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: HALO MEDIA/ TRANSFORM DRUG POLICY FOUNDATION

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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 approximately £2100 million 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

Cocaine powder sold under a stae monopoly on prodcution 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

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 under a government retail 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.