TRANSFORM
Drug Policy Foundation

HIGH RETURNS: THE ECONOMIC IMPACTS OF UK COCAINE REGULATION



ABOUT US

WHO WE ARE

TRANSFORM DRUG POLICY FOUNDATION IS AN INDEPENDENT, UK-BASED CHARITY WORKING NATIONALLY AND INTERNATIONALLY TOWARDS A JUST AND EFFECTIVE SYSTEM OF LEGAL REGULATION FOR ALL DRUGS

Our vision is a world where drug policy **contributes to safer and healthier societies.**

At Transform, we educate the public and policymakers on effective drug policy; we develop and promote viable options for legal regulation; and we support governments, policymakers and practitioners in achieving positive change that contributes to safer and healthier societies.

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In addition to our long-term goal, we work actively to support pragmatic changes to how we approach drugs and drug use that can save lives today.

Through our Anyone's Child campaign, we provide opportunities for people with personal experiences of drug policy failures to be heard.

COVER IMAGE: TRANSFORM DRUG POLICY FOUNDATION / HALO MEDIA

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CONTENTS

- **Executive summary** 3
- **Introduction** 6
  - Why we need to talk about cocaine regulation in the UK
  - The economic arguments reform
  - Assumptions and methodology
- **The size and value of the UK cocaine market** 11
  - A resilient and expanding Global, European and UK market
  - Estimating the value of the UK market from conflicting data sources
- **What would a legal cocaine market look like in the UK?** 17
- **How much would legal cocaine cost?** 18
- **What would legal cocaine cost to produce and supply?** 21
- **What percentage of the market would legal supply displace?** 22
- **Other sources of tax revenue?** 23
  - Could the government have a monopoly on cocaine retail *and* production?
- **What about markets for crack cocaine and cocaine injection?** 25
- **Other economic impacts** 30
  - Criminal justice costs
  - Drug related health service costs
- **Conclusion and summary findings** 31

EXECUTIVE SUMMARY

This report analyses the potential economic impacts of establishing a legally regulated adult-use market for cocaine in the United Kingdom, assessed from a UK Treasury's spending and revenue perspective. The central finding is that a legally regulated cocaine market under a government production and retail monopoly could generate more than £2.1 billion in combined tax and sales revenue, whilst avoiding key risks of commercialised markets. In addition, a regulated cocaine market could create over £1 billion in savings across the criminal justice system.

All of the profits of the UK's estimated £7.7 billion illegal cocaine market turnover are currently untaxed, and remain under the control of organised crime groups. The government bears the substantial costs of law enforcement, as well as the escalating social and health harms generated by the illegal market. The legal control and regulation of cocaine presents a clear opportunity to bring this existing market into the formal economy where it can be controlled, taxed, and governed in ways that reduce harm to consumers, and the wider community, whilst generating fiscal benefits.

The issue is not simply how much revenue could be generated, but how a legally regulated market could also create new, legitimate jobs; redirect fiscal resources towards underfunded public services, including evidence-based prevention, treatment, and harm reduction; and create opportunities for wider investment in communities disproportionately impacted by punitive drug policies, both domestically and along the international supply chain. For Transform, the economic case for reform is essentially one of reparative and social justice.

Transform has set out detailed proposals for a legally regulated coca/cocaine production and retail model in its 2020 publication 'How to Regulate Stimulants, A Practical Guide', which has helped to shift the focus from whether cocaine legalisation and regulation should happen, to how it can be designed and implemented in practice. As proposals for regulated cocaine markets are starting to emerge across the world, this report contributes to the discussion.
Given the absence of any real-world precedent for a legally regulated non-medical cocaine market, this remains a largely speculative exercise. Nonetheless, even under conservative assumptions, the economic case for reform is substantial.

This analysis is based on a set of core assumptions that define how a legally regulated cocaine market would operate in the UK.

KEY ASSUMPTIONS:

- This analysis models a UK regulated cocaine market five years after legalisation, allowing time for implementation, stabilisation, and the emergence of new market and social norms.
- A regulated cocaine market would require navigating tensions with UN drug control treaties, whether through reform or non-compliance, as has happened in some jurisdictions that have legalised cannabis.
- While domestic production is theoretically possible, Transform strongly advocates for regulated coca/cocaine production in established Andean producer regions (imported to the UK), centring sustainable development
- Production and retail sales would operate under a state monopoly model (in which the government has exclusive control over both production and sales to consumers - excluding commercial actors)
- Cocaine powder sales to adults operate under a strictly controlled, pharmacy-style retail model (over the counter from trained/licensed vendors), with plain packaging and a total ban on marketing.
- Price control measures are established by the government to balance public health goals, income generation, and displacement of the illegal market.

Estimates for the size of the UK cocaine market and associated enforcement costs are drawn from the best available official data sources. The Government provides two very different estimates, based on survey and wastewater data, assessing the illegal cocaine market to be valued (adjusted to include the entire UK) at between £3.8 billion and 11.6 billion annually - with a median figure of £7.7 billion. Around three fifth of this total is the market for powder cocaine, and around two fifths the market for crack cocaine. The proposed regulated sales of powder cocaine have different impacts on these respective markets and are calculated separately.

Government revenue is calculated by applying a per-unit margin (retail price minus unit production and supply cost) to the total estimated market volume. The total legal market volume is calculated as the % of the existing illegal market that would be captured by the new legally regulated market.

Total annual revenue = (Retail price per gram – cost per gram) × total quantity sold x proportion of the market captured by legal supply

Total fiscal impact also considers projected savings across the criminal justice system (CJS), alongside the other sources of tax revenue (corporation and income tax), and costs of public health provision.

WHAT ABOUT CRACK?

Transform's proposals do not include a commercial retail model for crack cocaine; instead, proposing a pragmatic harm reduction approach, including decriminalisation of possession and use, supervised consumption facilities, safer use equipment, and access to fully funded treatment and support services.

The conversion of powder cocaine into crack is simple, easy to do, and impossible to prevent. We can assume that some people would buy legal cocaine powder and convert it to crack for smoking, or prepare it for injection, while others would continue to use illegal cocaine/crack.

Given the limited data, we assume that improved treatment and harm reduction provision would reduce overall demand for crack and injecting use by one-third. Of the remaining use, we estimate that half would be supplied from legal powder cocaine (converted for smoking or injection), and half would continue to be sourced from illegal markets.

POTENTIAL TAX REVENUE UNDER DIFFERENT SCENARIOS

Revenue from cocaine powder sold under a state monopoly on producution and retail

Market capture %	Total Government revenue (annual) at £60 gram pricing	Total Government revenue (annual) at £40 gram pricing
50% (low estimate)	£1295 million	£719 million
65% (mid/best estimate)	£1683 million	£935 million
80% (high estimate)	£2072 million	£1151 million

Revenue from cocaine powder sold under state monopoly on production and retail, converted into crack cocaine or prepared for injection

Percentage of existing illegal crack/injection cocaine market displaced by retail cocaine powder	Total Government revenue (annual) at £60 gram pricing	Total Government revenue (annual) at £40 gram pricing
33%	£495 million	£220 million
50%	£750 million	£333 million

Our best estimate for total revenue from legal retail powder cocaine sales, and powder cocaine prepared for smoking/injectrion is £2.178 billion annually, based on: a £60 per gram retail price, 65% legal market capture of the existing powder cocaine market, and 33% capture of the current crack cocaine market, production and retail operating under a government monopoly - with a cost of bringing 1 gram to market at £15, and a current market valuation/size estimate based on a median between the two very different published Government figures.

An estimated 1-2000 new legal jobs could be created across production, retailing, and in various ancillary and regulatory services. Income tax and National Insurance contributions from these new jobs could generate approximately £10-20 million per year in additional Treasury revenue.

While the proposed reforms demand short- to medium-term investment to expand treatment and harm reduction services, evidence shows that effective health interventions reduce health, social and CJS costs in the longer term.

Ending the criminalisation of cocaine possession for personal use, alongside legal market regulation, would significantly reduce demand on the CJS. Total drug-related enforcement and CJS costs are estimated at £9.7 billion across the UK. While available data does not allow for a precise breakdown of this expenditure by substance, a substantial share of these costs is driven by Class A drugs, particularly use of crack and heroin, and associated acquisitive crime.

Under the proposed reforms, a 50% reduction in cocaine-related enforcement expenditure is a realistic medium-term assumption, as a majority of the powder cocaine market shifts to legal supply, and more people who use crack or inject cocaine access treatment and harm reduction services. This would imply conservative savings in excess of £1 billion per year, with further reductions likely over time. These savings are significant and could be reinvested into other policing and CJS priorities, easing the pressure on an already overstretched system.

CONCLUSION

The report demonstrates how a legally regulated cocaine market operating under a government retail and production monopoly could generate approximately £2.178billion in revenue annually for the Treasury. In addition, a regulated cocaine market could create over £1 billion in savings across the CJS. Crucially, these gains would justify a vital expansion of drug treatment and harm reduction services, as well as sustained investment in communities most affected by punitive drug policies.

INTRODUCTION

Why we need to talk about cocaine regulation in the UK

The emerging debate on the legal regulation of cocaine markets has been driven by the failure of the war on drugs. For a policy framework established under the Misuse of Drugs Act 1971, with the stated goals of deterring use, restricting supply, reducing crime, and protecting public health, the UK's punitive enforcement led response to cocaine has been both hugely expensive and a stunning generational failure on all meaningful metrics. Consider some key facts:

- Since 2010 cocaine has become cheaper, purer and more available than ever before.
- Since 2010 cocaine has risen to become the UK's second most popular illegal drug after cannabis - with 2.1% of adults and almost 3.8% of young people in England and Wales using the drug (2023-24)[1] - the highest level in Europe.
- The illegal cocaine market is estimated to be worth somewhere between £3.8 and £11.6 billion pounds (in turnover) annually in the UK - with the untaxed profits accruing entirely to organised crime groups (OCGs).[2]
- Global cocaine production is at its highest ever level.[3]
- Cocaine-related deaths in England and Wales have increased from 11 in 1993 to over 1297 in 2024 - a more than 100-fold increase.[4]
- Cocaine treatment admissions increased 9-fold between 2010-2024.[5]

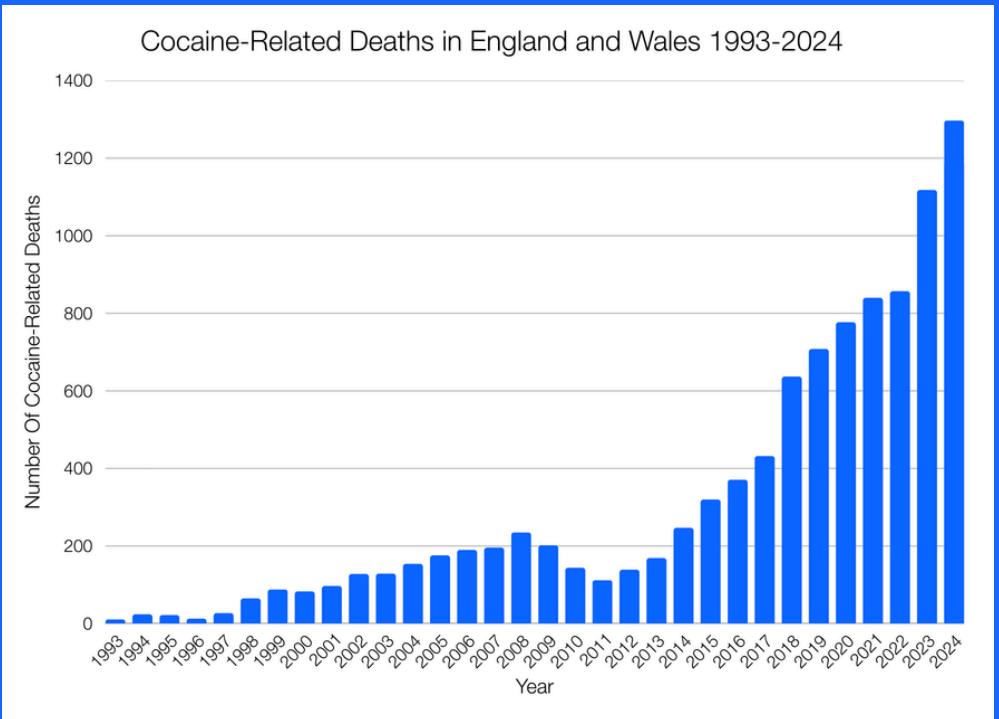


Figure 1

Highlighting the long-term systemic failures of the UK and, indeed, global response to rapidly-expanding cocaine markets is uncontroversial. Data reporting and analysis from the UK, the EU Drug Agency,[6] and the UN World Drug Report, as well as the specialized cocaine market reports produced by the UNODC paint a clear and consistent picture.[7]

Other voices have long highlighted the wider harms of this failure - on human rights, on the environment, and in terms of undermining the achievement of the Sustainable Development Goals more broadly. The evidence is clear; a punitive enforcement led 'war on cocaine' has failed even on its own narrow terms, ultimately to create a 'drug free world'. It has also imposed enormous costs on public resources while being actively counterproductive: fuelling crime, violence and corruption; undermining governance and sustainable livelihoods across the world; and accelerating deforestation and biodiversity loss in the world's most ecologically vulnerable regions - making realisation of climate goals all but impossible.[8] Far from reducing the harms associated with cocaine markets, this approach is exacerbating them. Policy decisions taken in the UK and other key consumer markets in the Global North have profound implications along the entire supply chain - far beyond our narrow domestic concerns.

Where the controversy does arise, however, is on how to move forward in response to these obvious historic failings. As Rt Hon Helen Clark (Chair of the Global Commission on Drug Policy, former Prime Minister of New Zealand and Administrator of the United Nations Development Programme) noted:

"As consensus grows that the 'war on drugs' has failed, so does the need for a frank exploration of the alternatives. We all have a responsibility to consider what might replace the status quo, and we need to think about how that applies to all drugs. A meaningful exploration of the regulation of stimulant drugs is a key part of that process." [9]

Change is possible. Reforms to cannabis policy have witnessed implementation of legally regulated access models for non-medical cannabis on every continent over the past decade. From a standing start in 2014, today more than half a billion people live in jurisdictions implementing some form of legally-regulated adult access to formally-prohibited cannabis. There is much to learn from the outcomes of these reforms but, crucially, what seemed impossible barely a decade ago is now becoming a reality across the globe.

The progress with cannabis reform has created space for a debate around legalisation and regulation of other drugs including plant-based psychedelics, kratom, coca, and extracted cocaine, alongside innovative thinking about substitute prescribing, such as heroin assisted treatment and other forms of 'safer supply' prescribing. The arguments for displacing markets controlled by profit-motivated OCGs with markets responsibly regulated by government acting in the public interest are essentially the same. Whatever the specific risks of a particular drug or preparation, they will always be increased in the context of criminalised use and illegal unregulated production and supply. Where established or growing demand for a drug collides with its prohibition, a lucrative profit opportunity is inevitably created. If demand is not met through legal channels, then criminal profiteers will always seek to exploit the profit opportunity that is handed to them by prohibition.

In light of the increasing demand for cocaine and unprecedented levels of illicit production - despite the billions invested in punitive enforcement - policymakers are confronted with a stark choice: either regulate the market to mitigate the harms it inflicts on people who use cocaine and the broader community, or allow the $100+ billion annual global trade to remain under the control of organised crime.

Transform has explored the detail of what regulation of the coca/cocaine supply chain could look like in their groundbreaking 2020 publication 'How to regulate stimulants - a practical guide'.[10] This book has already informed the burgeoning international debate on cocaine regulation:

- In Colombia, the first-ever bill proposing a regulated domestic model for coca and cocaine, alongside a treatment and harm reduction response for people who smoke crack, was drafted in 2022 - based on Transform's proposals - and tabled in the Senate. The Bill was sidelined when a presidential election was called. However one of its key supporters, Gustavo Petro, went on to win the presidential election. During his term he has been a vocal advocate for an end to the drug war on the global stage.

- The Mayor of Amsterdam, Femke Haslema, has been another high-profile advocate for responsible cocaine regulation - organising a major international conference in partnership with Transform and other civil society organisations, to explore the options for reform with other city mayors, and launching the 'Dealing with Drugs' manifesto to drive change forward.[11]

- The Swiss capital, Bern, has been developing a pilot model for regulated cocaine in response to the persistent failure of enforcement responses.[12] The city's Mayor joined the Amsterdam regulation conference organised by Mayor Femke Haslema, and has endorsed the 'Dealing with Drugs' manifesto.

The economic arguments for reform

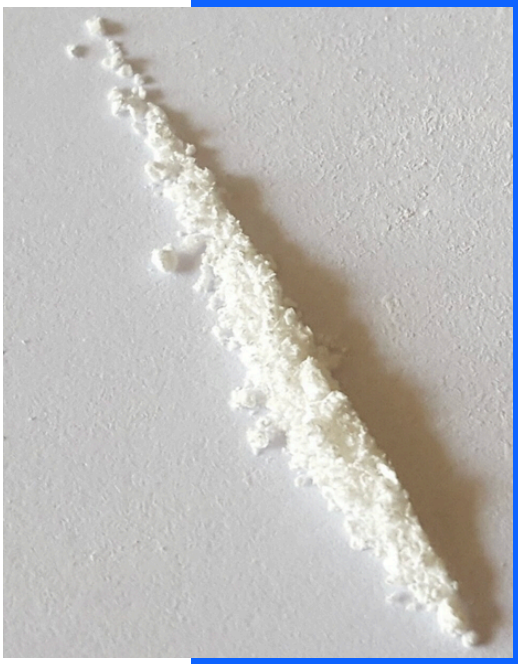
Given that all proceeds from the UK market for non-medical cocaine currently accrue to unregulated producers, suppliers and OCGs, legalisation offers an opportunity to move a multi-billion pound international trade into the legal economy where governments can regulate it to reduce social and health harms (associated with both use and the illegal market) as well as collecting what is currently foregone tax and sales revenue.

A move away from costly and ineffective punitive enforcement also holds the promise of extensive savings across the criminal justice system (CJS). The potential also exists for substantial and ongoing tax revenue for the treasury, that can support - amongst other government priorities - reinvestment into health and social programmes targeting socially, economically and racially-marginalised communities that have been most harmed by the war on drugs, both in the UK and internationally.

Economic arguments for drug policy and law reform, most prominently around cannabis legalisation/regulation, have demonstrated high political salience with policy makers and public alike. Taxpayers, understandably, want to see positive outcomes from public spending and are increasingly aware that punitive enforcement directed against people who use and supply is expensive, ineffective and often counterproductive - undermining public health, fuelling crime, and creating downstream costs across the CJS and health systems.[13]

For a government seemingly unbothered by the historic failures of punitive prohibition, but now facing extreme budgetary pressures, the economic benefits of legalisation and regulation of drugs, in terms of treasury income and savings across the overburdened CJS may prove highly persuasive. US research suggests that, among the various arguments for legal regulation, it has been the economic case for cannabis reform that has achieved the widest public support.

The economic argument is, however, only one element of a wider case for reform that includes promoting equity and social justice and sustainable development, protecting public health, reducing cocaine market-related crime, increasing youth safety, protecting personal liberties, and protecting the environment.



While the economic case for reform is compelling, Transform does not believe it should be the primary driver for a move to a legally regulated market. Rather, economic benefits of reform should be seen as a bonus, a 'peace dividend' as the 'War on Drugs' is retired as a failed policy paradigm.

The Treasury gains from cocaine and other reforms should be used, at least in part, as an enabler of an urgently needed scaling up of evidence-based prevention, treatment and harm, as well as wider drug policy goals including repairing the generational harms of punitive drug enforcement, both domestic and international.

Assumptions and methodology

This report takes a narrow UK treasury perspective - examining the potential direct revenues to the government from tax and sales revenue under the proposed state monopoly model (see below), alongside potential savings across the CJS.

Producing an estimate of potential tax/sales revenue for the treasury from a legally regulated cocaine market is, in principle, relatively straightforward. It requires estimates of:
The size and value of the existing UK cocaine market

- The proportion of the illegal market that we can expect to be displaced by the regulated market
- Any future changes in the size of the total market
- The cost of producing, regulating and distributing regulated cocaine products in a legal market
- The likely retail unit price of regulated cocaine
- The tax rate, and/or revenue margins in the context of a state monopoly.

For the baseline estimate of the scale and value of the UK cocaine market we have used official data sources and estimates. However, these present a significant challenge; there are two substantially conflicting estimates, and the methodologies underpinning both are open to significant critique. We have therefore used a median estimate, while also modelling upper and lower estimates to reflect this uncertainty.

In the absence of real-world examples the exercise in calculating legal revenues under the proposed reforms remains largely speculative. We have necessarily made a series of assumptions around what a future regulated market would look like and what the impacts would be as the basis for our calculations. Different assumptions are applied for the powder cocaine and crack cocaine market reflecting the differences in using behaviours, market dynamics, and proposed regulatory models:

- Cocaine has been formally legalised and regulated in the UK for five years

  A legally regulated adult-access cocaine market will take time to be rolled out, address teething problems, mature and establish new market equilibrium and social norms. We provide an analysis of a UK cocaine market five years on from commencement of legal sales.

- Cocaine is responsibly regulated in line with proposals from Transform

  We assume that, under Transform's proposed model, UK policy will involve apropriately enforced regulation of adult-only access that prioritises public health, social justice, crime reduction, environmental protections, and sustainable development. The model will involve robust measures, including a state monopoly on production and retailing to avoid risks of commercialisation, the emergence of market oligopolies/monopolies, and corporate capture of policy making processes (see below, page X).

- A regulated domestic cocaine market would require international legal tensions to be addressed

  The precise contours of the supply chain for a future legal cocaine market are uncertain. A legally regulated retail market for any cocaine products (for non-medical or scientific use) is currently prohibited under the UN drug control treaties (which the UK has ratified). Establishing such a market in the UK would need either reform of the treaty system, reform of the UK's relationship with the treaties, or for the UK to accept non-compliant status and deal with the consequences. [14]

For context, a number of UN member states and sub-national jurisdictions have adopted reforms for cannabis (including Canada, Uruguay, and over 25 US states) that put them in technical non-compliance with these treaty obligations. Their respective legal markets for adult use (non-medical/scientific) cannabis all remain domestic/state level only. Whether such arrangements would be tenable for a legal coca/cocaine supply chain remains an open question - and one with profound implications for the economics of a future legal market. High-level debate suggests the UN drug control system is likely to evolve to accommodate changing state practice, but it is hard to speculate on the timeline for such modernisation.

It is theoretically possible for coca to be grown in the UK, or for cocaine to be entirely synthesised from non-coca plant precursors for entirely domestic production, reducing potential legal tensions associated with international trade. Transform, however, continues to strongly advocate for a regulated coca/cocaine supply chain from traditional Andean producer regions that supports the Sustainable Development Goals, established on foundational principles of fair trade, responsible environmental stewardship and reparative justice.[15] Moves towards a legally regulated market has profound economic implications for markets and governments along the supply chain, but this report limits itself to impacts on the UK market, specifically a UK treasury taxation perspective.

- Price control measures are implemented within a government retail monopoly

Street prices for cocaine are significantly inflated by prohibition, reflecting both the costs incurred by OCGs in evading enforcement, and the huge profit margins available in an illegal market. In a legal market, prices would be expected to fall relative to pre-reform illegal market prices, particularly in the absence of government price controls. Competitive pressures from both the illegal market and competition between legal suppliers, alongside economies of scale, innovation and greater market efficiencies would all exert downward pressure on prices.

However, changes in price have potentially significant and sometimes competing implications for government revenue, consumption patterns, and the extent to which the legal market displaces illegal supply. Lower prices may increase affordability and consumption, while also reducing the tax base where taxation is ad valorem, even as they make the regulated market more competitive with illegal supply.

These competing objectives provide a rationale for government intervention in pricing, including corrective taxation, Minimum Unit Pricing (MUP), as used for alcohol in Wales and Scotland, or direct price-setting. Uruguay provides an example of the latter, with the government setting the retail price of legally regulated cannabis.

- The broader socio-economic landscape in the UK will be unchanged

We assume that between now and five years after the commencement of regulated access there will be no significant changes in the socio-economic, political or demographic landscape, and no major external shocks (such as wars, pandemics, natural disasters, global economic crises etc). These economic projections are based on current population, prices and tax rates (in reality, all are subject to change).

- Demand for powder cocaine would remain stable at current levels, and demand for crack cocaine would fall by a third

Demand for cocaine in the UK rose sharply in the 1990s before declining in the 2000s and rising again after 2010 (see Figure 2). As discussed in the subsequent section, survey data suggests prevalence has remained relatively stable, albeit high by international standards, for the past decade, while waste water data suggest total consumption has been rising over at least the past 5 years. There are a number of socio-economic cultural and market variables that can impact total demand, and use of all drugs fluctuates over time. For the purposes of this report's estimates, under the proposed reforms, we assume demand will remain at current levels for powder cocaine, and fall by approximately one third for crack cocaine (following a scaling up of harm reduction and treatment services, including substitute prescribing, for high risk users). The calculations can be easily adjusted for changes in total demand in either direction.

THE SIZE AND VALUE OF THE UK MARKET

A resilient and expanding global, European, and UK cocaine market

What was once seen as a more exclusive and glamorous drug has, since the 1990s, increasingly penetrated a much wider set of demographics and social environments. UK data, for example, highlights that cocaine use in 2000 was twice as prevalent in London as elsewhere in the UK, but rates had equalised a decade later.[16]

Gathering data on illegal drug consumption remains methodologically challenging and something of an imprecise science - particularly when compiling regional data and/or making international comparisons. This is more problematic for the UK since we withdrew from the EU drug monitoring frameworks post-Brexit. However, historic data compiled by the EU Drug Agency (EUDA, formerly EMCDDA) from two key sources, urban wastewater analysis, and national consumer surveys, shows how cocaine's popularity has surged in the EU over the past two decades, even in the face of the vast and growing resources directed towards user-level enforcement and supply side interdiction.[17]

The rise in cocaine use is driven by a complex mix of supply and demand factors. Increasing availability has been a consistent pattern in this evolving market, including for vulnerable youth populations. The European Union's 2024 ESPAD school survey observed that cocaine was now 'easily obtainable' for 13% of the 15-16 year-old students, higher than for any drug except cannabis.[18] In England 11% of 15 year-olds reported having been offered cocaine in a 2024 NHS survey of young people's behaviours.[19]

The emergence of dark web mail-order sales and crypto-currencies, alongside new encrypted messaging app-driven delivery services, has created convenient and accessible new retail supply models able to evade almost all traditional user-level enforcement. The stereotype of the sinister drug dealer lurking on street corners or outside school gates is even less true today than it has ever been. Cocaine is now readily available, with fewer obstacles, for anyone who wants it. One 2018 consumer survey found cocaine orders in the UK were delivered faster than a pizza.[20]

"Rising availability of cocaine has come hand in hand with falling price and rising purity - the precise opposite of the outcomes sought by supply side enforcement."

Rising availability of cocaine has come hand in hand with falling price, and rising purity - the precise opposite of the outcomes sought by supply side enforcement.[21] Between around 2005 and 2012, insurgent Balkan-based OCGs staged a remarkable takeover of cocaine markets in large parts of Europe. Forging direct links with Brazilian and other Latin American OCGs, they vertically integrated the supply chain, cutting out the 'middle men', reducing wholesale costs, and increasing their margins.

This savvy business move enabled them to maintain or increase profits at the same time as offering a cheaper, higher purity, and a more reliable quality product to consumers. The result was a rapid displacement of existing supply chains and a market saturated with accessible cocaine - naturally increasing its consumer appeal and feeding into the rising use.

Assessing the value of the UK market from conflicting data sources

The UK Government-published estimates of the size and value of the UK cocaine market are calculated from two key sources; survey data, primarily the Crime Survey of England and Wales (CSEW), and wastewater analysis, where sewage is tested in multiple sites for drug metabolites excreted following drug use. Both come with their own methodological complexities. They also present a challenge for this analysis because the two methodologies produce dramatically different estimates for the size of the UK market.

Methodology 1: prevalence survey data

In 2020 the Home Office published an estimate of the size and value of the UK cocaine market in the Black review evidence pack[22]. This Home Office-commissioned research, led by the independent expert Carol Black, usefully makes the distinction between the powder cocaine and crack cocaine markets, reporting the following estimates (for England and Wales only):

	Average amount consumed per day of use	Cost per day of use	Average days of use per year	Average annual spend per user	Number of users	Total spend
Powder cocaine	0.9g	£71	30	£2,152	883,000	£1.9bn
Crack cocaine	0.4g	£40	157	£6,263	210,000	£1.3bn

Multiplying the data in this table gives a total volume of powder cocaine consumed in England and Wales of 23.841 tonnes, and crack, 13.188 tonnes - a combined total (assuming weight equivalence between cocaine and crack as reported) of 37 tonnes of cocaine consumed.[23]

However, the data in the Black review is now some years out of date. The evidence pack was published in 2020, using CSEW survey data from 2017. This was augmented by estimates of crack use from a separate Public Health England research using data that is similarly now almost a decade old.

Data from the Crime Survey for England and Wales (CSEW), suggests that after a rapid rise in cocaine use in the late 1990s, prevalence of past-year reported cocaine powder use has stayed fairly constant over the last 25 years, albeit with some fluctuations, particularly amongst young people (see Figure 2).[24] More recent data gathering and trend analysis has been severely disrupted by the COVID pandemic. COVID also directly impacted on patterns of use, with most social settings where cocaine is consumed closing for an extended lockdown period. Use amongst young people was impacted not only by lockdown and related market disruptions, but also by growing cost of living issues that may have displaced use towards other cheaper drugs, notably ketamine, which is between 3 and 10 times cheaper per gram than cocaine. CSEW data suggests ketamine use has risen during the period in which cocaine use has been falling amongst young people. But based on the CSEW alone (albeit potentially contradicted by the wastewater data) it would appear that last-year cocaine powder use prevalence has remained relatively stable, in fact falling marginally since the 2017 data point reported in the Black review.

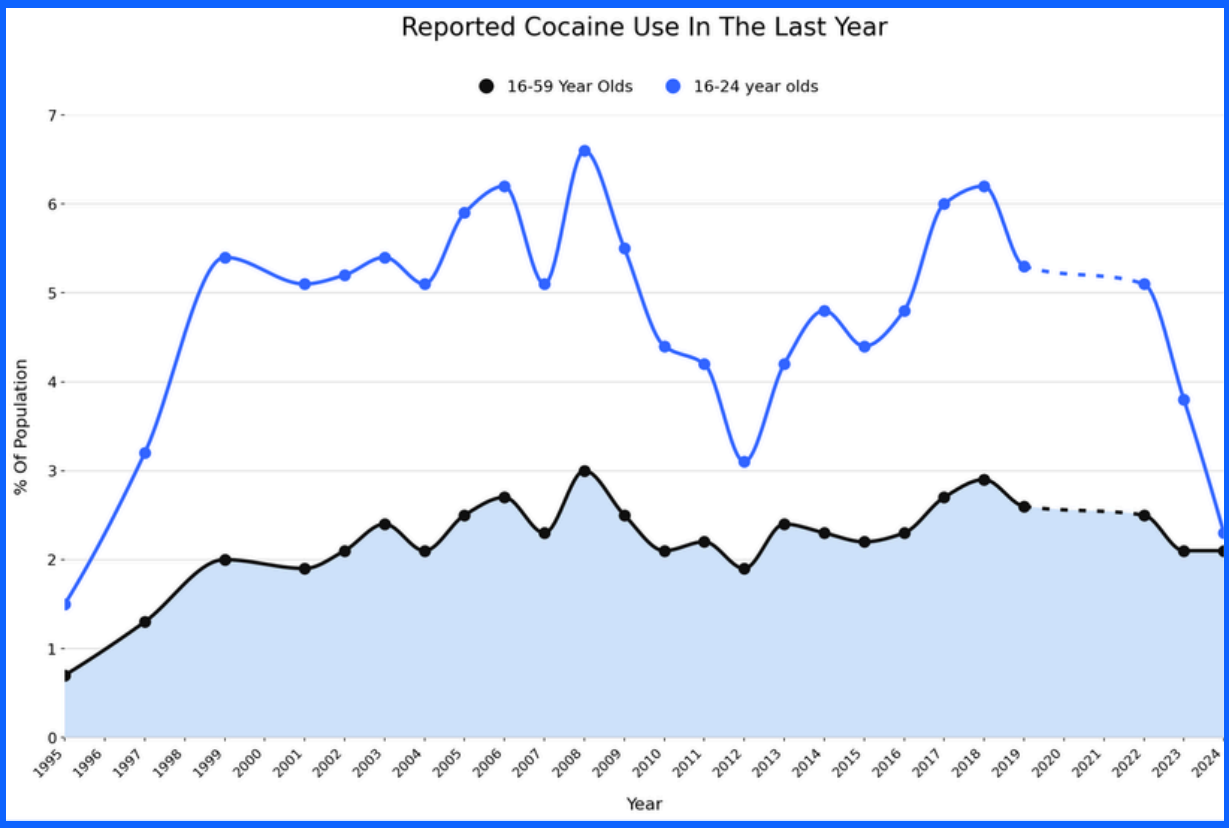


Figure 2

CSEW survey data on drug use is, however, generally acknowledged to be an underestimate of total use, for two key reasons. Firstly, as the CSEW notes, an 'unknown proportion of respondents may not report their behaviour honestly' to official surveys about what remain serious criminal offences (cocaine possession is subject to a maximum penalty of seven years in prison, an unlimited fine, or both). Secondly, the fact that the CSEW is a household survey means that it 'does not include populations living in group residences (for example, care homes or student halls of residence), other institutions, such as prisons, or homeless people', many of whom are known to have higher levels of drug use than the general population. The Black Review, for example, noted that 87% of powder cocaine revenue comes from the 11% who use three or more times per week, the population most likely to be homeless, itinerant, prison-cycling, or otherwise outside the household sampling frame. This skew is even more marked regarding crack use - which is asked about separately in the CSEW, but the results of which are assumed to be even less reliable.

Unfortunately there is relatively little analysis attempting to quantify this undercount, and neither the Home Office, nor the ONS, provides any. However, a 2021 study, published in Addiction,[25] compared CSEW data with parallel data set from the ALSPAC (Avon Longitudinal Study of Parents and Children) study. This was a longitudinal study that recruited survey participants from birth, meaning they have long-established, more trusting relationships with researchers, thought to produce more honest disclosure than an 'official' government survey like the CSEW, administered door-to-door by unknown researchers. This study suggested that for cocaine there was a 4-fold difference (for 24 year-olds in 2017); 4.8% past year prevalence of cocaine use according to the CSEW, compared to 19.6% for the ALSPAC sample. This was an even higher proportionate difference than for past year prevalence for all illegal drugs, which was 16.4% in the CSEW, compared with 36.7% in ALSPAC. The authors do, however, caution that drug use in the ALSPAC study area of Bristol may not be representative of the UK generally, and recent wastewater analysis suggest Bristol has a high level of use in the national context.

The government has also produced estimates for numbers of people who use crack cocaine, the most recent being for 2022-23 but only covers England.[26] This estimate of 170-175,000 can be extrapolated to the whole UK, for a total of somewhere between 190,000 and 210,000. There have been more recent anecdotal reports from service providers of increasing demand for crack-related treatment services - but there is a paucity of evidence to quantify this. Waste water data may provide an indication but, unlike survey data, does not make a distinction between cocaine powder and crack cocaine. There are, however, strong indications of an increase in cocaine injecting, thought to be facilitated by the rising purity of illegal supplies.

Methodology 2: Wastewater analysis

Wastewater analysis under the WAND (Wastewater Analysis for Narcotics Detection), programme commissioned by the Government from 2021, provides a very contrasting picture to the CSEW data. It found that 'between August 2024 and July 2025 cocaine had the highest estimated consumption and market value [of the drugs being considered] with around 123,000 kilograms (kg) consumed, equating to a £9.8 billion market value'[27] for England alone. This figure rises to 146 tonnes, with a market value of £11.6 billion if adjusted proportionately to include Wales, Scotland and N.Ireland. Assuming the Black estimates for the proportions of the market that are powder cocaine and crack cocaine are correct this would translate to around a split of 87 tonnes of powder cocaine and 59 tonnes of crack cocaine being consumed annually.

This is more than three times the Black review estimate of 43.7 tonnes total cocaine and crack consumption, and a market value of just under £3.8 billion (when also adjusted proportionately to include Scotland and Northern Ireland, and with an additional 5% upwards correction to account for the increase in the UK population since 2017).[28]

The WAND analysis also suggests the total amount of cocaine being consumed has increased by around 25% between 2021 and 2025, compared to a marginal fall in prevalence of cocaine use according to the CSEW survey data over the same period.

By its own description, the WAND drug consumption and market-value estimates are 'based on an experimental and new methodology'. The wastewater analysis is a direct measure of total consumption, and is undoubtedly useful in showing trends by extrapolating findings from the 42 sites where testing takes place in England, covering an impressive 28% of England's population. There is therefore a reasonable certainty that total consumption has risen by around 25% between 2021 and 2025. Calculations of total consumption and value of the market derived from this baseload metabolite data are, however, based on a series of assumptions about what the data represents, including assumptions about the cocaine consumption to excretion rate of the metabolites measured. Relatively small errors in these assumptions can potentially multiply and translate into significant variations in final estimates.

Some of the increase in total consumption revealed in the wastewater analysis over the past 4 years may also be accounted for by rises in purity of cocaine rather than a rise in amount consumed, or total market value. The UK government no longer routinely publishes annual trend data on cocaine price and purity. Purity data was previously reported in the annual Focal Point reports to EU reporting mechanisms - the last one being in 2019, with 2018 data, which reported mean cocaine purity had risen from 20% in 2009 to 63% in 2018.[29] This data can only come from separate surveys, test purchases and forensic analysis of seizures, as no data on price and purity provided by either CSEW or waste water analysis. The National crime agency now only reports (somewhat inconsistently) whether purity has increased, decreased, or remained stable in its annual strategic assessments.[30]

The European Union Drug Agency (EUDA) does, however, publish price and purity trend data from EU member states indexed from a baseline in 2014 (see Figure 3) which can be assumed to be a reasonable proxy for changes in the UK market which are thought to be supplied via many of the same organised crime networks.[31] This shows that cocaine at an EU level is 44% purer and 18% cheaper, producing an overall purity-adjusted price fall of 43% over the 11-year monitoring period. The indexed rise in purity from 134 to 144 during the WAND study period (2021-25) is less than 10%. The indexed rise in purity between 2017-18 (when the Black review data was gathered) and 2025, from 125 to 144, is around 15%.

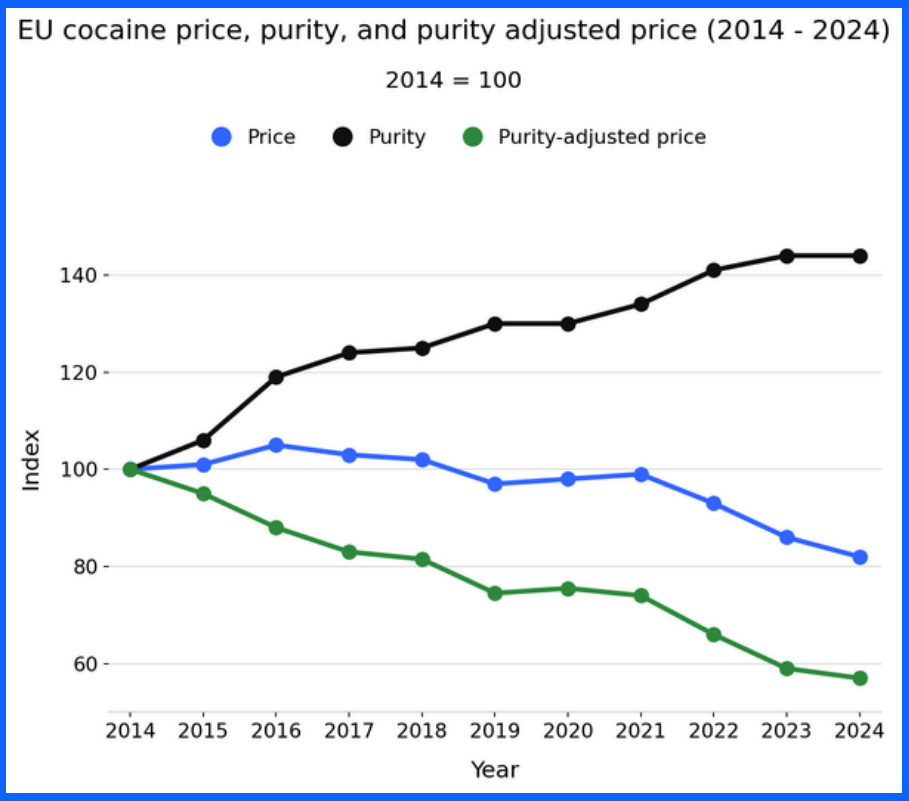


Figure 3

Market Value estimates: conclusion

We can reasonably assume that the Black review estimates (adjusted for the whole UK, and population growth in the past decade) are a substantial underestimate, even if they can serve as a useful lower estimate. Other survey data sources such as the ALSPAC data suggests that the primarily CSEW data-derived estimates are potentially undercounting by a factor of two or more

By contrast, the WAND estimates seem somewhat likely to be an overestimate - potentially from sampling that favours higher consumption urban areas; from translating increases in purity into increases in market value (as opposed to better value from falling purity adjusted price); or from other methodological uncertainties in what is a new and evolving analytical field.

Comparing the UK estimates to equivalent EU estimates can potentially provide some perspective, although the EU data is subject to similar methodological challenges. With a n population of 450 million, more than six times that of the UK, the most recent estimate of EU-wide consumption (from EMCDDA, the forerunner of the renamed EUDA) is from 2020, at 158 tonnes, with a market valuation of 10.5 billion euros, a figure that was updated to 11.6 billion Euros for 2022-23. This estimate for the whole of the EU is not much greater than the UK wastewater figure for 2025 (adjusted at 146 tonnes). Even factoring in the UK's relatively high rate of use compared to the rest of the EU, and EU market growth since 2020, the estimates are orders of magnitude apart. The EUDA no longer uses wastewater data to make such estimates and indeed, cautions against it.

Cocaine seizure data may also help provide some useful context for interpreting the different estimates. Seizures can significantly reflect enforcement activity, and can be easily distorted by a small number of mega-seizures (or their absence), and are a very imprecise measure of consumption and market value. In the UK, cocaine seizures rose from around 18 tonnes in 2023, to 28 tonnes in 2024, before falling back to 18 in 2025. The seizure figures for the whole EU are much higher - above 300 tonnes annually since 2021, with a peak of 419 tonnes in 2023. This difference is likely due to seizure interceptions in key EU sites serving the entire EU market as well as trans-shipments to the UK, compared to UK seizures, assumed to be mostly for the UK market only. That the seizure levels for the EU are so much higher than the earlier estimates for total EU consumption perhaps suggests that those estimates were some way off the mark. But without knowing what proportion of total cocaine production and consumption the seizures represent, speculation on this front may not be very productive.

Without additional data sources and analysis to triangulate it is impossible to know with any degree of certainty at what point between (or potentially beyond) these two estimates the real UK market size figure lies. The UK Government has not attempted to reconcile the conflicting estimates (publicly at least), and there is no formal guidance on best practice for making such estimates offered by either UNODC, or EUDA; notably, neither agency currently produces such estimates). The most we can do given available data is to assume these two data points are useful upper and lower thresholds, and take the median point between them as a ‘best guess’ estimate.

Therefore the median estimate for the UK cocaine market is 94.85 tonnes of annual consumption, with a market sales value of £7.7billion.



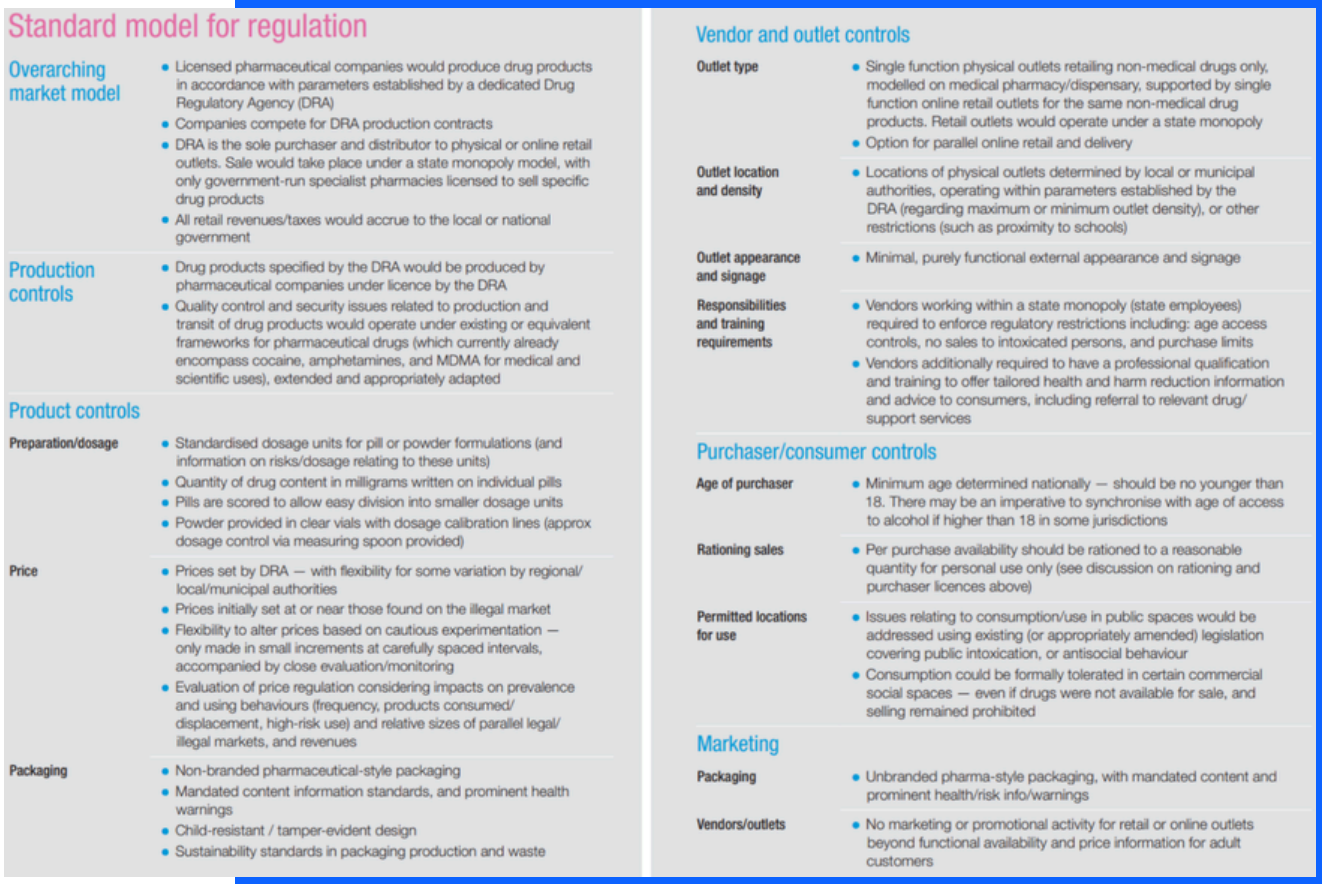
Mock up of legal cocaine packaging. *Transform/Halo Media*

WHAT WOULD A LEGAL COCAINE MARKET LOOK LIKE IN THE UK?

No country has yet developed and implemented a legal regulation model for powder cocaine for non-medical use. Any estimates for potential state revenues from a legally regulated model for cocaine are therefore necessarily speculative and based on proposed regulatory frameworks - in this case proposals developed by Transform Drug Policy Foundation, in 'How to Regulate Stimulants: A Practical Guide'.

Transform proposes a three-tiered model that takes into account the very different preparations of coca and cocaine products and how they are associated with different using behaviours and risks.

- A lightly regulated model for coca leaf products - similar to coffee, or caffeine energy drinks
- A strictly regulated pharmacy sales-type retail model, operated as a state production and retail monopoly, featuring rationed sales of cocaine powder to adults, in plain packaging with a complete ban on all marketing (See the 'standard model' summarised below - and mock-up of product packaging)
- For people who inject cocaine, or smoke crack cocaine, there would be no direct retail availability (although, as discussed below, it is easy to convert cocaine powder into smoke-able crack), but a pragmatic public health-led harm reduction approach - including access to supervised consumption spaces, safer inhalation kits and clean injecting equipment, and access to wider social, health and treatment services.



Standard model for regulation

Overarching market model

- Licensed pharmaceutical companies would produce drug products in accordance with parameters established by a dedicated Drug Regulatory Agency (DRA)
- Companies compete for DRA production contracts
- DRA is the sole purchaser and distributor to physical or online retail outlets. Sale would take place under a state monopoly model, with only government-run specialist pharmacies licensed to sell specific drug products
- All retail revenues/taxes would accrue to the local or national government

Production controls

- Drug products specified by the DRA would be produced by pharmaceutical companies under licence by the DRA
- Quality control and security issues related to production and transit of drug products would operate under existing or equivalent frameworks for pharmaceutical drugs (which currently already encompass cocaine, amphetamines, and MDMA for medical and scientific uses), extended and appropriately adapted

Product controls

Preparation/dosage

- Standardised dosage units for pill or powder formulations (and information on risks/dosage relating to these units)
- Quantity of drug content in milligrams written on individual pills
- Pills are scored to allow easy division into smaller dosage units
- Powder provided in clear vials with dosage calibration lines (approx dosage control via measuring spoon provided)

Price

- Prices set by DRA — with flexibility for some variation by regional/local/municipal authorities
- Prices initially set at or near those found on the illegal market
- Flexibility to alter prices based on cautious experimentation — only made in small increments at carefully spaced intervals, accompanied by close evaluation/monitoring
- Evaluation of price regulation considering impacts on prevalence and using behaviours (frequency, products consumed/displacement, high-risk use) and relative sizes of parallel legal/illegal markets, and revenues

Packaging

- Non-branded pharmaceutical-style packaging
- Mandated content information standards, and prominent health warnings
- Child-resistant / tamper-evident design
- Sustainability standards in packaging production and waste

Vendor and outlet controls

Outlet type

- Single function physical outlets retailing non-medical drugs only, modelled on medical pharmacy/dispensary, supported by single function online retail outlets for the same non-medical drug products. Retail outlets would operate under a state monopoly
- Option for parallel online retail and delivery

Outlet location and density

- Locations of physical outlets determined by local or municipal authorities, operating within parameters established by the DRA (regarding maximum or minimum outlet density), or other restrictions (such as proximity to schools)

Outlet appearance and signage

- Minimal, purely functional external appearance and signage

Responsibilities and training requirements

- Vendors working within a state monopoly (state employees) required to enforce regulatory restrictions including: age access controls, no sales to intoxicated persons, and purchase limits
- Vendors additionally required to have a professional qualification and training to offer tailored health and harm reduction information and advice to consumers, including referral to relevant drug/support services

Purchaser/consumer controls

Age of purchaser

- Minimum age determined nationally — should be no younger than 18. There may be an imperative to synchronise with age of access to alcohol if higher than 18 in some jurisdictions

Rationing sales

- Per purchase availability should be rationed to a reasonable quantity for personal use only (see discussion on rationing and purchaser licences above)

Permitted locations for use

- Issues relating to consumption/use in public spaces would be addressed using existing (or appropriately amended) legislation covering public intoxication, or antisocial behaviour
- Consumption could be formally tolerated in certain commercial social spaces — even if drugs were not available for sale, and selling remained prohibited

Marketing

Packaging

- Unbranded pharma-style packaging, with mandated content and prominent health/risk info/warnings

Vendors/outlets

- No marketing or promotional activity for retail or online outlets beyond functional availability and price information for adult customers

Exract from Transform, 2020. *How to regulate stimulants: A Practical Guide*

HOW MUCH WOULD LEGAL COCAINE COST?

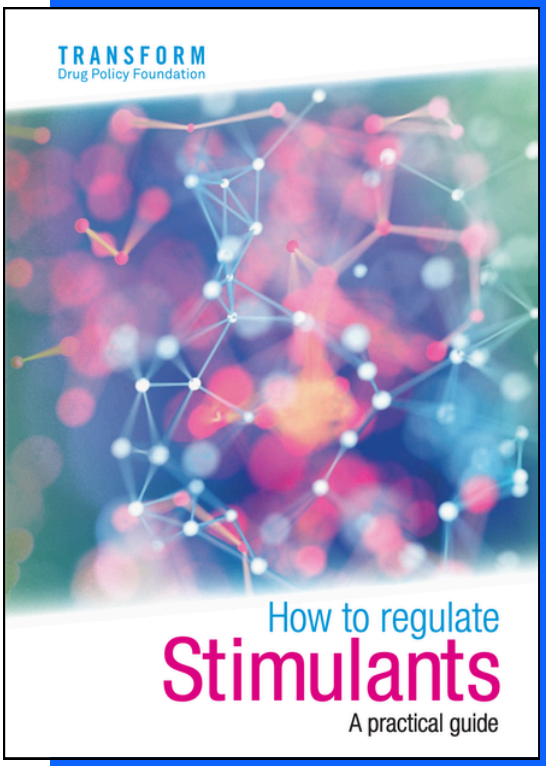
The consumption of drugs in a legal environment will be shaped by a wide range of environmental variables, of which price is only one. However, we know from alcohol and tobacco research that pricing is perhaps the most important lever of influence governments hold when it comes to shaping consumption behaviours, and there is an extensive literature on the likely impacts of different approaches. Under a system of legal regulation, governments are able to influence price using a range of mechanisms: including direct price-fixing, more limited minimum (and/or maximum) unit pricing (MUP), and various forms of taxation including fixed per-unit (or 'specific') tax, and ad valorem tax (added as a percentage of sale price).

Applying pricing controls is not a simple matter. Unless operating under a state monopoly or other bespoke legal market framework, legally-regulated drug markets would, by default, operate within the wider context of market and competition law, where the hand of government is consequently constrained. The Scottish Government, for example, faced a sustained legal challenge from the alcohol industry after it sought to introduce a minimum unit price for alcohol. Ultimately, it was only successfully implemented after the UK Supreme Court determined that a less restrictive measure (increased taxes) would not achieve the objective of combating 'problematic drinking to which the Government's objectives were always directed' as successfully.

However, unlike the examples of alcohol and tobacco, a new regulated cocaine market has the benefit of starting from a legislative 'blank slate', thereby allowing regulation to incorporate lessons learnt from history and build in measures to mitigate against excessive corporate influence. It is vital that these measures are implemented from the outset of any new regulatory system, as recent experiences of cannabis regulation in North America have highlighted that market dynamics are established very early on, and corporate actors can entrench new legal drug markets at great speed.

The fear of public unpopularity associated with high prices, and the power of industry lobbying, remain unavoidable political considerations that do not neatly align with public health goals of reducing or moderating consumption.

In the case of cocaine, however, there is likely to be much more political support for more restrictive regulation than is the case for alcohol, the commercialisation of which is far more deeply embedded in the cultural and economic fabric. This report assumes a model under which the state would establish and maintain a complete monopoly on cocaine product retailing, with the production of specified products either put out to competitive tender, or potentially also operating within a government monopoly (see box below). There are well established examples of state retail monopolies for recreational drug markets including Sweden's alcoholic drinks retail market, and at a Canadian provincial government level, liquor sales in Quebec and Ontario. Similarly, Canadian cannabis retail sales operate under a provincial government monopoly in Quebec, Prince Edward Island, New Brunswick, and Nova Scotia.



This state retail monopoly model has a number of advantages. Most obviously, the business incentives to prioritise profit maximisation are essentially eliminated, meaning that pricing policy can focus on the interests of public health (although history has shown that the priorities of state monopolies with alcohol, tobacco and lotteries can still be distorted by the continuing need to generate revenue).[34] A state monopoly retail model, under which the government accrues all of the retail surplus, will also increase total revenue to the treasury compared to a taxation only model, or a private retail model with fixed or minimum pricing.

For currently illegal drugs, we can assume that the basic laws of supply and demand hold: as with alcohol and tobacco, as prices increase, consumption tends to fall, and as prices fall, consumption tends to increase. Transferring this basic reality into policy is, however, far from simple. Price changes have very different impacts on different sub-populations of consumers and on different markets for different drugs. Wide variations in price elasticity of demand, that is, the degree to which demand responds to changes in price, have been observed with different groups of people who use drugs, and different patterns of use. Therefore, caution is needed when making generalisations or oversimplifying how price can influence behaviours.

Furthermore, both patterns and prevalence of drug use demonstrably often rise and fall independently of price. In the US, for example, the price of cocaine powder has dropped by 80% over the last 30 years, but consumption has fallen. In the UK, by contrast, cocaine has become cheaper (insofar as purity has risen but per gram prices have remained relatively static) and use has risen.

Price is clearly not the only variable impacting levels of consumption. Purchase and consumption decisions are also influenced by non-price variables including: fashion and culture; perceived quality and safety; social attitudes; stigma around use; marketing (if permitted); geographical and temporal availability; as well as availability and price of alternative drugs or activities.

The economic burden of drug expenditure relative to total disposable income of the individual consumer is a key factor. If initial prices are sufficiently low, and if use is moderate or occasional, then total spend is likely to be low. In this case, even a fairly dramatic change in price may have only limited impact on demand. This is likely to be the case for MDMA. Given the relatively low per-dose cost (the global average price for a single pill, often enough for two adult doses, is reported at under €10, roughly $12) and the generally infrequent use of MDMA, it is likely that changes in the cost-per-dose will be less of a factor in influencing demand than for more expensive drugs such as cocaine, especially if more frequently consumed. Conversely, where use tends to be more frequent (as is the case with alcohol and tobacco), and/or cost-per-dose is much higher (as with cocaine), the total spend relative to disposable income is higher and price changes can have more significant impacts.

Where doubling the price of MDMA pills might only increase the cost of a night's drug use by £10, the doubling in the price of cocaine could mean £50-100 greater outlay. If cocaine was being used on a weekly basis, as opposed to MDMA on a monthly basis, the difference becomes even more pronounced.

Pricing measures are not without their trade-offs. While tax increases and minimum pricing in the alcohol and tobacco market have been shown to be effective at moderating certain consumption behaviours, they are not without their problems. Artificially raising the price of any commodity tends to be regressive insofar as the impacts fall disproportionately on people with lower incomes. This may be considered positive insofar as some high risk groups (e.g. young people) tend to have lower income. Furthermore, because drug harms impact disproportionately on low-income groups (as in the so-called 'alcohol harm paradox'), reducing consumption in those social groups can have a greater overall benefit.

Nevertheless, such an approach may also be legitimately viewed as unfair or discriminatory towards people on lower incomes more broadly, particularly those who use moderately. Increased price may moderate use in lower-income groups but can also have unintended consequences such as increased crime, related to funding purchases, or reduced spending on, for example, a healthy diet. A further general assumption is that people with dependent patterns of drug use are less responsive to price increases than other consumers. In this case, the potential negative effects of price increases can be even more significant, notably for those who are injecting cocaine or smoking crack-cocaine (see: addressing crack markets, below)

The availability and cost of substitute drugs, or recreational activities, is also a factor. Increasing the price of one drug may displace consumers towards cheaper alternatives, the outcomes of which may be positive or negative depending on relative risks. When, for example, the quality of cocaine dipped in the late 2000s there was displacement to other stimulants such as (the synthetic cathinone) mephedrone. More recently, the relatively low cost of ketamine (which, although it has quite different effects, has a similarly short-acting nature and using culture in social settings - commonly as a snorted powder) is likely to have contributed to its surging popularity in the past decade. Displacement can also take place towards or away from riskier but more cost-effective methods of administration for the same drug, such as smoked or injected use. Under prohibition the pattern has tended to be displacement towards riskier, more potent drugs or preparations that are easier and more profitable to traffic and sell. Thoughtfully designed legal regulation can work to achieve the opposite.

Cocaine pricing policy therefore presents a conundrum; even if we assume that a government retail monopoly is established in which the risks of rapid price drop within a commercial free-market are eliminated, there is still a need to balance sometimes conflicting priorities. On the one hand, setting the price too high will deter people from switching to legal supply if there are significantly cheaper illegal alternatives (despite other non price variable - most obviously quality control and not having to interact with an illegal market), and could also incentivise displacement to even more risky substances such as unregulated synthetic cathinones. On the other hand, setting the price too low (below current prices) is likely to incentivise use, with a particular concern about increased use in more vulnerable populations.

Striking the right balance is difficult and, in the context of conflicting priorities, no price point can optimise all outcome objectives. Some compromises and trade-offs are inevitable. But a starting point at or near the current illegal market price seems sensible; it would be able to compete with illegal supplies at the same price (with the additional incentives of non-price variables - quality control etc), without the incentives for increased use from a significant price fall.

"Pricing policy presents a conundrum: Setting the price too high will deter people from switching to legal supply. But setting the price too low is likely to incentivise use,"

The impacts of price controls would have to be kept under review - for example how illegal market prices respond to parallel legal-market pricing, or impacts on high-risk use and any related offending.

However, on the basis that current UK market prices are mostly in the range of £40-80, this report's calculations are based on two speculative legal price points of £40 and £60 for a gram of 80% purity cocaine.

WHAT IS THE COST OF LEGAL COCAINE PRODUCTION & SUPPLY?

Illegal cocaine costs less than a dollar a gram to produce at source in its most basic form. Its high price in Global North consumer markets reflect OCG profiteering in a high demand / high scarcity market, and the cost burden of enforcement being incorporated into the supply chain.

In theory there is no reason why legal cocaine would not retail for a fraction of what illegal cocaine does. Absent profiteering and enforcement cost burdens mean it could be produced cheaply and easily, taking advantage of industrialised processes and economics of scale, and incorporating quality controls, at less than £10 a gram. In Colombian and Brazilian urban markets even illegal cocaine is sold profitably at less than $10 a gram.

Establishing regulatory systems would be relatively inexpensive (compared to proposals for the much more extensive and novel cannabis regulatory frameworks) utilising medical regulatory frameworks for quality control, and pharmacy, or other existing frameworks (such as drug services) for distribution - requiring relatively few dedicated online, or bricks and mortar outlets. Whilst novel packaging would be required - this would be a modest cost burden at scale.

- On this basis we make an assumed cost per gram of £20 to cover production and supply, or £15 if the Government assumed monopoly control of production as well as retail
- This would therefore provide a revenue to the Government of £20 per gram at a £40 price point (or £25 under monopoly production) and £40 per gram at a £60 price point (or £45 under monopoly production).
- To put this in the context of other legal drugs, VAT and excise tax (or duty) and/or other taxes, in the UK constitute around 70% of the retail price of a bottle of whisky, 50% of the retail price of a bottle of wine, 33% of a pint of beer bought in a pub, and 82% of the retail price of tobacco (see Figure 4)

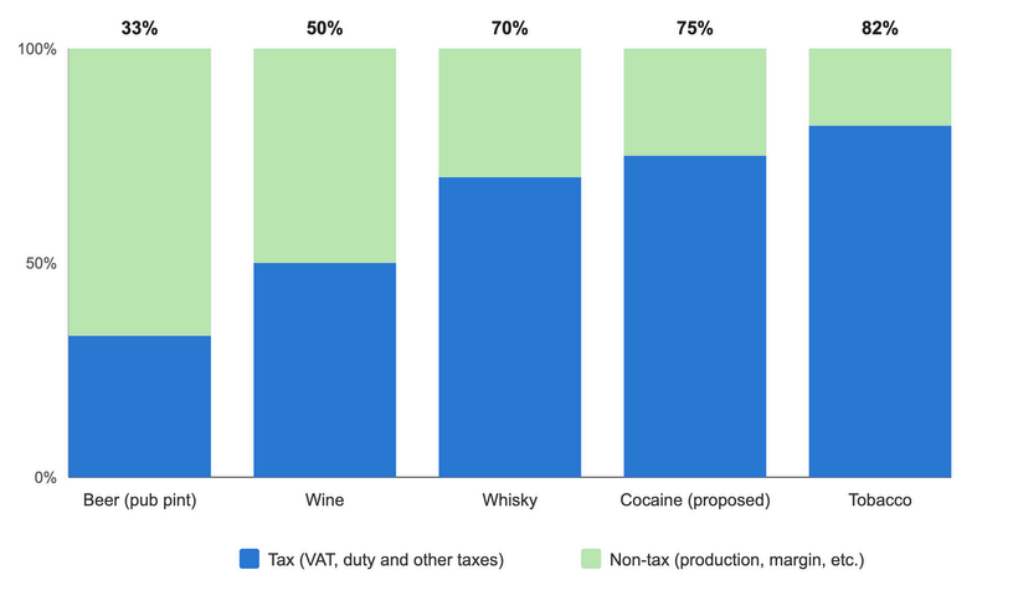


Figure 4. Relative UK tax rates on legal drugs (and proposed legal cocaine tax rate)

WHAT PERCENTAGE OF THE MARKET WOULD LEGAL SUPPLY DISPLACE?

There are a number of variables that will impact on the percentage market displacement - including price, quality and availability of legal supplies relative to price, quality and availability of illegal supplies. There would also be a transitional period as the new legal supply was established and as consumers adjusted their behaviours in the changing legal, policy and retail landscape. For this reason we assume a fiveyear time horizon has elapsed - to allow for a more mature market and new consumer norms to be established.

The emerging legal cannabis market in Canada provides some indication of what can be achieved; five years after legalisation and the opening of the first legal availability - around 80% of consumption is now from some form of legal supply. The number is lower in some other legalised cannabis jurisdictions. A legal powder cocaine market is, however, different to a legal cannabis in key respects: consumption patterns are different (less frequent), unit prices are much higher (at least 10x per intoxicated hour), and we have no working examples of legal non-medical markets to guide estimates.

Acknowledging that this is very speculative, and dependent on a range of unpredictable market variables, this report proposes an assumed low estimate of 50% market capture, a high estimate of 80%, and a best/median estimate of 65% market capture. Based on these assumptions, and using the median market size estimate.....

Revenues under state monopoly retail (best estimate highlighted)

Market capture %	Total Government revenue(annual) at £60 gram pricing	Total Government revenue(annual) at £40 gram pricing
50% (low estimate)	£1151 million	£575 million
65% (mid estimate)	£1497 million	£748 million
80% (high estimate)	£1842 million	£921 million

Revenues under a state monopoly and retail production model (best estimate highlighted)

Market capture %	Total Government revenue(annual) at £60 gram pricing	Total Government revenue(annual) at £40 gram pricing
50% (low estimate)	£1295 million	£719 million
65% (mid estimate)	£1683 million	£935 million
80% (high estimate)	£2072 million	£1151 million

OTHER SOURCES OF TAX AND REVENUE

Corporation tax is payable on commercial company profits at a rate of 25% on profits over £250K, and at a lower rate of 19% for profits under £50K, with a sliding scale between these two values. Assuming commercial entities would tender to the government regulatory for the licenses to produce cocaine products in the UK, there would be some tens of millions in additional tax revenue for the treasury on the profits that these corporations would generate from this business; the precise figure is hard to estimate without greater insights into the profits available.

The newly-regulated industry will also create a significant number of new legal jobs in production, retailing, and in various ancillary and regulatory services. These jobs will all generate additional tax and national insurance revenue for the government. These are either 'new jobs' that did not exist previously, or are replacing jobs undertaken by people previously working in the illegal/ informal cocaine economy, where income tax and National Insurance was not paid. As such, jobs in the legal market can be considered 'new' jobs within the legal economy, generating new tax revenue.

Assuming that the employees in the new cocaine industry earn an average median gross UK salary of £37,430 per annum, treasury revenue from income tax and revenue from National Insurance contributions (NIC) per employee will be approximately £10,000 (rounded down to from full income tax and NIC payment of £11825 - reflecting the assumption that not all staff pay full employers NICs - some may be self-employed - whilst smaller businesses will not pay the full employers NICs rate on all salaries).

Estimating the number of full time equivalent employees in the new industry, including production and Government-run retail and regulation is difficult - but the numbers are likely to be relatively small compared to much larger, more staff intensive industries like legal cannabis. Assuming that there would be 1-2000 full-time equivalent employees across the industry this would generate an additional £10-20 million in tax and NIC revenue for the treasury.

Could the government have a monopoly on cocaine retail and production?

If the government established a monopoly over production as well as retail, in other words a fully vertically-integrated supply chain under the control of the state, they would accrue the surplus on production, as well as retail, increasing treasury revenues. There are, however, relatively few contemporary examples of this model. Even where retail sectors operate under a state monopoly, production is generally tendered out to corporate entities, albeit within a bespoke regulatory framework - delivering products or services to exacting government criteria. Corporates compete for the government contracts but not with each other once the contracts are issued. A default monopoly, or oligopoly, is established under government oversight, but not ownership. This is the case, for example, with cannabis production for non-medical adult-use retail sales in Uruguay - although it is sometimes referred to as a state monopoly. Opium production in Tasmania (for medical uses) is also sometimes referred to as a state monopoly, but is another example of a corporate sector operating within a strict bespoke regulatory framework.

The possibility also exists for the establishment of government-owned and managed private companies. Such an entity, or entities, would seek to exploit the benefits of corporate dynamics (such as flexibility, talent acquisition, market integration etc) whilst managing the specific needs and risks of the particular sector/policy in the primary service of the public good rather than simply profit maximisation. Such public/private models have, for example, been established to address particular risks or policy needs - for example in sensitive nuclear and defense industries (e.g. the UKAEA, United Kingdom Atomic Energy Authority), in public health (e.g. the MHRA, Medicines and Healthcare products Regulatory Agency - or various vaccine research and production entities), and in broadcasting (eg. UK's Channel 4). Government ownership further insulates the market sector from the risks of corporate capture and potentially reduces costs of regulatory enforcement. This model has similarities to the UK model of a social enterprise or US-style for-benefit corporation, having a specific legal mandate and accountability mechanisms to serve specific public interests, rather than purely in the interests of maximising profits.

Under a vertically-integrated government monopoly the cost of bringing a gram of cocaine to the market would be lower and, assuming the price remained the same as under other scenarios, treasury revenues would increase accordingly. It is difficult to estimate commercial profit margins, and correspondingly difficult to estimate the potential reduced costs of state owned and managed production. If we assume a reduction in the cost of bringing a gram of cocaine to market from £20 to £15, this would increase our best estimate treasury revenues by 12.5% from £1497 million to £1683 million (see table above).



WHAT ABOUT MARKETS FOR CRACK COCAINE, AND COCAINE INJECTION?

The question 'but what about crack?' is never far away when legal regulation of cocaine is discussed. Finding the answer has to begin by moving beyond the simplistic enforcement solutions and 'war on drugs' narratives that have, over more than four decades, demonstrably failed to eradicate the supply or use of crack cocaine.

The more recent UK phenomenon of rising injecting cocaine[37] (which has become more viable for injection as purity has risen) has significant parallels with the smoked crack phenomenon; both involving rapid onset, shorter acting preparations associated with higher risk behaviours, and higher incidence of dependence and overdose.

Regardless of how one might feel about it, there is a need to accept that some people want to, and will, smoke crack, or inject cocaine. Denial, or simply wishing away the challenge, is counterproductive. Instead we need to understand what kinds of intervention will be most effective at reducing the harms that crack can cause both for people who use it, and for the wider community. This can include a goal of reducing overall levels of crack use and cocaine injecting, in parallel with a focus on the health and wellbeing of those who continue to use.

Transform has not advocated a model in which crack cocaine, or cocaine prepared for injection would be available for conventional retail sales. Instead, we propose a concerted public health and harm reduction-led response, looking at what works and exploring innovative approaches to address gaps in knowledge and service provision. What is very clear is that there is no benefit in criminalising people who use crack or inject cocaine - it generates additional harms and costs across the criminal justice and health systems, with no evident benefits. Decriminalising possession of all drugs for personal use to facilitate service access, and addressing the social conditions that underlie most problematic use of crack and cocaine injecting is key to reducing high-risk behaviours in the longer term.

Public health responses are, however, less well-established for crack and injected cocaine than for heroin. Problematic crack use and cocaine injecting are often characterised by less easily-managed cycles of binging and crashing. Episodic patterns of use tend towards non-engagement, or more sporadic engagement with treatment and harm reduction services, which complicates provision of appropriate support.

While people who use illegally-supplied heroin, who are unable or unwilling to stop using, can be successfully maintained and stabilised on prescribed heroin (diamorphine), or substitute prescriptions such as methadone, buprenorphine, hydromorphone, or even opium, there is no established equivalent model for prescribing crack (although some pilots are in development, in Amsterdam and Bern for example) or injectable cocaine.

Some research, albeit limited, has explored prescription of substitute stimulants such as amphetamines, methylphenidate and modafinil, or use of less potent coca leaf based preparations. Heroin prescribing has also been shown to reduce crack use among people who use both crack and heroin: evidence from Heroin Assisted Treatment programmes in Switzerland and the UK shows significant declines in crack use among clients who are able to access prescription heroin regularly.[38] There is some limited evidence that provision of cannabis-based medical products may also be effective in reducing crack use.

We need to acknowledge that if powder cocaine is available (via illegal, legal retail or prescribed channels) then crack is available too. Making crack from powder cocaine is a simple kitchen procedure, and impossible to prevent. Even if crack is not directly available, individuals previously willing to engage with the risks of the illegal market to procure it would clearly not lack the motivation to manufacture it from a legal powder cocaine supply. The same is true for preparing cocaine for injection. Therefore, the focus needs to remain on harm reduction (including longer term demand reduction), not more demonstrably futile and counterproductive punitive enforcement and eradication efforts.

Treatment and harm reduction interventions for people who use crack or inject cocaine, whilst historically under developed, are becoming increasingly well established.[39] Pilot projects are now underway distributing crack harm reduction/safer inhalation kits in the UK.[40] Such distribution is already a well established intervention in 25 jurisdictions globally - mostly in Europe and North America.[41] An increasing number of supervised drug consumption facilities also include provision for smoked crack use, and cocaine injection. A significant proportion, over 75%, of people using the UK's first supervised drug consumption facility, The Thistle in Glasgow, are injecting cocaine.[42] These interventions point towards a model in which, although crack would not be available directly, harm reduction and wider treatment and social service provision would be made for those who continued to procure and use it, regardless of whether they do so through illegal or quasi-legal channels.

We anticipate that under a legal cocaine supply model that the crack/injected cocaine landscape would shift in significant ways. The pivot to a more pragmatic public health model would lead to a significant increase in investment in services for people who use crack, or inject cocaine

There is good evidence that offering services that people actually value, such as safer inhalation kit provision, and supervised consumption facilities, increases engagement in services that people who use crack, or inject cocaine, have previously been reluctant to access. This then provides a gateway for accessing other treatment, harm reduction and support services - including broader wrap-around care that can offer support with issues such as housing, employment, and mental health.

Whilst the evidence base supporting interventions for this long neglected population is weak (compared to research around opioid-oriented interventions), it is reasonable to assume that investment in this area would lead to a decrease in prevalence of crack use and cocaine injecting over time, as well as reduced intensity of use amongst those who continued to use.

Speculating about the impacts of legal cocaine supply, and of meaningful investment in evidence-based service provision for people who use crack and or inject cocaine, including innovative substitute-prescribing models, is difficult given the paucity of existing research. We assume that, in the context of legal cocaine powder supply (but with crack cocaine not available via retail) some people would buy legal cocaine powder (directly or via indirect/secondary sales) and convert it to crack for smoking, or prepare it for injection,while others would continue to use illegal cocaine/crack.

Given the absence of data, any assumptions made here are inevitably speculative and have a wide margin of error. In this context our baseline assumptions are:

- A one-third/33% reduction in total demand for crack/injecting if effective treatment and harm reduction (including substitute and drug of choice prescribing) is implemented

Of the remaining crack/injection cocaine use:

- Half (33% of the total) is from legal cocaine supplies and half (33% of the total) is from illegal supplies



The tables below summarises the revenue implications for the Treasury of different scenarios - with 33% (and a higher figure of 50%) of existing crack/injected cocaine coming from legal retail sources, and at £60 and £40 prices per gram, under a state retail monopoly, and state retail and production monopoly

Revenues under state monopoly retail model

Percentage of existing illegal crack/injection cocaine market displaced by retail cocaine	Government Revenue from cocaine used for crack/injection (sold at £60 gram)	Government Revenue from cocaine used for crack/injection (sold at £40 gram)
33%	£440 million	£220 million
50%	£667 million	£333 million

Revenues under state monopoly retail and production model (best estimate highlighted)

Percentage of existing illegal crack/injection cocaine market displaced by retail cocaine	Government Revenue from cocaine used for crack/injection (sold at £60 gram)	Government Revenue from cocaine used for crack/injection (sold at £40 gram)
33%	£495 million	£220 million
50%	£750 million	£333 million

Our best estimate for total revenue from legal retail powder cocaine, (including powder cocaine prepared for smoking/injection) is £2.178 billion

Assuming:

- The value of the cocaine market as median between higher and lower adjusted government estimates
- A legal market capture rate of 65% for powder cocaine and 33% for crack cocaine
- A retail price of £60 a gram
- Production and retail under a government monopoly, with a cost of bringing 1 gram to market at £15

OTHER ECONOMIC IMPACTS

Criminal justice savings

Ending the criminalisation of people who use cocaine, combined with a legally-regulated cocaine market would lead to a dramatic contraction in state resources required for domestic policing of cocaine markets, international interdiction efforts, and targeting of people who use cocaine. Data compiled by the Home Office-commissioned Black review in 2020 suggests that £1.4 billion per year is spent enforcing drug laws in England alone - made up of £690 million on police drug enforcement, and £733 million across courts, prisons, probation. A further £5.5 billion is spent on criminal justice costs due to drug-related crimes such as acquisitive crimes (theft). The total criminal justice system and enforcement costs of illegal drugs was therefore estimated at £6.9 billion per year in England.[43] Assuming that expenditure was similar in Wales, Scotland and N.Ireland, and factoring in inflation since 2020, would bring this total to nearer £9.7billion.

Unfortunately the limited available data does not provide a breakdown of this expenditure by drug. While it's not impossible to make such an estimate, it is methodologically extremely challenging - given the paucity of relevant data, the overlapping nature of drug markets, and realities of polydrug use (particularly crack and heroin) and related enforcement activities. However, the government has estimated (in the 2020 Black review) a total enforcement/CJS cost of drug-related offending of £5.5 billion (or adjusted for inflation/UK coverage - £7.7billion). This total is almost all related to Class A drugs, specifically heroin and crack cocaine, estimated to contribute 95% of the total cost.[44] The breakdown of costs between the two drugs is not clear (and use of both drugs is common). While we cannot assume a 50/50 split, even if illegal crack use is driving a third of this total, it would still represent a cost of multiple billions, even before the proportion of cocaine-specific drug offence policing and the CJS budget was incorporated.

What the total CJS costs of cocaine/crack-related crime (a speculative estimate somewhere in the region of £2.5 billion annually) would be reduced by, following the proposed reforms (optimistically, if all assumptions prove correct) presents a second methodological challenge. Most of the savings would be where most of the costs are incurred - in policing drug-related crime as illegal crack use decreased (most significantly acquisitive crime to fund use amongst people with low incomes and dependent patterns of use). Such speculation is not unrealistic; we know, for example, that investment in treatment and harm reduction (including substitute prescribing) can lead to dramatic reductions in crime and related criminal justice expenditure - although this is much more well established for opioid related interventions.

A more precise analysis of the savings is beyond the scope of this report - but a reduction of 50% in enforcement expenditure as more than half of the market moves into the legally regulated space, and a significant proportion of people who use crack or inject cocaine utilise legal supplies or enter treatment / harm reduction programs - does not seem unrealistic. Even absent more precise analysis, it seems likely that this saving would be more than £1 billion.

This estimated CJS saving would not, however, accrue directly to the treasury in the way tax/sales revenue would. Many costs are fixed or 'sunk costs' in CJS infrastructure. So, for example, if one person is released from a prison of a 100 people, that does not immediately translate into a 1% saving (the prison kitchen has fixed costs for cleaning, heating etc. that do not change whether they are preparing food for 99 or 100 people). However, over the longer term, particularly where more significant falls in CJS resource demand are evident - for courts, prisons, CPS, legal aid, police etc - this will translate into proportionate staff and resource savings (for example the closing of a prison as numbers fall) that have a clear and measurable economic impact. The economic value is still meaningful, even where saved resources are redirected internally within a given institution or entity, rather than resulting in a direct budget cut – for example, police funding moving from dealing with cocaine-related offences to domestic violence, fraud etc.

Costs of treatment and harm reduction services

As use of cocaine and crack cocaine has increased over the past three decades, so too has the cost burden on health services, primarily in treatment provision, and hospital admission following acute adverse events or overdose.

The latest data for England[45] (UK-wide data is not available) suggests there are 73,000 people in treatment for both opiates, and crack (more than the 65K for opiates alone), a further 12,000 for crack alone, and 52,000 for cocaine powder (based on drugs reported). These numbers translate into over a third of all treatment admission being cocaine or crack cocaine-related (where use is reported, even if not necessarily the primary drug of concern). Given a national annual drug treatment budget in the region of one billion pounds, cocaine-related treatment is assumed to contribute some multiple hundreds of millions of this total even if a more precise figure is not available. The impacts of reforms on these costs is also difficult to predict. There would presumably be a short to medium term increase in treatment costs as services were expanded in line with proposals outlined here, particularly for people who use crack and inject cocaine.

On top of drug treatment and harm reduction service costs are the costs of emergency care or A&E visits related to cocaine or crack cocaine use. In England, cocaine is implicated in roughly 20,000–25,000 hospital admissions annually; though this is likely an underestimate due to data recording/coding limitations, and in many of these cases cocaine use may be recorded but not be the primary cause of an admission. Most cases present via A&E, but emergency department data are not systematically recorded. Economic modelling in the Black review suggested direct hospital admission costs for all drugs are in the order of £37million per year (based on pre-2020 data and for England only), with wider healthcare costs substantially higher - overlapping with the treatment and other drug service costs.[46] The proportion of this driven by cocaine/crack use is not clear; opioids are identified as the primary driver although intersecting opioid and cocaine use behaviours make disaggregation of causes and costs difficult. It seems reasonable therefore to assume that the emergency health costs of cocaine/crack use in the UK costs are in the £10s of millions - but impossible to be more precise with available data.

Increased resources to treatment and harm reduction interventions are likely to decrease emergency health costs - but obviously entails other costs themselves. Black notes ‘Research shows treatment for drug users can reduce the cost of drug-related hospital attendances by 31%’ - but this figure is not drug specific.

This report does not make an estimate for potential changes in drug service costs. While the proposed reforms involve an expansion of services and related costs, evidence-based drug services should be funded to meet needs under the legal status quo, and should not be dependent on future legal reforms. Whilst the intersection of service provision and wider health and CJS costs is complex, in the longer term, investment in evidence-based health interventions is widely acknowledged to save money downstream on a range of health and CJS costs, offsetting any short term increase in health service spending.



CONCLUSION AND SUMMARY FINDINGS

The analysis in this report suggests that a legal cocaine market - responsibly regulated in line with Transform's proposals - would generate £2.178 billion in annual revenue to the treasury (assuming a median point between higher and lower current market size estimates, cocaine sold at £60 per gram under a state monopoly on production and retail, 65% legal market capture of illegal powder cocaine market, and 33% of existing crack cocaine market).

This figure represents a best estimate of treasury revenue, within a range of £384million and £4281million. The wide range reflects the huge difference in government estimates of the size of the UK cocaine markets - and variable revenues under different market model scenarios, and different assumptions on % of the market captured by the legal market after 5 years.

Estimating the reduction in criminal justice and enforcement expenditures resulting from the proposed remains a challenge, particularly given gaps in available data reporting on current expenditures. However, conservative projections suggest savings in excess of £1 billion, even if these benefits are realised across the public sector rather than as direct treasury revenue.

These tax and sales revenues would justify a vital expansion of drug treatment and harm reduction services, a cornerstone of the proposed reforms. Additionally, the resulting savings across the CJS could be redirected into other policing and CJS priorities, easing the pressure on an already overstretched system.

Overall these revenues and savings demonstrate that a responsibly-regulated legal cocaine market could not only reduce the social and health harms associated with prohibition, and the illegal market it fuels, but also generate substantial resources to support vital public priorities, including much-needed expansion of evidence based and cost effective drug prevention, treatment and harm reduction services, alongside reparative justice for marginalised communities, along the entire coca/cocaine supply chain, who have disproportionately impacted by the catastrophic failings of the 'war on drugs'.

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