Managing the cost of electricity: A call to action

Foreword

Europe is undergoing a fundamental recalibration of its energy system. As we build toward a secure, climate neutral future, policymakers must weigh the costs associated with the energy transition against the long-term benefits of clean energy.

The scale of investment needed to deliver Europe's energy transition - across new sources of clean energy generation, grid upgrades, or on the demand side - will be vital but challenging to sustain. And yet, it is precisely this investment that will deliver the secure, affordable, and efficient electricity system that Europe needs. As electricity becomes the backbone of a decarbonised energy system, the way we manage and distribute its costs takes on growing importance for the competitiveness of our continent.

As the federation of Europe's electricity industry, our supplier members represent the interface of many household consumers with the energy transition. Retail market conditions vary between Member States, and what works for consumers in one Member State may not be applicable in another. Nevertheless, Eurelectric now sets out its vision of how to empower and enable household consumers to take practical self-steps in managing electricity costs.

Investing in an efficient, clean electricity system in a fair and inclusive way

Electrification means replacing fossil fuel technologies with electric alternatives, such as electric vehicles or heat pumps. These are more efficient and, as electricity generation becomes cleaner through renewables and low carbon energy sources, help reduce emissions.

The widespread electrification of society is necessary to deliver both Europe's energy independence and climate neutrality ambitions[1], and yet it does come with up-front investment costs, relevant for both household and national budgets. Significant investments in clean electricity generation, flexibility and storage, and grids at both transmission and distribution level, are necessary to fully facilitate the transition. At the same time, cost barriers to electrification at domestic level are recognised in the European Commission's Electrification

[1] European Commission, 2026 Electrification Action Plan

Action Plan, which identifies up-front investment costs as a barrier to electrification and encourages fiscal and other support measures for technologies including heat pumps, residential batteries and electric vehicles. The transition therefore comes with an up-front cost, which must be managed in a fair way, whilst noting the clear medium- to long-term benefits associated with it.

Through electrifying new loads of heat and transport, efficiency gains from direct electrification and increased overall electricity consumption distributes this estimated cost of investment among more electricity consumers, leading to an overall reduction of the system cost of electricity. This can provide a pathway for electricity distribution fees to stay flat to 2050.[2]

What suppliers commit to doing to deliver a fair and inclusive energy transition[3]

While the ETS must remain the EU's primary mechanism to drive decarbonisation, Eurelectric advocates for ensuring that European households are involved in a fair, inclusive, and effective energy transition – in line with the ambitions set out in the Citizens Energy Package[4].

Finally, and most importantly, given the heterogeneity of retail markets across Europe, these measures cannot, and should not, be understood as applying to suppliers in all Member States and must instead be considered only where appropriate to national circumstances. The measures set out below are voluntary, non-binding and illustrative examples of good practice and their implementation will depend on national market conditions, the applicable regulatory framework, technical feasibility and commercial viability.

1. Enabling consumer empowerment

Europe's electricity suppliers commit to providing targeted communication to consumer groups including the use of digital channels and tools to provide more opportunities and support for them to engage.

2. Supporting engagement and inclusion in the energy transition

Europe's electricity suppliers commit to increasing communication to consumers about the long-term savings and potential benefits of decarbonisation, for example through the adoption of heat pumps and of electric vehicles.

Suppliers further commit to supporting initiatives for consumers who are constrained in their ability to actively participate in the electricity market, where support is not integrated into the national social policy framework.

3. Supporting the adoption of energy efficiency measures

Europe's electricity suppliers commit to providing information and advice on the benefits of energy efficiency measures and behavioural changes that may yield energy and financial savings, whilst also ensuring that products, services and smart applications are available that allow consumers to leverage technology to monitor, compare, and optimise their consumption.

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[2] Eurelectric, 2024 Grids for Speed
[3] Eurelectric, 2025 Power2People: 5 Commitments
[4] European Commission, 2026 Citizens Energy Package

4. Supporting the electrification of society

Europe's electricity suppliers commit to leverage technology by innovating, simplifying and automating their products and services that advance household electrification and that empower consumers with more control over their electricity consumption. As set out in the Electricity Market Directive[5], this will allow consumers to directly benefit from Europe's internal electricity market.

5. Enabling consumers to participate in the energy transition

Europe's electricity suppliers commit to supporting an increase in flexible electricity consumption for household consumers, where appropriate for an individual consumer's needs, by promoting or informing consumers about flexible consumption opportunities whilst being conscious of any risks this may entail. Electricity household consumers advance at different levels and pace on their energy transition journey based on their capabilities, possibilities, and willingness to engage.

What Member States and policymakers can do to deliver a fair and inclusive energy transition

1. Ensure that energy sources are taxed fairly, based on their contribution to Europe's energy efficiency and climate ambitions

Despite being the cleanest and most efficient form of final energy, most Member States disproportionately apply taxes and levies, per unit of energy, to electricity.

Eurelectric calls on Member States to, in the context of ongoing legislative proposals[6], act to immediately reduce the cost of electricity for household consumers, firstly by removing any non-energy-related costs from electricity bills, and by rebalancing taxation of different energy sources through either:

- Reducing the taxes and levies to the minimum allowable for electricity (such as the minimum floor level of excise duties under the ETD, and VAT rate to the minimum allowable 5% under the VAT Directive), where fiscal space allows.
- Rebalancing taxes and levies away from electricity to other energy vectors, to incentivise clean electrification.
- Exempting specific segments of consumers from certain taxes and levies where necessary, for example those in energy poverty.

2. Provide targeted support for energy poverty

Eurelectric believes that energy poverty should first and foremost be tackled through targeted social policies and structural measures, rather than through any kind of market intervention. Households suffering from energy poverty are likely to struggle with basic expenditures for other essential services too, for instance rent payments.

These types of policy interventions can improve the situation of households in energy poverty without creating the moral hazard of bans to supplier disconnection, which can actively harm

[5] Electricity Market Design Directive (**2019/944**)
[6] Legislative proposal "Future-proofing electricity bills in the Union, through reducing system costs and fostering electrification and digitalisation" (COM/2026/600).

the development of a well-functioning retail electricity market. Member States can help to develop a fair and equitable market that works for consumers and suppliers, for example through national engagement codes, such as the Energy Engage Code in Ireland.

3. Remove barriers to market-based supply prices

Eurelectric notes that any measures taken to support households must be embedded in the fundamental logic of competitive electricity retail markets and market-based supply prices that are able to effectively pass price signals on to final consumers. Member States should avoid distorting retail markets by intervening in price setting, as this can:

- Distort price signals by weakening the link between consumer behaviour and electricity system needs. This can actively disincentivise the responsiveness of demand flexibility to system needs, lessening the opportunities for consumers to participate in the electricity system.
- Lead overall to increased costs, to public budgets, other consumers through cross-subsidies, or through reducing competition and efficiencies in retail markets.
- In the long-term, risk slowing down the energy transition, weaken competition, and distort the internal electricity market.

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