



# Distributional Analysis of Fuel Measures

## Introduction

Since the onset of the recent energy price shocks, the Government has announced and implemented various measures aimed at mitigating those costs for households and certain employment sectors.

- The NORA levy, which is imposed on petroleum products and funds stockpiling of such products by the National Oil Reserve Agency has been temporarily reduced from 2c per litre to a nominal rate of 0.1c per litre. This was previously intended to expire on 31 July but the Government recently announced an extension for petrol and diesel until 1 September.<sup>1</sup>
- The full implementation of the Carbon Tax increase that was announced in Budget 2026 has been deferred from 1 May until Budget 2027. This affects fuels that were not included in the initial increase to €71 per tonne of CO<sub>2</sub> emitted.
- The Government has also directly reduced the excise duties on specific items. Namely petrol, diesel, and marked gas oil have undergone Mineral Oil Tax (MOT) decreases. These reductions were previously intended to expire on 31 July, but will now run at their current levels until 1 September for petrol and diesel. The reductions for petrol and diesel are now planned to be gradually unwound on a monthly basis, returning to their former rates at the beginning of December.<sup>2</sup>
- The maximum allowable repayment under the Diesel Rebate Scheme has been increased and is applicable to diesel purchased from the start of the year (backdated) until 30 June 2026.

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<sup>1</sup> [Government to increase excise duty on petrol and diesel by 9c and 10c from September](#), RTÉ, June 30th, 2026.

<sup>2</sup> *ibid*

- The fuel allowance season has been extended by four weeks so that it currently stands at 32 weeks.
- Additional supports to the Transport sector and Agricultural sector have also been provided, valued at €40 million per month and €20 million per month, respectively.

This note analyses how the measures could potentially impact households of different types and income deciles.<sup>3</sup> To model these changes, the PBO used EUROMOD,<sup>4</sup> a tax-benefit microsimulation model for the EU managed by the Joint Research Centre.

Table 1 provides a summary of the measures that have been introduced and also details whether they have been modelled in this publication. It should be highlighted that due to modelling limitations, it was unfeasible to assess the distributional impact of certain measures. As EUROMOD results are based on household-level data, industrial-level supports effectively cannot be assessed. This applies, for example, to the schemes targeting the agricultural and transport sectors, as well as the excise reduction on green diesel.

As noted below this table, EUROMOD's consumption tax add-on assumes a full pass-through of consumption taxes. This means that any proportional change in rates is fully reflected in the consumer price. The consequence of this assumption is that estimates should be interpreted as upper bounds to account for the fact that excise cuts could pass through incompletely, or more slowly than excise increases. This is of particular relevance given that these reductions are only intended for a fixed period.

Another implicit assumption is that households will not change their consumption patterns in response to changes in excise rates. While demand for fuel tends to be

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<sup>3</sup> For more information on household income deciles see PBO, [Progressivity of Universal v Targeted measures](#) (2026) p.4.

<sup>4</sup> The results presented here are based on EUROMOD version J1.86+ beta. Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 EUROMOD is maintained, developed and managed by the Joint Research Centre (JRC) of the European Commission, in collaboration with EUROSTAT and national teams from the EU countries. We are indebted to the many people who have contributed to the development of EUROMOD. The results and their interpretation are the author's(!) responsibility.

relatively inelastic (unresponsive to price changes), we would expect prices and consumption to be inversely related in reality.

**Table 1: Summary of Fuel Measures**

Measure	Change	Duration	Modelled
<b>NORA levy reduction</b>	Reduced from 2c per litre to 0.1c per litre	1 April - 31 July 2026*	Yes
<b>Excise reduction on petrol</b>	Reduced by 25c per litre	14 April - 1 September 2026*	Yes
<b>Excise reduction on diesel</b>	Reduced by 30c per litre	14 April - 1 September 2026*	Yes
<b>Excise reduction on green diesel</b>	Reduced by 5.4c per litre	14 April - 31 July 2026*	No
<b>Carbon Tax deferral</b>	Planned increase to €71 per tonne of CO <sub>2</sub> has been deferred	1 May - 6 October 2026**	Yes
<b>Diesel Rebate Scheme</b>	Maximum allowable repayment increased by 4.5c per litre	1 January - 30 June 2026	No
<b>Fuel Allowance</b>	Season extended by four weeks	Four weeks (until 1 May 2026)	Yes
<b>Agricultural sector supports</b>	€100 million Fuel Subsidy Support Scheme	March - May 2026***	No
<b>Transport sector supports</b>	€40 million (per month) including Road Transporters Support Scheme	March - end-July 2026	No

Source: [Government Announces Measures to Reduce Energy Costs](#) (Department of the Taoiseach), [Government announces new package of fuel supports](#) (Department of the Taoiseach), [Minister O'Brien commences order to bring NORA levy reduction into effect](#) (Department of Climate, Energy and the Environment), [Government to increase excise duty on petrol and diesel by 9c and 10c from September](#) (RTÉ, June 30th, 2026).

Notes: EUROMOD provides results for the full year and not on a monthly basis. We therefore assume that distributional observations for the full year also hold on a monthly basis, however we acknowledge that the impact of heating-related fuel supports differs between Summer and Winter months. The consumption tax add-on that was used assumes a full pass-through of consumption taxes (i.e., that any proportional change in rates is fully reflected in the consumer price) as well as constant quantities of consumption, regardless of consumption taxes. The carbon tax deferral has been modelled as a reduction in the average rate over the full year. \*An initial reduction in excise was announced in March, with the reduction being increased in April. An extension of the excise and NORA levy reductions for petrol and diesel was announced in June. The durations in this table refer to the lifetime of the full reduction amounts. The excise amounts stated here are VAT-inclusive, which is accounted for in the modelling approach. Reductions listed in the excise rows exclude the NORA levy reduction to avoid double-counting. \*\*This deferral will last until Budget 2027 which is due to be delivered on Tuesday, October 6th. \*\*\*Payments in April and May are conditional on the national average price of diesel exceeding €1.90 per litre in the month. The €40 million figure also covers a separate scheme for certain coach operators.

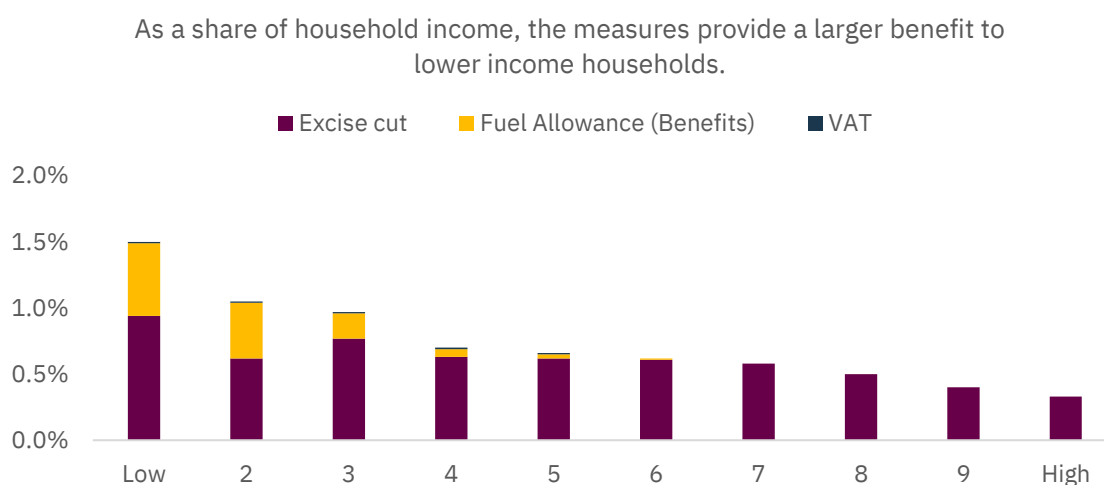
## Estimated impact of fuel measures across the income distribution

Figure 1 shows the estimated impact of the modelled fuel measures on mean equivalised household income across the income distribution, from the lowest to the highest-income households. Equivalised income adjusts household income to take account of household size and composition, allowing for a more consistent comparison across different household types.

Disposable income is income after benefits have been added, and direct taxes and social insurance contributions have been deducted. Consumption taxes, such as VAT and excise duties, are then deducted from this amount to give post-consumption-tax disposable income.

The chart shows that the modelled measures have the largest relative effect on households in the lower income deciles. The lowest income group shows the highest increase, at around 1.5%. This partly reflects that consumption levels among households in the lowest decile may be high relative to measured disposable income. As a result, the estimated gain can appear larger when expressed as a percentage of income. The impact of the fuel measures then falls steadily as income rises, reaching around 0.3% for the highest income group.

**Figure 1: Percentage change in mean equivalised disposable income by income decile**



Source: PBO analysis, EUROMOD.

Figure 1 indicates that lower income households gain more as a percentage of income, while higher-income households gain less. The results suggest that the combination of broad fuel tax reductions and more targeted support (Fuel Allowance extension), provides proportionately greater support to households at the lower end of the income distribution.

It is also worth noting that although the overall package of household-level supports may be progressive in relative terms, this does not imply progressivity in absolute terms. Indeed, the ESRI estimated that higher-income households benefit from the household-level supports announced in March and April by nearly twice as much as lower-income households in absolute terms.<sup>5</sup> This demonstrates the fact that the same euro amount reflects a higher share of income for lower-income households.

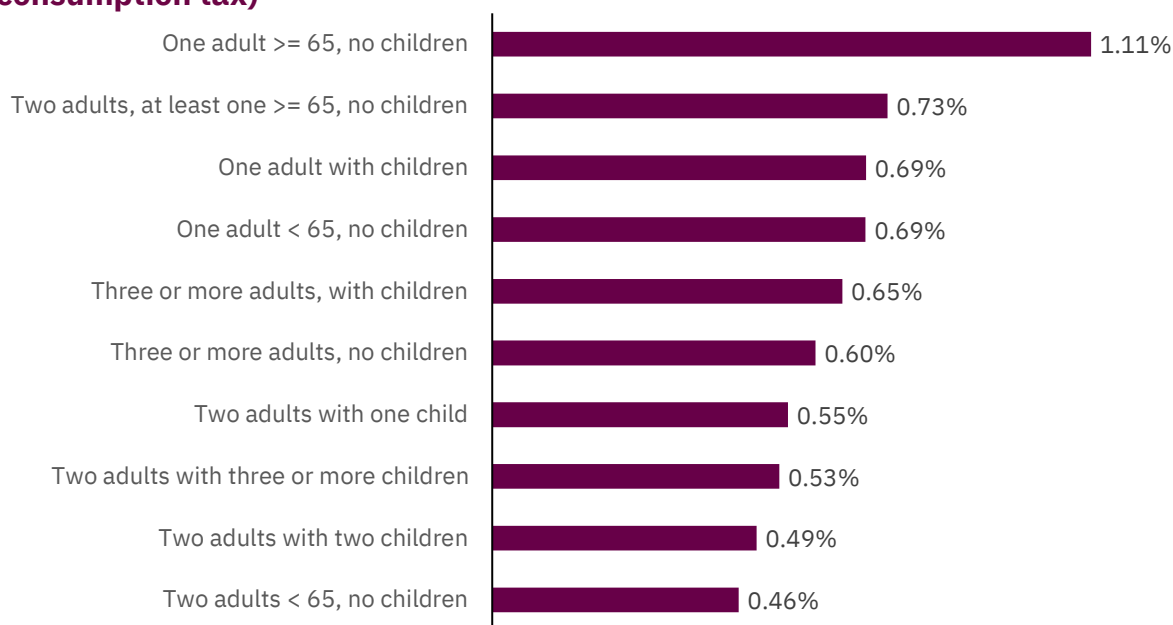
Figure 2 shows the estimated change in disposable income, after consumption taxes, for different household types under the modelled fuel measures. The results are shown as the percentage change from the baseline:

- The largest relative increase is seen for one-adult households aged 65 or over with no children, at around 1.1%.
- Two-adult households where at least one adult is aged 65 or over also see a relatively larger increase, at around 0.7%.
- Most other household types see increases of between around 0.5% and 0.7%.
- The smallest relative increase is seen for two-adult households under 65 with no children, at around 0.5%.

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<sup>5</sup> The distributional impact of energy price increases in Ireland and the policy response, ESRI, June 2026, p. 18.

**Figure 2: Change in mean disposable income by household type (post consumption tax)**



Source: PBO Analysis, EUROMOD.

## Estimated poverty and inequality indicators

Table 2 summarises the headline poverty and inequality indicators based on post-consumption-tax disposable income captured in the EUROMOD analysis.

**Table 2: Headline poverty and inequality indicators**

Indicator	Baseline	Modelled fuel measures	Difference
<b>At-risk-of-poverty rate</b>	19.43%	19.07%	-0.35 pp
<b>Median at-risk-of-poverty gap<sup>6</sup></b>	17.88%	17.17%	-0.71 pp
<b>Gini coefficient</b>	0.2996	0.2982	-0.0015

Source: PBO Analysis, EUROMOD.

<sup>6</sup> The median at-risk-of-poverty gap (poverty gap) refers to the difference between the poverty line (60% of median equivalised disposable income) and the median equivalised income of individuals who are at risk of poverty, divided by the poverty line. Conceptually, this measures the "depth" of poverty, or how far the typical individual who is at-risk-of-poverty falls below the poverty line. By contrast, the at-risk-of-poverty rate measures the "breadth" of poverty, or how many people are affected. A poverty gap of 17.88% signifies that the median individual whose income falls below the poverty line has an equivalised disposable income of 82.12% of the poverty line. Higher poverty gaps imply that the typical person who is below the poverty line sits further below that line.

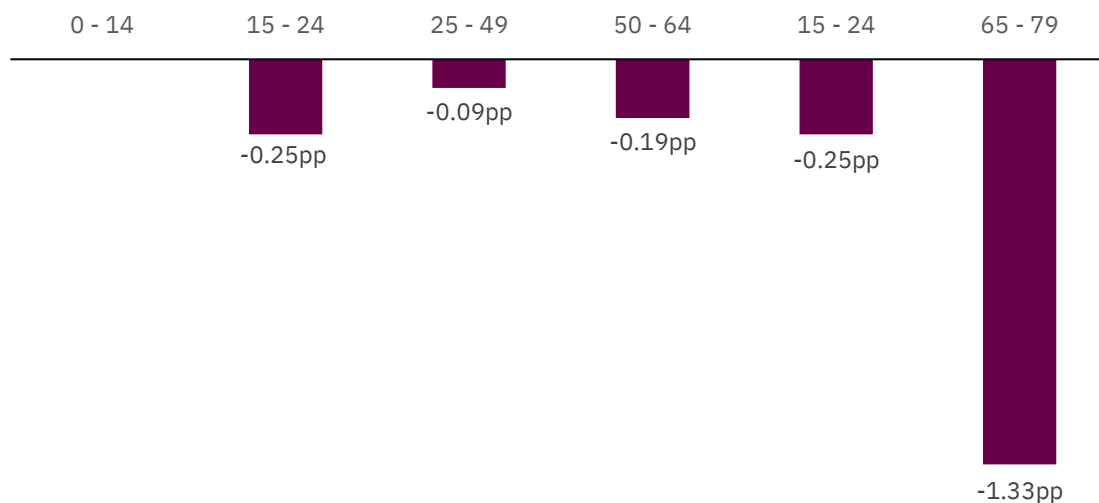
## At-risk-of-poverty rate

The at-risk-of-poverty rate (AROP) shows the share of people with income below the poverty line; however, it does not show how far below the line individuals are. In this analysis, the rate is based on post-consumption-tax disposable income, meaning income after consumption taxes are taken into account.

The rate is 19.43% in the baseline and 19.07% under the modelled fuel measures. This means that, in the modelled fuel measures scenario, the share of people below the poverty line is 0.35 percentage points lower than in the baseline. The change is modest, but supports the income-decile results, where lower-income households saw larger relative gains.

Figure 3 shows the change in the at-risk-of-poverty rate by age group under the modelled fuel measures, based on post-consumption-tax disposable income. The figures are shown as percentage-point changes from the baseline. The results below are consistent with the findings in Figure 2, namely that those above the age of 65 gain the most in relative terms. This observation can partially be explained by the nature of the Fuel Allowance payment, which targets those over the age of 66.

**Figure 3: Change in at-risk-of-poverty rate by age group (percentage point)**



Source: PBO Analysis, EUROMOD

## Median at-risk-of-poverty gap

The median at-risk-of-poverty (AROP) gap looks only at people whose post-consumption-tax disposable income is below the poverty line and shows the typical gap between their income and that line. The relevant poverty line, based on EUROMOD, is €1,663 per month. In the baseline, the gap is 17.88%, which is equivalent to around €297 below that monthly threshold. Under the modelled fuel measures, the gap is smaller at 17.17% (around €286 below the threshold). This means that although the typical person captured by this measure is below the poverty line the median AROP gap decreases compared to the baseline.

## Gini coefficient

The Gini coefficient is a summary measure that describes how income is shared across the population as a whole. The measure ranges from 0 to 1. A value of 0 would mean that everyone has exactly the same income, while a value of 1 would mean that all income is received by a single person. In practice, values lie between these extremes, with lower values indicating a more even distribution of income.

For post-consumption-tax disposable income, the Gini coefficient is 0.2996 in the baseline and 0.2982 under the modelled fuel measures. This shows a modest change in the overall income distribution under the modelled scenario.

## Cost Effectiveness of the Package

This analysis also considered the poverty and inequality-related impacts of the Fuel Allowance extension excluding all other measures. The estimated post-consumption tax reduction in the AROP rate was 0.14 percentage points (compared to 0.35pp for all modelled measures), while the estimated reductions in the Gini coefficient and median at-risk-of-poverty gap were 0.0005 and 0.23 percentage points, respectively (compared to 0.0015 and 0.71pp).

The .35 percentage point reduction in the AROP rate under the existing measures is quite small relative to the overall cost of the package. A significant portion of the reduction in this metric could have been achieved with just the Fuel Allowance season extension, which is the most targeted component in the suite of supports.

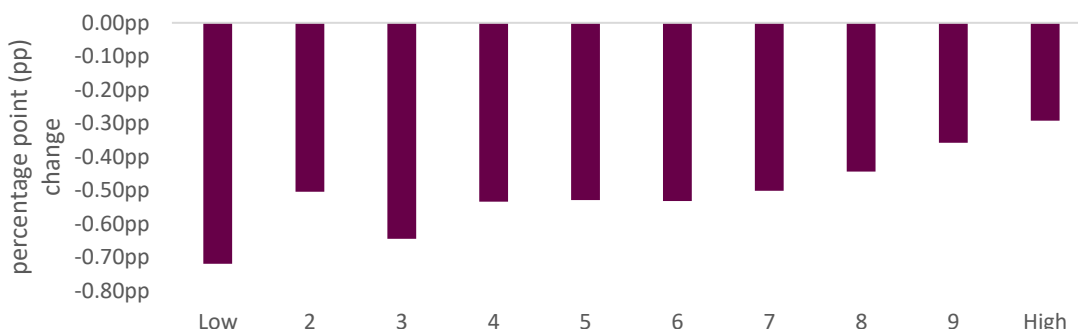
Moreover, the extension of the Fuel Allowance season is estimated to cost just over €71 million, meaning that this policy is relatively inexpensive in terms of the reductions to poverty and inequality that it achieves. For reference, the full suite of government measures aimed at both households and industry was initially estimated to cost €755 million.<sup>7</sup>

## Transport Consumption Taxes

Figure 4 shows the estimated change in transport-related taxes paid by households across the income distribution, expressed as a percentage of disposable income. The chart shows the average consumption taxes paid by households for transport.

The modelled measures show reductions across all income deciles, meaning that households are estimated to pay less in transport-related taxes. The largest reduction is seen for the lowest income group, at around 0.7 percentage points of disposable income. The reduction is smaller for the highest income group, at around 0.29 percentage points. The chart shows that the fuel measures reduce transport-related taxes by more, relative to income, for lower income households than for higher income households. This reflects the fact that lower income households have lower disposable incomes, so a reduction in transport fuel taxes can represent a larger share of income.

**Figure 4: Average Consumption Taxes Paid by Households for Transport by Income Decile (change in % of disposable income)**



Source: PBO Analysis, EUROMOD

<sup>7</sup> This is the overall figure for all household and industry-level measures (not included in EUROMOD modelling), retrieved from the following Dáil Éireann debate [statement](#). This figure has now been revised upward to €1 billion, given recently announced plans to gradually unwind excise and NORA levy reductions from 1 September onwards.

## Conclusion

In summary, this analysis found the existing schedule of fuel supports to be broadly progressive in relative terms. Gains to mean equivalised income are greatest for those in the lowest income decile at 1.5% post-consumption tax, with gains tapering off to 0.33% for the highest decile. However, this does not translate to larger gains in absolute terms for lower-income households, largely owing to the fact that fuel consumption accounts for a larger share of overall income for these groups. All income deciles are paying less in transport-related taxes as a result of these fuel measures. The largest reduction is experienced by the lowest income decile with a reduction of 0.7 percentage points in such taxes being paid as a percentage of disposable income.

The highest gains are experienced by households consisting of people over the age of 65 (1.11% for one adult and 0.73% for two adults), single adults with children (0.69%), and single adults under the age of 65 without children (0.69%). The household composition which sees the lowest gains is that with two adults under the age of 65 without children (0.46%). This household type is followed closely by households comprised of two adults with children (0.49% in the case of two children, 0.53% for three or more children, and 0.55% if there is only one child).

This analysis also considered changes to post-consumption tax poverty and inequality indicators and found a 0.35 percentage point decrease in the AROP rate, a 0.71 pp decrease in the median AROP gap, and a 0.0015 drop in the Gini Coefficient (indicating a slight decrease in income inequality). Given the overall cost of the package of fuel-related supports, these are only modest improvements of which a significant portion can be attributed to the extension of the Fuel Allowance season (the only targeted support at the household level). Nearly one-third of the reduction in the median AROP gap, one-third of the reduction in the Gini coefficient and forty percent of the reduction in the AROP rate are attributable to this policy. The Fuel Allowance extension carries an estimated cost of over €71 million, while the cost of all government measures aimed at both households and industry was previously estimated to cost €755 million (now revised upward to €1 billion given

recent extensions to excise and NORA levy reductions on petrol and diesel). Insofar as the intended purpose of these measures is to provide targeted support for those on lower incomes, this objective could be pursued in a more cost-effective manner.

### Séanadh

Is í an Oifig Buiséid Parlaiminteach (OBP) a d'ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d'aon fhaisnéis atá á cothabháil ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chun ábhar na bpáipéar seo a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Is de chineál ginearálta í an Fhaisnéis. Baineann éiginnteacht le ráitis réamhbhreathnaitheacha agus d'fhéadfadh go dtiocfaidh nithe suntasacha chun cinn mar thoradh ar an bhFaisnéis. Ní sholáthraítear ráiteas cinntitheach leis an bhFaisnéis i ndáil le haon saincheist ar leith nó i ndáil le himthoisc phearsanta. Ní comhairle atá san Fhaisnéis. Ní mór a dheimhniú duit féin go bhfuil an Fhaisnéis a sholáthraímidne, an Oifig Buiséid Parlaiminteach agus Coimisiún an Oireachtais (lena n-áirítear seirbhísigh, gníomhairí agus conraitheoirí na hOifige agus an Choimisiúin) oiriúnach agus iontaoifa. Ní ghlacaimid aon fhreagracht as cruinneas ná oiriúnacht, ná eile, na Faisnéise agus ní thugaimid aon ráthaíocht ná aon ghealltanais ná aon bharánta i leith an chéanna; ná go mbeidh ár leathanaigh ghréasáin nó an Fhaisnéis nó ábhar eile saor ó earráidí, saor ó víris nó saor ó shárú. Ní ghlacaimid aon dliteanas (lena n-áirítear i leith éilimh maoine intleachtúla) a eascróidh as aon ábhar tríú páirtí nó aon suíomh gréasáin tríú páirtí a gcuirfimid nasc ar fáil chuige nó dá ndéanfaimid tagairt. Ní ghlactar le haon dliteanas ar bith, a mhéid is mó a cheadaítear faoin dlí is infheidhme nó (i) as aon iontaoibh a chuirfear san Fhaisnéis nó san ábhar ar ár leathanaigh ghréasáin nó (ii) as aon chailteanas nó damáiste a eascróidh as an úsáid a bhainfidh tú as na leathanaigh ghréasáin sin nó i dtaca leis an úsáid sin. Féach ár [bhFógra Séanta cuimsitheach anseo](#). I gcás aon easaontacht a bheith idir an Séanadh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

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