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Russia Plans Steeper Utility Tariff Hikes in 2026-2028, Outpacing Inflation

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Pelagia Tikhonova / Moskva News Agency

Russia's government plans sharper increases in household utility tariffs over the next three years than previously expected, according to an updated forecast underpinning the draft federal budget.

Total payments for housing and utilities are set to rise by 9.9% in 2026, 8.7% in 2027 and 7.1% in 2028 — a cumulative increase of 27.9%. That is well above the government's inflation forecast, which assumes consumer price growth will return to the 4% target as early as next year.

The planned hikes outstrip both last year's assumptions — which envisaged rises of 5.4% in 2026 and 4.8% in 2027 — and projections published in April (9.8% in 2026, 7.9% in 2027 and 5.9% in 2028).

Wholesale gas tariffs for all consumer categories will be indexed at three percentage points above forecast inflation between 2026-2028 in order to finance gas supply reliability, social

gasification programs and the integration of occupied Ukrainian territories into the national gas system, the Economy Ministry said.

With inflation expectations lowered, gas prices will rise slightly less than previously estimated — by 9.6%, 9.1% and 7% over the three years, compared with 10.6%, 9% and 7% in April's outlook.

Electricity tariffs, however, will climb faster than previously expected — by 11.3%, 8.6% and 9.1% annually, for a total increase of 31.9%, compared to the previous forecast envisaging hikes of 9.3%, 6.9% and 4.9%. The ministry cited the need to fund major investments in the power system as the reason for the increases.

Heating charges will rise by 9.9%, 9.3% and 6.8% in the three-year period, while water supply and sewage tariffs will grow by 9.8%, 9.3% and 8.9% in the first two years, followed by 8.6% and 5.8% in 2028.

Authorities said the tariff growth will generate additional annual revenues equivalent to 1.5% of utility companies' turnover, earmarked for infrastructure investment.

"This can no longer be called mere indexation, since the inflation forecast is much lower," economist Yevgeny Kogan said. He noted that if inflation exceeds the 4% target, utility tariffs could be raised even further.

Kogan said the sharp increase in 2026 partly reflects the lack of indexation in 2023, but warned that tariffs will continue to rise faster than inflation as the government seeks to fund upgrades to aging infrastructure.

"Someone has to pay for modernization — either the state through higher taxes, or the population through utility bills," he said. "In reality, it will be both: taxes will rise, and so will utility costs, because much of the tax revenue will go to sustain high military spending. Businesses will also feel the squeeze."

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