Briefing

The cost of a hotter, drier UK

October 2026

Headline findings

- Extreme heat and drought will cost the UK public finances £19.6 billion in lost tax receipts over the next five years (2026-27 to 2030-31).
- Extreme heat will be responsible for £10.7 billion of this and drought will be responsible for £8.9 billion.
- The annual cost will rise from £3.4 billion in 2026-27 to £4.6 billion a year by 2030-31.
- This is a conservative estimate: it covers lost tax revenue from productivity-linked economic losses only, not any extra public spending required.

The numbers

Losses of tax receipts to the exchequer due to extreme heat and drought (£bn)

	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative
Drought	1.6	1.7	1.7	1.8	2.0	**8.9**
Extreme heat	1.8	2.0	2.1	2.3	2.5	**10.7**
Total	3.4	3.7	3.9	4.1	4.6	**19.6**

What's driving the higher cost

Droughts reduce access to water, meaning there is less for growing crops, producing energy and for industry. This leads to lower yields for farmers and lower output from the power and industrial sectors. A report for the Climate Change Committee found these drought effects currently cost the economy £3.8 billion per year, rising to £4.2 billion by the 2030s.[1]

High temperatures make the economy less productive. Heatwaves make work physically and mentally harder, slowing output in offices, factories and outdoor jobs alike. They disrupt the transport networks relied on by people and businesses, with rail speed restrictions, buckled tracks and road damage. They also cause ill health, increasing the number of sick days taken. Verdant has found that the heatwaves which occurred from May to July 2026 alone cost the economy £4.4 billion in lost productivity.[2]

What isn't counted

- **Extra public spending required**, like NHS and social care pressures, emergency response and infrastructure repair.
- **The cost of damage as a result of extreme weather events**, like wildfires and damage to homes and infrastructure.
- **Knock-on effects,** like increased prices.
- **The cost of other climate impacts**, like flooding and winter storms.

What the government should do

- **Increase adaptation spending now**, rather than waiting for the next National Adaptation Programme in 2028. With the strongest El Niño in living memory, the Met Office says 2027 is very likely to be the warmest year on record globally.
- **Treat adapting to and preventing climate change as an 'invest to save' agenda**.
- **Move responsibility for co-ordinating climate resilience from Defra to the Cabinet Office**, with a designated minister to champion adaptation, clear accountability in every department and an adaptation test for major policy and spending decisions.
- **Urgently invest in heat resilience** in hospitals, schools and care homes, and in homes through the Warm Homes Plan, taking a 'passive cooling first' approach.

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Methodology

Green Alliance took the CCC's and Verdant's estimates of the economic output (GVA) lost to extreme heat and drought in the UK. These were converted to GDP and multiplied by the Office of Budget Responsibility's (OBR's) forecast tax-to-GDP ratio for each year, which gives the tax revenue lost to reduced economic activity. This assumes lost output is taxed at the economy-wide average rate. Figures are in cash terms. GDP, deflator and tax forecasts are from the OBR's March 2026 Economic and fiscal outlook and its historical official forecasts database.

Endnotes

[1] WSP UK Limited, October 2025, 'UK projections of climate risks and effectiveness of adaptation measures for water scarcity', Climate Change Committee
[2] J Meadway, August 2026, 'The cost of heat. Summer 2026 UK heatwaves: an economic impact update', Verdant