⁸ Full pass through of tax cuts is assumed to derive the counterfactual prices. This assumption aligns with international evidence, which finds almost complete pass through of tax cuts to the public (Kahl, 2024; Drolsbach et al., 2023).

¹⁹ Our analysis uses 2025 prices for affected energy products as the baseline, to which our calculated price increases are applied. The prices of all other goods, including gas, electricity and solid fuels, are updated to 2026 using the QEC inflation forecasts.

devoting around 3 per cent of income to expenditure on this commodity compared to less than 1 per cent for quintile 5.

Figure 1 Average shares of disposable income spent on heating oil, motor fuel and natural gas before the energy inflation shock, by quintile of equivalised disposable income and population density



Source: Authors' calculations using SWITCH v9.2 based on data from the 2022 SILC and the 2015–2016 HBS.
 Notes: Urban, rural and suburban are defined based on Eurostat's classification of the degree of urbanisation ([Degree of urbanisation - GISCO - Eurostat](#)).

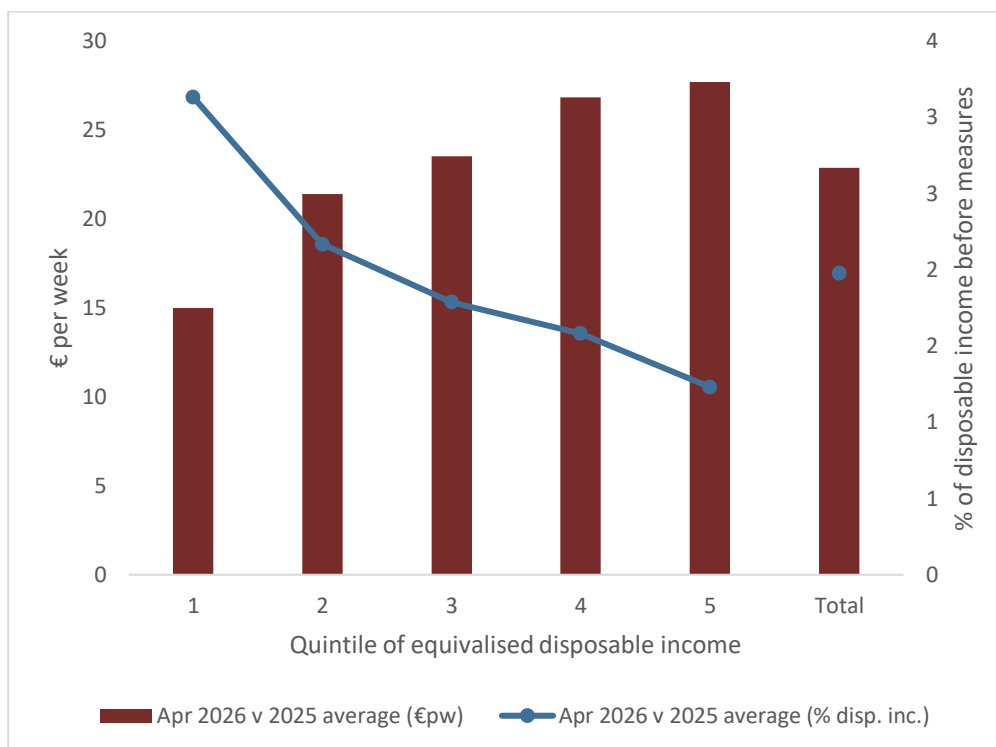
Differences in expenditure shares by population density are less pronounced than those by income level, although rural households spend a slightly larger share of disposable income on home heating oil and a lower share of disposable income on natural gas. In what follows, we therefore focus on the impacts of energy inflation and the cost-of-living measures by income quintile.²⁰

Figure 2 plots the impact of our central scenario for energy inflation on the cost of living by quintile of baseline equivalised disposable income.²¹ Energy inflation is highly regressive, with households in the lowest quintile expected to face energy cost increases of 3 per cent of disposable income, compared to 1 per cent in the highest quintile. In cash terms, estimated energy cost increases range from €15 per week for the lowest income households to €28 per week for the highest income households. Overall, before the introduction of government measures, households are estimated to face average energy cost increases of between 2 per cent of disposable income, or €23 per week in cash terms.

²⁰ This ties in with work by Lydon (2022) that shows while energy inflation is higher in rural areas compared to urban more variation is seen in energy inflation across income quintiles.

²¹ We provide results for additional stylised scenarios in the appendix, which represent a uniform increase in the price of energy products of 15, 30 and 45 per cent. All scenarios are highly regressive. Our central scenario is closest in magnitude to the uniform 15 per cent shock.

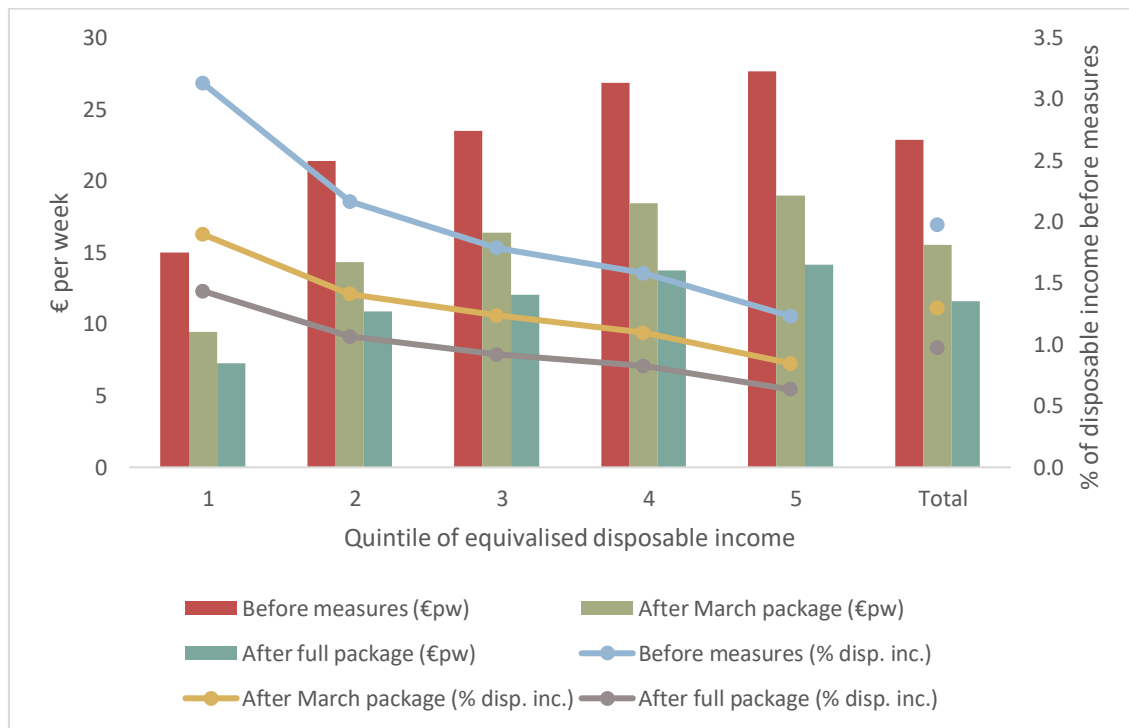
Figure 2 Average simulated first-order impacts of energy inflation on household expenditure



Source: Authors' calculations using SWITCH v9.2 based on data from the 2022 SILC and the 2015–2016 HBS.

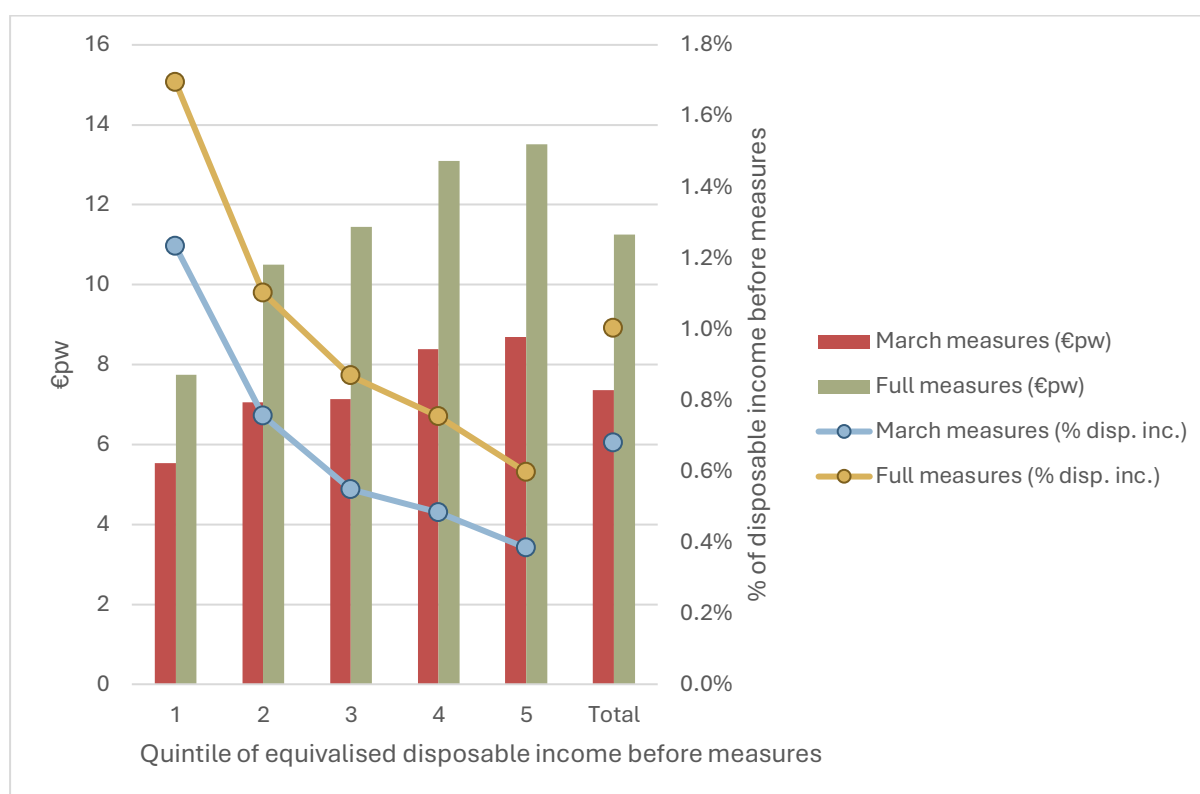
Figure 3 plots the average simulated impact of the excise reductions announced in March and April and the Fuel Allowance season extension. Focusing on the full measures as of April, the impact of energy inflation is reduced, but it remains highly regressive and substantial, falling from 3.1 to 1.4 per cent of pre-measures disposable income in the lowest quintile (€15 to €7 per week), and from 1.2 to 0.6 per cent in the highest quintile (€28 to €14 per week). Accounting for these measures, households are expected to face energy cost increases of 1 per cent of pre-measures disposable income overall.

Figure 3 Average simulated impact of energy prices to April 2026 on household expenditure, before and after cost-of-living measures



Source: Authors' calculations using SWITCH v9.2 based on data from the 2022 SILC and the 2015–2016 HBS.

In order to assess the progressivity of the measures themselves, we show the simulated impact of the measures on household disposable income without changing prices. The results are plotted in Figure 4. Overall, the measures are progressive in relative terms, with transfers averaging 1.7 per cent of pre-measures disposable income in the lowest quintile and 0.6 per cent in the highest quintile. However, this has more to do with the decreasing share of disposable income spent on energy by higher income households than with the design of the measures. In fact, while lower income households benefit more in relative terms, higher income households receive higher transfers in cash terms (almost twice as high in the highest quintile compared to the lowest quintile). While low-income households may benefit from the extension of the Fuel Allowance, all households benefit from the cuts to excise on fuel in proportion to their energy consumption.

Figure 4 Average simulated impact of cost-of-living measures on household disposable income

Source: Authors' calculations using SWITCH v9.2 based on data from the 2022 SILC and the 2015–2016 HBS.

4.4 Exchequer cost

We estimate the four-week extension to the Fuel Allowance season, the temporary excise reductions for petrol and auto diesel until 31 July, and the carbon tax freeze until October to cost the Exchequer €440 million before accounting for the mechanical windfall in VAT receipts due to higher prices. This cost is independent of prices (at least to the extent that demand remains inelastic), as excise receipts depend on quantities which we assume to be fixed, and the Fuel Allowance season extension is also independent of prices. Accounting for the VAT windfall, we estimate net costs of €253 over the entire duration of the package.²² The only targeted measure of the package, the Fuel

²²

Costs before the VAT windfall compare government revenue before and after the package, holding prices fixed at their new levels. Costs after the VAT windfall compare government revenue before and after both energy inflation and the package, and therefore account for the additional VAT revenue from higher prices.

Allowance season extension, is estimated to cost €69 million on its own.

5 Discussion

In this research, we simulate scenarios for energy price increases in the context of the ongoing war in the Middle East. We compare the regressive pattern of energy inflation to the distributional impact of the package of supports announced by the Government in March and April 2026 – specifically the portion of the package affecting household incomes and consumption. We find that, like the cost-of-living packages rolled out between 2022 and 2025, the current measures are progressive in relative terms, benefitting the lowest income quintile of households by 1.7 per cent of disposable income compared to 0.6 per cent for the highest income quintile. However, in absolute terms, higher income households benefit by almost twice as much as lower income households, indicating that much of the €440 million cost of the package is directed at high income households. This results from the untargeted nature of excise cuts: they lower prices for all consumers, with the largest benefits going to households that use more energy. This poor targeting raises concerns about cost effectiveness, which are compounded by the fact that tax cuts erode the tax base, which is already vulnerable to volatile corporate tax receipts. Furthermore, indirect tax cuts have proven politically difficult to undo in recent years, raising the prospect that the current cuts may be extended. For example, the VAT rate on electricity, natural gas and liquefied hydrocarbons was reduced to 9 per cent in 2022 and set to return to 13.5 per cent this year, only for the reduction to be extended to 2030 in Budget 2026, which also reintroduced a VAT rate reduction for the hospitality sector that was previously in place between 2021 and 2023.

The European Commission has issued recommendations through its AccelerateEU communication for targeted, timely and temporary measures that are tied to long-term solutions and preserve incentives to reduce energy demand (European Commission, 2026). Confirming the need to adopt a more long-term strategy at national level, a joint report by IFAC and the Climate Change Advisory Council (2025) points to the fact that Ireland may face massive fines by 2030 by failing to meet EU obligations to reduce greenhouse gas emissions. Such future costs will ultimately be borne by taxpayers. IFAC points to a variety of ways to increase compliance with the regulations, including investing

in the energy grid to increase renewable energy capacity and reducing the cost of new electric vehicles. The European Commission's AccelerateEU communication reiterates this urgency for Europe to reduce dependency on fossil fuel imports by accelerating the shift to homegrown clean energy and electrification. Evidence from Singh and Caulfield (2026) shows that the uptake of certain sustainable technologies (specifically heat pumps, solar photovoltaic systems, and electric vehicles and their home chargers) in Ireland is correlated with income. The authors recommend 'upfront, means-tested subsidies and geographically targeted outreach to promote a more inclusive energy transition'. Such schemes would also help reduce the regressivity of energy price inflation and help mitigate the impact of external energy price shocks in the future.

Our analysis indicates that the Irish policy measures will ease energy inflation pressures on households somewhat in the short run. However, the largely untargeted nature of the measures means that lower income households are not well insulated from the shock. Furthermore, ongoing reliance on fossil fuels, the prices of which are subject to large volatility, leaves households and businesses exposed in the long run, and has the potential to reduce economic growth in an oil-importing country such as Ireland (OECD, 2024). Additionally, if the measures are not unwound in a timely manner, they will hinder our ability to reduce energy demand and incentivise the uptake of sustainable energy technology.

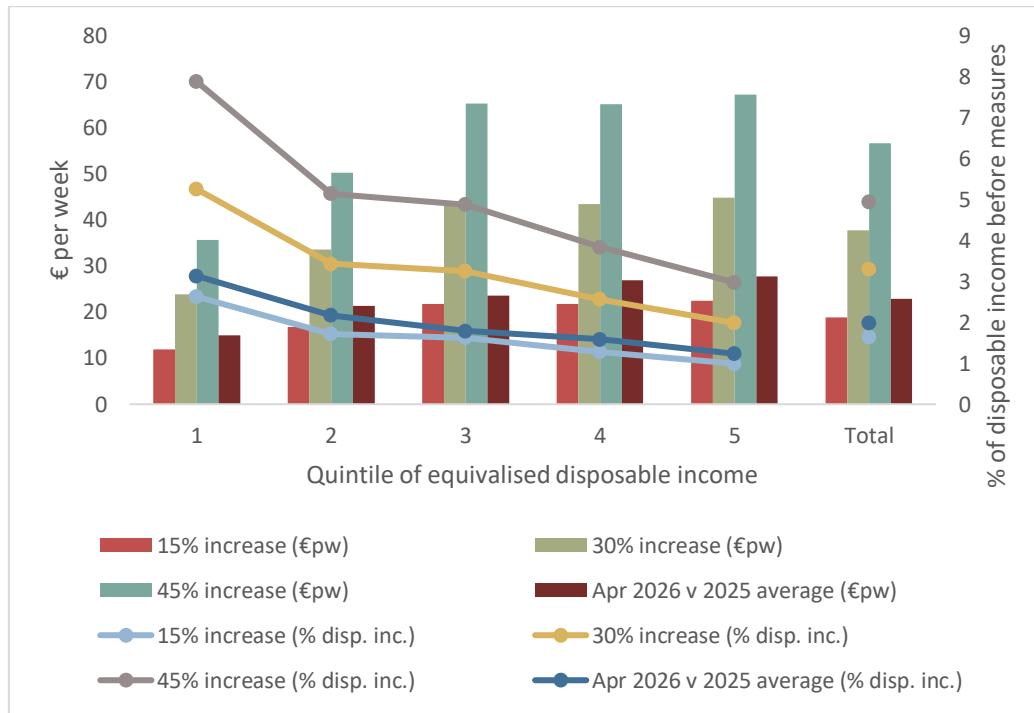
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Appendix A: Alternative inflation scenarios

Figure A1 Average simulated first-order impacts of scenarios for energy inflation on household expenditure



Source: Authors' calculations using SWITCH v9.2 based on data from the 2022 SILC and the 2015–2016 HBS.