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Making Electricity Cheaper: New guidance from RAP shows the way.

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Electricity prices must come down. EU household electricity prices jumped 24% between 2021 and 2024. Electricity should be Europe’s secret weapon—efficient, homegrown, and decarbonising faster than any other energy source. However, it’s weighed down by higher taxes than gas, legacy policy costs, and outdated grids. From Ursula Von de Leyen and Dan Jorgensen in the EU, to Ed Miliband in the UK, politicians state this necessity. The Regulatory Assistance Project (RAP) has published two new reports to help turn this around.

The overarching paper, “**Making Electricity Cheaper: 8 priority actions**” sets out short, medium and long term steps that policy makers can take to address the critical problem of high prices. Lowering electricity prices is vital to improve competitiveness of Europe's electrified economy, increase affordability for many Europeans and unlock the benefits of electrification at the fastest possible pace. And one of the primary ways to lower prices is to reduce the overall costs of the electricity system.

Going into more detail, in “**Making Electricity Cheaper: reforming household taxes and levies**” RAP experts take a deep dive into what can be done for homeowners to incentivise the adoption of clean technology. They suggest three routes:

- **Absorb**: Shift selected policy costs from electricity bills into general taxation.
- **Exempt**: Provide targeted tax exemptions for households heating with electricity.
- **Rebalance**: Move levies from electricity to fossil fuels, paired with targeted support for vulnerable gas users.

Concrete examples show these reforms can deliver real impact. Denmark *cut* the excise tax on electricity for heating to the EU minimum, a move credited with helping accelerate heat pump adoption and reducing household electricity prices for heating by an estimated 40%. In Germany, *absorbing* the Renewable Energy Act levy into the public budget is estimated to have made annual electricity prices 16% lower than they otherwise would have been.

When measures for households are combined with other priority actions detailed in RAP’s overarching paper, Europe will succeed in bringing down bills in the short term and, even more importantly, locking in structural cost reductions for decades. For example, through encouraging consumers to shift demand to hours of abundant renewables, or locational pricing to create more efficient local markets that reflect the real regional cost of electricity.

Europe also needs a robust grid that can move Iberian solar, Nordic hydro and North Sea Wind across borders.

“Europe doesn’t have a technology problem; it has a policy problem” authors of the report say. “By cutting the right taxes, reforming tariffs, and renovating the grids, electricity can become the cheapest, cleanest energy carrier.”

Louise Sunderland, Europe Director at RAP, said:

- “*The future bill for most Europeans is an electricity bill. Cheaper electricity underpins affordable electrification. Cutting electricity taxes and levies is the fastest way to make that promise real for households.”*
- *“Not only is UK electricity some of the most expensive in the world, we also have one of the world's highest proportions of households using gas for heating. The good news is that the UK has options to make electricity cheaper. Our close neighbours the Dutch have already reduced electricity prices and encouraged the switch to clean sources of heating like heat pumps.”*

Duncan Gibb, Senior Advisor at RAP, said:

- *“Europe’s future depends on making electricity bills lower than gas bills. Policy makers have a variety of tools to achieve this goal, in turn lowering costs for households and bolstering energy security.*

Monika Morawiecka, Senior Advisor at RAP, said:

- *“Regulation can make or break the energy transition. Well designed rules will lower cost of capital, mobilise flexible electricity use and optimise networks build out, making electricity system cheaper for everyone”*
- *In the short term, we can redistribute costs between consumer groups or taxpayers. More importantly, we need to reduce total system cost by good regulation. Unlocking demand side flexibility is key to avoiding overbuild of generation, grids, and storage.*

Bram Claeys, Senior Advisor at RAP, said:

- *“Belgium has one of the biggest taxation imbalances between electricity and gas in Europe. Yet, the political opportunity is here to act. The new federal and regional government coalitions committed to an energy tax shift, and the preparatory work of turning federal taxes into excise duties is done. It’s time to move beyond the initial small steps and finish the job.”*

Adrian Hiel, Director, Electrification Alliance, said:

- *"There are no silver bullets in the energy transition. But cheaper electricity is pretty close. We can massively reduce our energy security concerns by focusing on using more European energy in European homes and industry.*
- *"This is a much needed report from RAP to shine a light on electricity taxation. It is probably the most effective lever we have to boost Europe's competitiveness, enhance it's security and deliver affordability for households and industry."*

Laurens Rutten, Senior policy advisor, European Consumer Organisation (BEUC), said:

- *"Affordability is the number one priority for consumers in the energy transition. Heat pumps are cost-effective and should not be hampered by the kryptonite that is high taxes and levies on electricity, as the Regulatory Assistance Project rightfully points out."*

Chiara Di Mambro, Director of Strategy Italy and Europe, ECCO, said:

- *“Electricity is fundamental for unlocking both decarbonisation and energy security in Europe, delivering benefits to citizens and businesses alike. Ensuring its affordability must be a top priority for policymakers, and these new RAP papers highlight the wide range of policy and regulatory approaches available.”*

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