Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Impact on Wales of the Iran War

Emerging and projected impacts on the Welsh economy, society and policymaking

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Summary

- This report summarises findings from a WCPP roundtable held in July 2026 with Welsh Government officials and expert panellists to explore the emerging and potential impact of the Iran war on Wales.
- The aggregate economic impact on Wales remains uncertain and will depend significantly on the duration of the disruption and persistence of higher energy prices.
- The impacts on households are uneven. Some rural households are particularly exposed through reliance on heating oil and private vehicles, while households with high energy needs face additional pressures. Lower-income households have less capacity to absorb rising essential costs, potentially deepening existing poverty and inequalities.
- Businesses and third sector organisations face higher energy, transport and operating costs. SMEs may have less capacity to absorb these increases, with concerns that UK-wide interventions do not always reflect the needs of Welsh businesses.
- Public services face rising delivery costs, increased demand and potential challenges to service resilience. Inflation reduces the real value of budgets, while greater financial hardship could increase demand for health, social care and other support.
- Potential near-term responses include targeting household support according to income and need; promoting energy efficiency and flexible electricity use; maximising uptake of support for moving away from fossil-fuel heating; and reducing financial and practical barriers to business investment in renewable energy.
- Longer-term resilience will require reducing dependence on fossil fuels, including through electrification, renewable and community energy, place-based energy planning and measures to strengthen local economies and communities.
- Many key levers remain outside the Welsh Government's direct control. Potential areas for Welsh Government action therefore span using devolved levers, working with and influencing the UK Government and other bodies, to mitigate the immediate effects of the crisis and strengthen Wales' long-term resilience to future shocks.

Introduction

This report summarises key findings and reflections from a roundtable convened by the Wales Centre for Public Policy (WCPP) in July 2026. The roundtable brought together Welsh Government officials and invited expert panellists to discuss the emerging and potential impacts of the Iran war on the Welsh economy and society, the challenges these pose for Welsh policymakers, and potential policy responses. Pre-recorded presentations from the expert panellists provided evidence and perspectives to inform the discussion.

The roundtable was held under the Chatham House Rule. Contributions made during the discussion are therefore not attributed to individual participants or the organisations they represented. Evidence drawn from panellists' presentations and other published sources is attributed where appropriate. The roundtable brought together evidence and expertise to explore how the effects of the conflict were being experienced in Wales, how these could develop, and the considerations they raised for policy.

The roundtable took place in July 2026, and the discussion therefore reflected the geopolitical and economic situation, and the evidence available, at that point. The conflict and its economic consequences have continued to evolve since then. Where relevant, this report distinguishes between evidence and expectations at the time of the roundtable and subsequent developments. Time-sensitive assessments and policy measures should therefore be understood in relation to the date at which the relevant evidence or discussion was produced.

The evidence base varies across the impacts considered. Where possible, the report draws on Wales-specific evidence; where this is limited, UK-level evidence and expert judgement are used to identify potential implications for Wales, taking account of relevant Welsh economic, social and geographical characteristics. The report distinguishes between impacts that were already evident at the time of the roundtable and potential future risks, which remain subject to uncertainty about the duration and trajectory of the conflict. Confidence is greatest in the immediate transmission of higher energy prices through household, business and public-service costs; there is greater uncertainty around the scale and duration of these effects, their wider economic and social consequences, and the impacts that would arise under further escalation.

Impacts on Wales

Conflict involving the US, Israel and Iran has had economic, political and societal effects globally, including in Wales and the wider UK. For Wales, the most significant economic effects have arisen indirectly, particularly through higher energy and fuel prices, inflationary pressures, increased costs for businesses and public services, supply-chain disruption and wider economic uncertainty.

The potential scale and duration of these effects remain uncertain and depend significantly on the trajectory of the conflict and its impact on global energy markets. At the time of the roundtable in July 2026, the Bank of England's April 2026 analysis illustrated the potential for both shorter-lived and more persistent negative economic effects arising from different energy-price shocks (Bank of England, 2026a). Similarly, in March 2026, the Organisation for Economic Co-operation and Development (OECD) warned of higher inflation and the potential for the conflict to have a disproportionate economic impact on the UK compared with other advanced economies (OECD, 2026).

Subsequent analysis published by the Bank of England at the end of July 2026 provides an updated assessment of this uncertainty. Its July Monetary Policy Report presents a central projection alongside milder and adverse scenarios, reflecting different assumptions about the future path of global energy prices and the extent to which the initial shock generates more persistent effects on wages and prices (Bank of England, 2026b). The milder scenario assumes somewhat lower energy prices, broadly consistent with a sustained easing of the conflict and lower energy-price volatility. By contrast, the adverse scenario assumes oil and gas prices remain materially above the central projection throughout the forecast period, as a proxy for conflict continuing, potentially episodically and without a clear resolution. Under this scenario, inflation remains higher and economic activity weaker than under the central projection.

These scenarios reinforce the importance of the duration and persistence of the energy shock in determining its economic effects. Although they relate to the UK economy as a whole rather than Wales specifically, they provide useful context for understanding how the scale and duration of the impacts identified through the roundtable could vary as the conflict develops.

Understanding how these global developments translate into impacts within the particular economic, social and geographical context of Wales is important for Welsh policymakers. Wales has characteristics that may increase its exposure to some aspects of the shock, including its rural geography, patterns of household energy use

and the importance of energy-intensive industries. At the same time, existing poverty and pressures on household finances and public services affect the capacity of individuals and communities to absorb further increases in living costs.

The potential policy response also needs to be understood within the context of devolution and the division of responsibilities between the Welsh and UK Governments. Important levers affecting the impacts considered in this report - including welfare, the regulation of energy markets and aspects of major energy infrastructure - remain reserved to the UK Government, while responsibilities in areas such as employment support and energy policy are more complex and span both devolved and reserved functions. The Welsh Government nevertheless has levers relevant to mitigating some of the impacts and strengthening longer-term resilience, alongside opportunities to influence and work with the UK Government and other relevant bodies. These issues are considered in more detail later in the report.

The following sections consider these impacts in turn, drawing together evidence and insights shared ahead of and during the roundtable with relevant desktop research. They consider the wider economic impact before examining implications for households, businesses and public services, followed by potential near- and longer-term policy responses and wider reflections arising from the discussion.

Wider economic impact

Uncertainty around the duration and severity of the conflict-related crisis affecting global energy supply and trade makes it difficult to predict and quantify its full economic impact. Nevertheless, evidence available at the time of the roundtable indicated that the conflict was already affecting energy prices and business costs across the UK, while economic modelling and forecasts pointed to potential effects on economic activity and employment. The scale and persistence of these wider effects remain uncertain and will depend significantly on the ongoing trajectory of the conflict and energy markets.

The escalation of tensions in Iran earlier in 2026 contributed to sharp increases in oil and gas prices. The Bank of England's April 2026 *Monetary Policy Report* shows that, by late April, oil futures prices had risen from around $64 to $100 per barrel since its February forecast, while UK wholesale gas futures prices had increased by around 37% (Bank of England, 2026a). Analysis by Kaya (2026) suggests that the UK may be particularly vulnerable to an energy-driven shock because of its relatively weak external balances, increasing its exposure to a deterioration in the terms of trade and exchange-rate pressures when imported energy costs rise. This vulnerability is compounded by low gas storage levels, which had fallen to levels comparable with those recorded at the beginning of the Russia–Ukraine war in 2022

(Kaya, 2026). The April *Monetary Policy Report* indicates that higher energy prices could affect the economy directly through higher household fuel and utility costs, indirectly through higher business and supply-chain costs, and through weaker demand as higher imported energy costs reduce real incomes. The scale of these effects depends substantially on the magnitude and persistence of higher energy prices.

At the time of the July roundtable, these pressures were already evident in fuel costs and business expectations. By mid-May, the average price of diesel had reached £1.87 per litre, representing a 32% increase compared with the period before the Iran war began (Department for Energy Security and Net Zero, 2026). A July ONS survey of 10,000 businesses across a range of UK industries, published ahead of the roundtable, found that 31% of businesses with 10 or more employees were concerned that international conflict could affect their supply chains over the following year. Although this had fallen from 38% in April, it remained substantially higher than a year earlier (Office for National Statistics, 2026a).

Available forecasts suggest that these pressures could contribute to weaker employment and economic activity, although estimates are sensitive to assumptions about the duration and severity of the conflict. The ITEM Club's 2026 analysis forecasts a net reduction of approximately 163,000 jobs across the UK during 2026, equivalent to a 0.4% decline in employment, reflecting higher energy and other input costs, supply-chain disruption and weaker consumer spending (ITEM Club, 2026). The analysis forecasts particularly significant effects in lower-income and industrial regions, including South Wales, where employment is projected to fall by around 5,700 during 2026. It identifies South Wales' exposure to manufacturing and construction as an important source of vulnerability to higher energy and input costs. These figures are forecasts rather than observed job losses and will depend on how economic conditions and the conflict develop.

The effects of the conflict may also be transmitted through international trade. Roundtable participants reported that some Welsh companies were already experiencing difficulties getting goods into Gulf markets and facing higher costs. Given the importance of the Gulf as a Welsh export market, participants considered that prolonged disruption could have consequences for the viability of the most exposed firms and potentially for employment. This evidence reflects emerging business experience and expert judgement from the roundtable rather than a quantified assessment of the overall impact on Welsh trade.

The scenarios presented in the Bank of England's April 2026 *Monetary Policy Report* further illustrate the sensitivity of the wider economic effects to the duration of disruption, the persistence of higher energy prices and the extent to which these feed

into wider price and wage-setting. These are illustrative scenarios rather than forecasts of the most likely outcome (Bank of England, 2026a). This reinforces the importance of treating individual modelled estimates as conditional on their underlying assumptions.

Analysis conducted by Millard (2026) to inform the roundtable discussion provides an illustrative indication of the potential implications for the Welsh economy. Under a scenario in which oil and gas prices remain around one-third higher throughout 2026, Welsh GDP is estimated to be approximately 0.15% lower than it would have been in the absence of the conflict-related energy shock. In this scenario, the effect is expected to peak in late 2026 or early 2027, indicating that the economic consequences could persist even if the original disruption to energy markets begins to ease. This is an illustrative modelled scenario rather than a forecast of the most likely outcome, and its implications depend on the assumed persistence of higher energy prices.

The Bank of England's July 2026 Monetary Policy Report, published after the roundtable, indicates that some of the immediate energy-market pressures had eased by the time of its publication, particularly for oil, but that significant uncertainty remained (Bank of England, 2026b). Oil futures prices were substantially below the levels underlying the April report, while gas prices remained elevated relative to their pre-conflict level. The July report anticipates indirect effects from higher energy costs feeding through supply chains during the remainder of 2026, while noting relatively limited evidence at that stage of significant second-round effects on wages and prices. This subsequent evidence provides some indication that the shock was developing less adversely than the more severe possibilities considered earlier in the year, while significant risks from renewed or prolonged disruption remained.

Taken together, the evidence reviewed for this report suggests that the energy-price shock has been transmitted through the economy through higher household and business costs, inflationary pressures, weaker real incomes and potential disruption to supply chains and trade. Available projections indicate that these pressures could contribute to weaker economic activity and employment, although the scale of these effects remains uncertain. Wales may be particularly exposed in areas with concentrations of manufacturing, construction and other energy- or input-intensive activity, while disruption to international trade represents a further potential channel identified through the roundtable. The evidence does not, however, allow the aggregate effect on Welsh output, employment or exports to be quantified with confidence. Subsequent evidence provides some reassurance that immediate energy-market pressures on the UK had eased by July, but the scale and duration of the wider economic impact remain dependent particularly on the trajectory of the conflict and the persistence of elevated energy prices. The following sections

examine the implications for households, businesses and public services in greater detail.

Impact on households

Evidence and insights shared ahead of and during the roundtable pointed to several channels through which the conflict has increased and could continue to increase financial pressures on households in Wales. Most immediately, higher global energy prices have fed through into domestic energy and transport costs. At the end of May 2026, Ofgem announced that the energy price cap would rise by 13% from July 2026 (Ofgem, 2026), translating into an increase of more than £200 in the annual energy bill for an average UK household.

These immediate energy pressures may increasingly be compounded by higher food prices. By April 2026, Office for National Statistics survey evidence identified increases in food shopping prices (92%) and gas or electricity bills (60%) among the most commonly reported reasons for increases in the cost of living (Office for National Statistics, 2026b). While Wales-specific projections are not available, evidence from the UK food sector points towards the potential for food price inflation of around 9–10% by the end of 2026, against a backdrop in which food prices are already almost 40% higher than in early 2020 (Food & Drink Federation, 2026). This UK-level evidence provides an indication of the potential pressures facing households in Wales, although the scale of any increase remains uncertain. Millard (2026) similarly identifies food prices as an important area of uncertainty because of the volume of grain and fertiliser transported through the Strait of Hormuz, noting at the time of his analysis that food prices had been less affected than might have been expected but could rise further over the course of 2026.

Taken together, these pressures show how disruption to global energy and commodity markets is feeding through to household living costs, particularly through higher energy, transport and food prices. However, the impact will not be evenly distributed. Evidence and insights from the roundtable particularly underscored the vulnerability of two overlapping groups: households whose rural location, fuel use or energy requirements leave them more exposed to rising energy costs; and lower-income households, which have less financial capacity to absorb increases in the cost of essentials.

Disproportionate impact on rural households and households with high energy needs

Evidence and insights shared ahead of and during the roundtable underscored the disproportionate exposure of some rural households, alongside households with high energy needs, to rising energy prices.

Wales faces particular vulnerabilities associated with its rural population and patterns of energy use. Around 7% of Welsh households rely on heating oil, with particularly high concentrations in areas such as Ceredigion and Powys. These households are directly exposed to movements in oil prices, with heating oil prices nearly doubling during the spring. Roundtable participants similarly identified households dependent on gas and oil as particularly susceptible to rising energy costs. By contrast, participants considered households using electrified heating systems, solar panels or other low-carbon technologies to be comparatively less exposed to recent increases in fossil-fuel prices, with electricity bills having risen proportionately less than other fuel costs. This illustrates how households' sources of heating and energy can shape their exposure to international energy-price volatility.

Rurality can further increase this exposure through transport costs. Participants emphasised that greater reliance on private vehicles in many rural communities means that increases in petrol and diesel prices can place additional pressure on household budgets. Millard (2026) similarly argues that, given the rural character of much of Wales, increased transport costs are likely to have a particularly significant impact on Welsh households and businesses. For households with limited access to public transport or which need to travel longer distances to employment and essential services, these costs can therefore compound increases in domestic energy expenditure.

Roundtable participants also stressed that vulnerability to energy-price increases is determined by energy need as well as fuel type or geography. Particular concerns were raised about households including disabled people or people with health conditions requiring energy-intensive medical equipment, as well as larger families and households with children. Higher energy requirements do not necessarily correspond with higher incomes, meaning these households may be at increased risk of fuel poverty when prices rise. Participants expressed particular concern about winter 2026-27, when the need to maintain adequate heating could intensify these pressures. The discussion also highlighted that households facing the greatest exposure to fossil-fuel price increases may also have the most limited ability to change their heating systems. Upfront installation costs can be a significant barrier, while households living in rented accommodation may have limited control over decisions about heating systems. This creates a potential mismatch between

exposure to energy-price shocks and the ability to reduce that exposure through investment in alternative heating.

These concerns are consistent with previous findings from Public Health Wales (Hill et al., 2024), which identified households with children, those living in rented accommodation and those in the most deprived areas as particularly vulnerable to the effects of cold homes. Welsh Government fuel-poverty estimates also indicate substantial pre-existing vulnerability to higher household energy costs. Estimates for October 2024 suggested that around 25% of households in Wales were in fuel poverty, rising to around 83% among lower-income households (Welsh Government, 2025). These estimates pre-date the Iran conflict and should therefore be understood as evidence of the underlying vulnerability of Welsh households rather than as an observed effect of the current shock.

Overall, the evidence suggests that exposure to the current energy shock is shaped by a combination of geography, housing and heating systems, transport dependence and unavoidable levels of energy consumption. Participants therefore stressed that future support measures should be targeted according to both income and need. An approach based on income alone risks overlooking households whose unavoidable energy requirements leave them particularly exposed to price increases, even where they would not otherwise be identified as being on the lowest incomes.

Disproportionate impact on low-income households

While some households face greater exposure to rising costs because of their location, fuel use or energy needs, the capacity to absorb these increases is strongly shaped by income. Evidence and insights shared ahead of and during the roundtable consistently pointed to lower-income households as being particularly vulnerable to the combined effects of rising food and energy prices.

Lower-income households spend a greater proportion of their income on essentials such as food and energy, leaving them with less scope to absorb price increases or reduce expenditure elsewhere. Millard (2026) therefore concludes that the higher inflation resulting from the conflict is likely to affect poorer households more severely than wealthier households. This was strongly reflected in the roundtable discussion. As one expert panellist observed, for low-income households, rising food and energy prices are ‘not an inconvenience but a crisis’ (Turkmen, 2026). Increases in essential costs can place already constrained household budgets under further pressure, increasing the risk of material hardship and reliance on food banks and other forms of crisis support.

These pressures are particularly concerning in the context of existing poverty in Wales. While overall relative income poverty has remained relatively stable at around

22% (Welsh Government, 2026), expert panellists raised concerns about the depth of poverty and the implications of further increases in essential living costs for people already experiencing financial hardship. The current price shock could therefore deepen existing poverty even without substantially changing the overall proportion of people classified as living in poverty. Participants also raised concerns about the consequences for people's quality of life and health, as households facing increasingly constrained budgets are required to make difficult choices between essential expenditure.

The ability to absorb a further shock may also depend on households' savings and other assets, as well as their income. The roundtable discussion considered whether savings might provide a short-term buffer against higher living costs, and whether this capacity had already been eroded by previous cost-of-living pressures. Financial resilience may therefore vary not only by income but also by accumulated wealth and the extent to which households have resources available to meet unexpected increases in essential costs.

Overall, the evidence suggests that the conflict-related energy and price shock risks exacerbating existing socioeconomic inequalities in Wales. Although rising food, energy and transport costs affect households across the income distribution, lower-income households have considerably less financial capacity to absorb them. This reinforces the importance of targeting future support towards those most affected by the conflict-related shock. As discussed above, this means considering not only household income but also levels of unavoidable energy need, so that support reaches households experiencing the greatest financial pressure and exposure to rising essential costs.

The discussion also identified a potential wider risk to social cohesion. Participants considered that sustained increases in the cost of essentials, alongside wider geopolitical tensions, could contribute to increased tension and division within communities. There was concern that such effects could reinforce existing socioeconomic inequalities and affect wider wellbeing and life chances. These risks were considered particularly important in the context of communities and public services that are still recovering from the Covid-19 pandemic.

Impact on businesses

Evidence and insights shared ahead of and during the roundtable pointed to the significant pressures that higher energy and operating costs are placing on businesses, with particular concerns about the ability of smaller firms and energy-intensive sectors to absorb these increases.

Desktop research suggests that firms across the UK are responding to the energy shock through a combination of increasing prices and absorbing higher costs through reduced profit margins (Bunn et al., 2026). While equivalent Wales-specific evidence on firms' responses is not available, these pressures may be particularly significant in Wales given the composition of the Welsh economy. Analysis by Millard (2026) points to the greater exposure of Welsh industry to higher energy prices, reflecting the larger share of employment accounted for by manufacturing in Wales compared with elsewhere in the UK. Particular pressures are also identified for sectors such as steel and aerospace, with the latter affected not only by higher fuel costs but also by disrupted supply chains and increased insurance costs.

Roundtable participants drew particular attention to the position of small and medium-sized enterprises (SMEs), which account for a large proportion of businesses in Wales. Smaller businesses may have less capacity to absorb sustained increases in operating costs, raising concerns about their resilience to a prolonged period of higher energy and input costs and the potential consequences for local economies. The timing and scale of these pressures may also vary according to businesses' existing energy purchasing arrangements, with some potentially becoming more exposed as current contracts expire. Participants further noted that some UK Government interventions aimed at supporting businesses may have limited reach in Wales because of their eligibility criteria or design, which may be particularly significant given the importance of SMEs to the Welsh economy.

Participants also identified examples of how higher costs are already affecting business decisions in Wales. Rising transport costs were reported to be placing particular pressure on Welsh dairy farmers located furthest from processing sites in England, contributing to decisions not to renew some supply contracts. This illustrates how the effects of higher energy prices can extend beyond businesses' direct energy consumption, with transport costs and the geography of supply chains creating additional pressures for some Welsh firms. The example was also seen as indicative of wider vulnerabilities in food production and supply chains, where tight profit margins mean that relatively small increases in transport and other input costs can make existing supply arrangements unviable. The effects of the conflict could therefore be felt not only through higher food prices, but also through pressures on the resilience and viability of domestic food production.

Similar pressures were identified among voluntary and community organisations, which participants highlighted as playing an important role in maintaining community resilience during periods of disruption. Rising energy and other operating costs can place additional strain on already constrained budgets, while higher travel costs can affect the ability of volunteers to participate. This could reduce organisations' capacity to respond at a time when demand for their services may be increasing.

Impact on public services

Evidence and insights from the roundtable pointed to pressures on public services arising through both increased demand and higher costs of provision. Although the desktop evidence reviewed for this work was more limited in this area, participants identified several ways in which the current shock could intensify existing pressures on public services in Wales, particularly where financial hardship, workforce pressures and rising operating costs interact.

Worsening financial hardship and deprivation could increase demand for health, social care, childcare and other forms of public and community support. At the same time, higher inflation reduces the purchasing power of public sector budgets that have been set in cash terms in advance. Analysis by Millard (2026) similarly indicates that higher inflation reduces the real value of Welsh Government spending, meaning that a given level of nominal expenditure will support a lower level of public service provision. Public services may therefore face the combined challenge of responding to greater need while having less spending power in real terms.

The discussion highlighted childcare as one area where these pressures could have wider consequences. Rising energy and operating costs could place further pressure on childcare providers that are already operating on tight margins, potentially increasing costs for families or affecting access to provision. Reduced access to affordable childcare could in turn affect parents' ability to enter or remain in the labour market, with potential consequences for household incomes and child poverty, particularly among families with younger children. This illustrates how pressures on individual services can have wider economic and social effects.

Higher energy and fuel prices are also directly increasing the costs of delivering some services. Roundtable participants drew particular attention to community-based services, including community nursing and social care, where workers may need to use their own vehicles to visit patients and service users. Rising petrol and diesel prices can therefore increase the personal costs faced by frontline workers as well as the wider costs associated with delivering services across communities, particularly in rural areas.

Concerns extended beyond the financial cost of fuel to the resilience of essential services in the event of supply disruption. Participants referred to requirements on some services to maintain a ten-day fuel supply, which can itself create additional financial pressures. In the event of disruption, further questions could arise around which workers should be treated as critical, how essential travel should be supported, and how limited fuel supplies should be prioritised between services. These issues

could become particularly acute during winter, when demand for health and social care services is likely to increase.

Overall, the conflict-related shock could place pressure on public services from several directions at once: increasing demand associated with financial hardship; reducing the real value of available budgets; raising operating and workforce costs; and creating potential challenges to the continuity of essential services if fuel supplies are disrupted. Participants emphasised the importance of considering these pressures in combination, particularly as higher winter demand could compound existing financial and workforce pressures.

Policy responses

Participants discussed a range of potential policy responses, distinguishing between measures that could help mitigate immediate pressures and longer-term action to strengthen Wales' resilience to future shocks. This discussion recognised that important levers affecting welfare, energy markets and wider macroeconomic policy remain reserved to the UK Government. At the same time, evidence shared ahead of and during the roundtable identified opportunities for action within devolved responsibilities, as well as for the Welsh Government to work with the UK Government and other bodies to influence areas outside its direct control.

Near-term and immediate responses

In the near term, participants emphasised the importance of targeting support towards households facing the greatest pressures, particularly lower-income households and those with high or unavoidable energy needs. As discussed above, effectively identifying these households presents practical challenges. Participants stressed that the principal constraint is not necessarily a lack of understanding of the characteristics associated with vulnerability, but the ability to identify individual households with sufficient precision to target support. Existing data do not readily bring together information on income, household circumstances, energy need, disability, health and housing in a way that can support targeted intervention. Improving data linkage and administrative capability could therefore help enable support to reach those most affected.

Alongside direct financial support, evidence and discussion pointed to opportunities to reduce household energy consumption and exposure to high fossil-fuel prices ahead of winter 2026-27. Sissons (2026) identifies relatively low-cost energy-efficiency measures as one immediate priority, alongside greater use of flexible electricity tariffs that enable households to shift consumption away from peak periods. This may be particularly relevant given that electricity prices have risen more modestly than oil and gas prices during the current crisis. Supporting households to use electricity more flexibly could therefore help reduce costs in the short term while contributing to longer-term changes in energy use.

Participants also considered whether some energy-efficiency measures could be delivered directly rather than relying solely on household income support. This included discussion of government-supported or bulk procurement of relatively low-cost measures that could reduce household energy consumption. Such approaches could potentially complement cash-based support, particularly where upfront costs otherwise prevent households from taking action to reduce their energy use.

There is also an immediate opportunity to accelerate households' transition away from fossil-fuel heating, particularly among those most exposed to oil prices. Sissons (2026) points to the approximately 110,000 Welsh homes - around 7% of households - that continue to rely on heating oil, predominantly in rural areas, and identifies switching from oil boilers to heat pumps as a means of substantially reducing heating costs. The existing Boiler Upgrade Scheme, funded by the UK Government, provided grants of £9,000 to Welsh households until April 2027 under the arrangements in place at the time of the July 2026 roundtable. Given the relatively short window in which this level of support remains available, maximising uptake of the scheme in Wales represents a particular near-term opportunity for the Welsh Government, including through promoting awareness and supporting eligible households to take advantage of the funding.

However, participants noted that households most exposed to heating-oil prices may also face significant barriers to changing their heating systems. Upfront capital costs can remain prohibitive even where financial support is available, while households living in rented accommodation may have limited control over decisions about heating systems. Maximising uptake of existing support may therefore require attention not only to awareness but also to the practical and financial barriers that prevent households from making the transition.

A separate set of proposals concerned reducing energy and operating costs for businesses and third sector organisations. Participants discussed supporting organisations to invest in on-site renewable energy generation and related technologies, enabling them to meet a greater proportion of their energy needs directly and reduce their exposure to volatile market prices. This was identified as a potential means of strengthening the financial and energy resilience of organisations facing sustained increases in operating costs.

Two practical barriers to such investment were highlighted. The first was the upfront cost of investment and access to affordable finance. Participants discussed the potential for policy to reduce financing costs for businesses seeking to invest in measures such as on-site renewable generation, particularly for SMEs that may otherwise struggle to meet high upfront costs. The second concerned the planning system, with participants noting that planning requirements can create additional barriers or delays to investment in energy generation and related infrastructure. Addressing these financial and practical constraints could therefore help enable more businesses and other organisations to reduce their energy costs and exposure to future price shocks.

Participants also raised the potential role of energy purchasing in managing exposure to market volatility. This included discussion of whether public-sector organisations

could make greater use of longer-term energy purchasing or hedging arrangements, and whether there may be scope to facilitate similar approaches for other organisations. Alongside investment in on-site generation, such approaches could provide another means of reducing exposure to short-term fluctuations in energy prices, although their value would depend on the cost and terms of the arrangements available.

Building long-term resilience

Looking beyond the immediate response, there was broad agreement that reducing Wales' dependence on fossil fuels, accelerating electrification and improving energy efficiency are central to strengthening resilience to future energy shocks. The conflict-related crisis was seen not only as a short-term cost pressure, but as further evidence of the risks associated with dependence on internationally traded oil and gas.

This is strongly reflected in the evidence shared ahead of the roundtable. Millard (2026) identifies accelerating the transition to net zero as an important means of reducing exposure to future energy shocks, including through collaboration between the Welsh Government, UK Government, Ofgem and other relevant bodies. Examples include previous work with Ofgem on grid upgrades and engagement with the Crown Estate and other bodies to increase offshore wind production in the Celtic Sea, alongside opportunities for the Welsh Government to expand rooftop solar on public buildings and increase battery and local energy storage. Sissons (2026) similarly argues for moving beyond individual technologies towards place-based planning for a fossil-fuel-free energy system, building on the Local Area Energy Plans already established across Wales to direct investment according to local circumstances and opportunities.

The discussion also highlighted that a transition towards renewable energy would not remove all exposure to international supply chains. While greater domestic renewable generation could reduce Wales' exposure to volatile international fossil-fuel markets, the technologies and materials required to expand renewable capacity remain dependent on global supply chains, including for critical minerals and other inputs. Strengthening long-term energy resilience may therefore require attention not only to the sources of energy used in Wales, but also to the resilience of the supply chains and manufacturing capacity needed to deliver the transition.

Participants placed particular emphasis on the role of community energy and a just transition. Community energy projects were seen as one means of developing more resilient local energy systems while ensuring that communities benefit directly from investment in renewable generation. This included discussion of retaining assets and

economic benefits within communities and supporting local energy production and use through organisations such as Community Energy Wales. This perspective is reinforced by Turkmen (2026), who argues that investment in renewable generation, community energy and home efficiency should be accompanied by investment in skills, manufacturing capacity and supply chains so that the employment and wealth generated by the transition remain within Welsh communities.

Building resilience was also understood more broadly than energy policy alone. Turkmen (2026) argues that repeated global shocks have exposed vulnerabilities associated with dependence on international energy markets and global supply chains, making resilience a wider economic and social issue rather than solely an environmental objective. Suggested responses include strengthening local food production and regional procurement and placing greater emphasis on the foundational economy, including care, housing, food, energy and local transport. These priorities echoed roundtable discussions about community wealth building and the importance of strengthening local economies.

Participants similarly emphasised the importance of the social resilience of communities. Households and communities already experiencing poverty and financial insecurity have less capacity to absorb additional shocks, while worsening deprivation can increase pressure on public and community services. Repeated periods of disruption can also place additional pressure on voluntary and community organisations at the same time as demand for their support increases. Strengthening the capacity of these organisations, alongside reducing poverty and socioeconomic inequalities and supporting cohesive communities, was therefore seen as part of improving Wales' ability to withstand future shocks. Long-term resilience involves not only reducing exposure to volatile energy markets, but also strengthening the economic and social capacity of communities to respond to periods of disruption.

Delivering these changes will require sustained investment and coordination across different levels of government. Many of the relevant policy levers and infrastructure decisions extend beyond the Welsh Government's remit. Participants therefore emphasised the importance of the Welsh Government working with the UK Government, Ofgem and other relevant bodies, while advocating for investment and wider policy decisions that reflect Wales' particular geographical, economic and social needs.

Reflections

The roundtable highlighted the challenges associated with responding to a rapidly evolving international crisis, particularly within the context of devolution and the division of responsibilities between the Welsh and UK Governments. While there was broad agreement on the main channels through which the conflict is affecting Wales, the discussion also identified important uncertainties and tensions that will shape both immediate policy responses and longer-term efforts to strengthen resilience.

Balancing speed and targeting in policy responses

A recurrent theme was the trade-off between the speed and simplicity with which support can be delivered and how effectively it can be targeted towards those most affected. Participants reflected on previous responses to energy and cost-of-living crises, noting that broad-based price interventions can be relatively straightforward to implement quickly and provide immediate protection from rising costs, but can also be expensive and provide substantial support to households with greater capacity to absorb the shock.

The discussion therefore raised a wider trade-off between equity and efficiency in the design of support. More targeted transfers could potentially offer better value for money by directing resources towards those experiencing the greatest financial pressure. This is consistent with Millard (2026), which argues that support targeted towards poorer households would be preferable to blanket household support, which is more expensive and can disproportionately benefit higher-income households because they consume more energy in absolute terms. However, more targeted approaches are also harder to design and administer effectively, particularly where vulnerability cannot be captured by income alone.

As discussed earlier, exposure to the current shock can reflect household energy requirements, disability, health conditions, housing, transport dependence and fuel type, as well as income. The challenge is therefore not simply determining which characteristics are associated with vulnerability, but identifying individual households with these characteristics in a way that enables support to be delivered. Existing data systems do not necessarily allow these different dimensions of vulnerability to be readily identified and linked. Improving data linkage and administrative capability could therefore strengthen preparedness for future energy and cost-of-living shocks, enabling more targeted responses to be deployed when required.

These considerations suggest that there is unlikely to be a single approach that simultaneously maximises speed, coverage and targeting. The appropriate balance

may also depend on the nature and duration of the shock: broad interventions may have advantages where support needs to be delivered rapidly, while more targeted approaches may become increasingly important where pressures persist and fiscal constraints make the cost of universal support more difficult to sustain.

Uncertainty surrounding the conflict

The roundtable did not systematically assess alternative conflict scenarios, but participants emphasised that the scale and persistence of the impacts on Wales would depend considerably on the duration of the disruption and the persistence of higher energy prices. Subsequent analysis by the Bank of England (2026b) provides a useful framework for illustrating this uncertainty. Its July 2026 Monetary Policy Report considers a central projection alongside milder and adverse scenarios, reflecting different assumptions about the future path of global energy prices and the extent to which the initial shock generates more persistent effects on wages and prices. The milder scenario assumes somewhat lower energy prices, broadly consistent with a sustained easing of the conflict and lower energy-price volatility. By contrast, the adverse scenario assumes that oil and gas prices remain materially above the central projection throughout the forecast period, as a proxy for conflict continuing, potentially episodically and without a clear resolution.

More broadly, the uncertainty surrounding the conflict can therefore be illustrated through three indicative paths:

1. A time-limited disruption followed by falling energy prices;
2. A ‘stop-start’ period of repeated escalation and de-escalation;
3. Prolonged disruption extending into 2027.

These are not scenarios developed through the roundtable, nor are they forecasts for Wales. Rather, they provide an analytical framework for considering how the impacts identified in this report could vary as the conflict develops. Of these, the possibility of a stop-start pattern of escalation and de-escalation was specifically raised during the roundtable. Such a path could be particularly challenging because prolonged uncertainty can affect economic behaviour, investment decisions, supply chains and household confidence, while making it more difficult to determine the appropriate scale, timing and duration of policy interventions.

The continued elevation of oil and gas prices at the time of the roundtable, despite earlier expectations that the conflict and disruption to the Strait of Hormuz might ease, illustrated the difficulty of planning around a rapidly changing geopolitical situation. Subsequent developments have reinforced this uncertainty. By July 2026, oil prices had fallen back sufficiently for the Bank of England to assess the effects of

the conflict as less severe in some respects than it had anticipated in April, although energy prices remained above pre-conflict levels (Bank of England, 2026b). However, disruption to regional energy flows has subsequently persisted, and oil prices rose again during August. At the time of writing in September 2026, navigation through the Strait remains disrupted and the outlook for energy flows and prices continues to be uncertain (International Maritime Organization, 2026; U.S. Energy Information Administration, 2026).

The current crisis also needs to be understood in the context of repeated and potentially overlapping shocks. Participants noted that households, businesses, communities and public services have already experienced successive periods of disruption, including the Covid-19 pandemic and the subsequent cost-of-living and energy-price pressures. The effects of a new shock may therefore compound existing pressures rather than occurring from a neutral starting point. This is particularly significant where previous shocks have already reduced households' financial buffers, placed pressure on organisational resilience or contributed to sustained demand for public services.

The possibility of overlapping pressures is especially important for public-service resilience. As discussed above, higher costs and reduced spending power may coincide with greater demand for services, while fuel disruption could create additional challenges for essential service delivery. These pressures could become more acute during winter. Resilience therefore depends not only on preparing for individual risks, but also on considering how different economic, social and public-service pressures may interact.

Participants stressed the importance of maintaining flexibility in near-term policy responses while planning for a range of possible future scenarios. At the same time, uncertainty strengthens rather than weakens the case for building longer-term resilience. The vulnerabilities exposed by the current crisis - including dependence on internationally traded fossil fuels, poverty and inequality, pressures on public services and exposure to global supply chains - are not unique to the conflict in Iran. Turkmen (2026) similarly argues that successive shocks have repeatedly exposed Wales' dependence on economic forces beyond its control.

The distinction between responding to the current shock and preparing for future shocks therefore emerged as an important overarching theme. Immediate measures may help mitigate the effects of higher prices on households, businesses and public services, but longer-term resilience will depend on addressing the underlying vulnerabilities that determine how severely such shocks are felt and strengthening Wales' capacity to respond where shocks occur in combination.

The wider policy landscape and the Welsh Government's role

These considerations need to be understood within the wider policy landscape and the scope for Welsh Government action. Participants recognised that many of the major levers affecting the impacts identified in this report - including welfare, the regulation of energy markets and aspects of large-scale energy infrastructure - remain outside the Welsh Government's direct control. Wales' integration into the GB energy market means, for example, that there is limited scope for the Welsh Government to directly influence the energy prices faced by households.

The discussion nevertheless suggested that the Welsh Government's ability to respond depends on more than the formal division of devolved and reserved responsibilities. Decisions taken at UK level can have different implications across the UK because of Wales' particular economic, geographical and social characteristics. Participants therefore highlighted the importance of Welsh circumstances and priorities being reflected in UK-level decisions, alongside effective coordination between the Welsh and UK Governments during periods of disruption.

This does not mean that the Welsh Government lacks meaningful levers of its own. The discussion identified a combination of influencing UK-level decisions, advocating for Welsh needs, using devolved responsibilities to target support, and accelerating longer-term priorities around energy efficiency, decarbonisation and community resilience.

Business support illustrates the importance of the interaction between Welsh and UK-level policy. Participants noted that SMEs account for a large proportion of Welsh businesses but may not always be reached effectively by interventions designed at UK level. More broadly, the appropriate Welsh Government role will vary according to the policy area: in some cases there may be scope for direct action, while in others its role will principally involve coordination, influence and advocating for UK-level decisions that reflect Wales' particular circumstances.

Taken together, the evidence and discussion throughout the roundtable identified a number of areas that the Welsh Government could consider, either through its devolved responsibilities or by working with and influencing the UK Government and other relevant bodies. The principal policy role varies across these areas: some involve devolved levers or Welsh Government delivery, while others depend on reserved UK-level responsibilities or a combination of devolved and reserved action. In terms of timing, the measures below span action that could be taken before or during winter 2026-27 (near term), measures that could be progressed over the following year, and longer-term structural action. (see Table 1 below).

Table 1. Potential policy options, timeframe and lead policy responsibility

Potential policy option	Timeframe	Lead policy responsibility
Maximising uptake of existing support for moving away from fossil-fuel heating, including promoting uptake of the Boiler Upgrade Scheme among eligible Welsh households reflecting the £9,000 grant available until April 2027 under the arrangements in place at the time of the July 2026 roundtable, while recognising the financial and practical barriers that may prevent some households from switching heating systems.	Near term	Welsh Government, working within a UK Government-funded scheme
Promoting relatively low-cost energy-efficiency measures and flexible electricity use, including considering opportunities for direct or bulk provision of measures that could reduce energy consumption where upfront costs create barriers for households.	Near term	Welsh Government, working with relevant UK-level bodies and energy-sector organisations where required
Targeting any Wales-level household support according to both income and need, recognising that vulnerability can reflect disability, health conditions and unavoidable energy requirements as well as household income, and improving data linkage and administrative capability to support more effective targeting.	Near term and beyond	Welsh Government, with UK Government involvement where support depends on reserved welfare or fiscal levers
Supporting SMEs and other organisations to invest in on-site renewable energy generation and energy efficiency measures, including by exploring ways of improving access to affordable	Within the next year	Welsh Government, with other public and financial bodies where relevant

finance and addressing practical barriers to investment, including those associated with the planning system.		
Exploring whether longer-term energy purchasing or hedging arrangements could help public-sector organisations, and potentially other organisations, reduce their exposure to short-term energy-price volatility.	Within the next year	Welsh public-sector organisations, with a potential coordinating or enabling role for the Welsh Government
Supporting community energy and community wealth-building approaches, including opportunities to retain more of the assets, employment and economic benefits associated with the energy transition within Welsh communities. Turkmen (2026) similarly identifies investment in skills, manufacturing capacity and supply chains as important to retaining the benefits of the transition locally.	Medium to long term	Welsh Government and local/community partners, alongside UK-level bodies where relevant
Building on Local Area Energy Plans to support place-based delivery of the energy transition, directing investment according to the different energy needs and opportunities of Welsh communities.	Medium to long term	Welsh Government and local authorities, within the wider GB energy-policy landscape
Working with the UK Government, Ofgem, the Crown Estate and other relevant bodies on longer-term energy infrastructure and resilience, including grid upgrades, offshore wind, renewable generation and energy storage, while recognising the continuing importance of resilient international supply chains for the technologies and materials required to deliver the transition.	Long term	UK Government, Ofgem and the Crown Estate for key reserved/system levers, with the Welsh Government as a partner and advocate
Strengthening preparedness for future and overlapping shocks, including through action to reduce	Ongoing	Welsh Government, working with local government, public services, community

poverty, strengthen local and foundational economies, support voluntary and community organisations and maintain social and community resilience.		organisations and the UK Government as relevant

Collectively, these potential areas for action reflect two overarching objectives that ran throughout the roundtable discussion: mitigating the immediate effects of the current shock and addressing the underlying vulnerabilities that determine Wales' exposure to future shocks. They also reflect the importance of considering economic, social and public-service resilience together. Reducing dependence on volatile fossil-fuel markets, while strengthening households, communities, public services and local economies, could increase Wales' capacity to withstand future periods of economic disruption and international instability.

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