



Electricity prices in Europe and a grim reading for Cyprus

Description

Charles Ellinas*

Eurostat has just published its report on EU electricity price statistics for the first half of 2024. A subject close to the heart of long-suffering Cypriot electricity consumers. Unfortunately, it makes grim reading for Cyprus. There is no respite – as if Cypriots needed a report to tell them that.

In terms of household electricity prices, Cyprus was ranked 7th at around 33 cents/kWh, higher than the EU average of around 28 cents/kWh. This is based on medium consumers with an annual consumption between 2 500 kWh and 5 000 kWh. Greece fared much better, ranking 17th with just over 20 cents/kWh. The difference between the two countries is that the share of renewables in Cyprus's electricity was around 22%, while in Greece it was a whopping 52%.

The situation is even bleaker when these prices are viewed in Purchasing Power Standards (PPS) terms. Electricity prices in PPS terms were highest in the Czech Republic (42.2 cents) and Cyprus (36.1 cents). The lowest PPS electricity prices were found in Malta (14 cents) and Luxembourg (15.3 cents).

In addition to the cost of the fuel used to generate electricity, the share of VAT and other taxes and levies charged by the government on household consumers' electricity bills in the total price contributes to the abysmal situation in Cyprus.

In Cyprus this was just under 35%, the fourth highest in Europe and well above the EU average of around 23%. There is huge scope for reducing this. In Greece it was only about 15%. A legitimate question is what is stopping Cyprus from catching up with Greece, especially given the hardship that high electricity prices are causing Cypriot electricity consumers.

Interestingly, there were four countries that did not impose any additional taxes and levies other than VAT. And five others went further, through negative taxes, by actually giving subsidies and allowances to their consumers instead of taxing them. All of this seems legitimate within the EU system.

The situation is no better when it comes to non-household consumers, i.e. industry. Cyprus is the second most expensive country in Europe at around 25 cents/kWh, with taxes and levies again playing a major role.

Burning diesel and mazut to produce electricity is expensive. Not only is the fuel expensive, but so is the cost of emission allowances. Switching to natural gas could reduce the pre-tax price of electricity by about 35-40%.

Cypriot electricity consumers are paying the price for the debacle of the LNG import project at Vasilikos.

However, there is a glimmer of hope with the imminent return of the Prometheus FSRU to Cyprus. Energy Minister Giorgos Papanastasiou has said that with the arrival of the FSRU, the project could be completed by the end of 2025, with LNG imports starting in early 2026. That would be timely, as prices are expected to fall significantly by then, with massive volumes of new LNG entering the markets.

But between now and then, the government could do a lot to help household consumers by reducing taxes and levies to Greek levels, as low as 15% of total prices. This action alone could reduce electricity prices from 33 cents/kWh to 25 cents/kWh.

**Charles Ellinas is Senior Fellow at the Global Energy Centre of the Atlantic Council.*