Energy Community Secretariat

Uniting Europe's Energy, Today

2026/1 CBAM Quarterly Report of the Energy Community Secretariat

Webinar



29 April 2026

Context of the report

- Annual capacity auctions in December 2025 showed a **reduction in the value and the demand** for cross-border **capacity from Contracting Parties to EU Member States** – this coincided with increased capacity value for exports from Greece;
- 2026 EnC Ministerial Council conclusion: *"The Ministerial Council invited the Secretariat to continue monitoring the development of electricity market fundamentals in particular related to the impacts of CBAM"*;
- Aim: early identification and monitoring of unintended impacts (if any) on the electricity market, which run counter to the policy objectives of CBAM;
- Points to consider:
  - ✓ The identification of persistent, structural impacts requires a longer timeframe than a single quarter;
  - ✓ Q1 was characterised by specific supply-demand conditions in the Western Balkans;
  - ✓ The new conditions under CBAM might have triggered ad hoc, irregular reactions from market participants;
  - ✓ The report focuses on the WB6 due to limited data availability in Moldova and Ukraine.

CBAM definitive regime in force since 01.01.2026

- All electricity imports into the EU from Contracting Parties are subject to financial adjustment;
- Reference price – Q1 EU ETS average, published by the European Commission: **€ 75.36 /tCO_{2eq}**
- CBAM costs on electricity imports into the EU (*based on default values, without considering domestic carbon pricing*):

From Albania:	**0 €/MWh**
From Bosnia and Herzegovina:	**86.5 €/MWh**
From Kosovo*:	**74.2 €/MWh**
From Moldova:	**39.9 €/MWh**
From Montenegro:	**73.8 €/MWh**
From North Macedonia:	**66.8 €/MWh**
From Serbia:	**78.5 €/MWh**
From Ukraine:	**68.4 €/MWh**

Q1 2026 electricity market: preliminary observations under CBAM

Five preliminary findings on how CBAM's first quarter has shaped the regional electricity market.

1. Emerging price divergence between EU and non-EU bidding zones

Q1 2026 day-ahead price spreads between EU Member States and WB6 zones widened to **over 30 EUR/MWh on average, two to three times the level seen in 2025**. Although capacity along the WB6–EU border was fully allocated, auction prices did not rise with the spreads, suggesting the expected arbitrage was not fully priced in.

2. Weakening of price stability and price signal

Daily WB6 prices moved widely (40–150 EUR/MWh) while HUPX stayed in 120–180 EUR/MWh range. **Rolling 30-day correlations between WB6 and HU prices, consistently above 0.80 throughout 2025, briefly fell to near zero in early January 2026** before partially recovering. Power-exchange volumes diverged: ALPEX, MEPX, MEMO grew (hydro-driven liquidity); SEEPEX fell 11% (transit-driven trading withdrew).

3. Reduction of WB6–EU trade and redirection along CBAM-free routes

Total commercial exchanges between WB6 and EU declined by **≈25%**, driven by a sharp **−40.7% fall in EU exports to WB6**. Trading reconfigured along CBAM-free corridors (AL→GR, GR→BG, GR→IT-S, intra-WB6), while transit through WB6 declined.

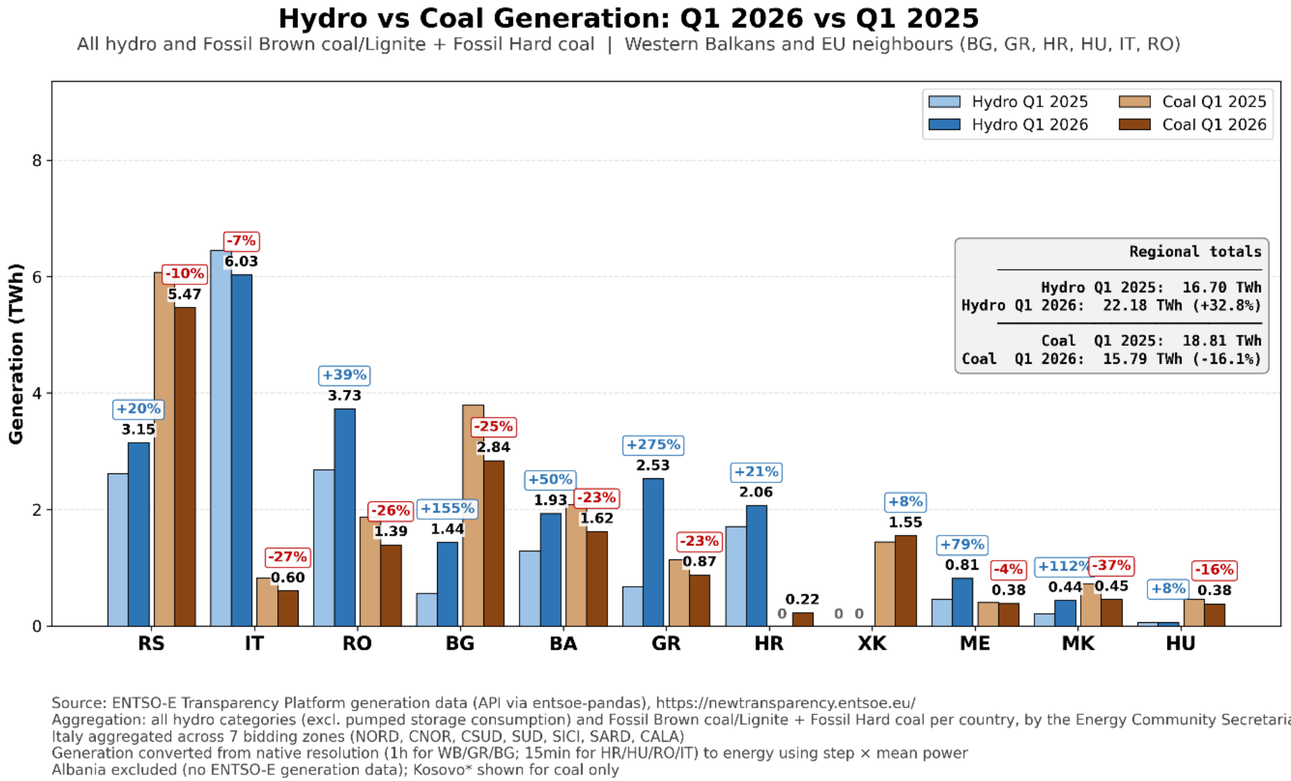
4. Growing divergence between commercial schedules and physical flows

Increased scheduled trade was not always matched by physical flows. Most strikingly, **AL→GR was scheduled at +4,100 MWh/day but physical flows actually fell**. Electricity continued to follow the network, north through Albania, Montenegro, Bosnia and Herzegovina, and on to Croatia, Hungary, Romania.

5. Increased role of CBAM default emission factors in cross-border arbitrage

Hydro-dominated systems with a **zero-default emission factor (Albania)** appear structurally favoured, while **coal-inclusive default factors (Montenegro)** largely offset price advantages. At the Q1 2026 EU ETS price, the CBAM cost on Albanian imports is 0 EUR/MWh; on Montenegrin imports it is **73.78 EUR/MWh,** exceeding the entire 43 EUR/MWh ME–IT spread.

Generation mix in Q1 2026: exceptional hydro, coal decline



Source: ENTSO-E Transparency Platform generation data (API via entsoe-pandas), https://newtransparency.entsoe.eu/
Aggregation: all hydro categories (excl. pumped storage consumption) and Fossil Brown coal/Lignite + Fossil Hard coal per country, by the Energy Community Secretariat
Italy aggregated across 7 bidding zones (NORD, CNOR, CSUD, SUD, SICI, SARD, CALA)
Generation converted from native resolution (1h for WB/GR/BG; 15min for HR/HU/RO/IT) to energy using step × mean power
Albania excluded (no ENTSO-E generation data); Kosovo* shown for coal only

Setting the stage: hydro and coal flows behind the price and trade patterns that follow.

Hydro generation: +33% YoY across the region

Regional hydro output increased from **16.70 to 22.18 TWh (+5.48 TWh, +33%)**, with increases in every observed market except Italy. Greece (+275%) and Bulgaria (+155%) drove the largest relative jumps from unusually low 2025 bases. **Albania, excluded from the chart for lack of ENTSO-E data, recorded +1.34 TWh (+70%) per OST** — front-loaded in January and February.

Coal generation: −16% YoY across the region

Coal-fired output declined from **18.81 to 15.79 TWh (−3.02 TWh, −16%)**, with broadly similar reductions across EU neighbours (−16% to −27%). Serbia remained the largest WB coal producer despite a −10% drop; North Macedonia recorded the sharpest relative reduction (−37%). **Kosovo* was the only market with increased coal output (+8%).**

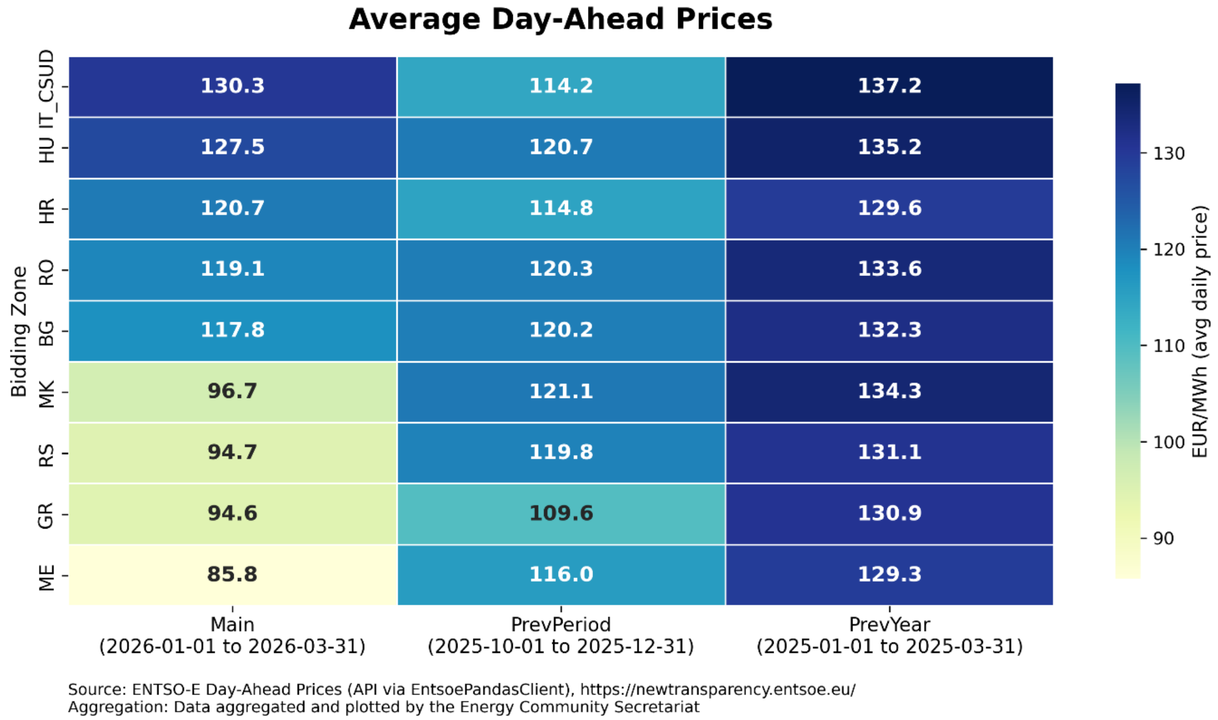
Gas-fired generation: not separately analysed

Gas plays only a minor role in the WB6 generation mix and typically contributes during peak hours — **largely displaced in Q1 2026 by the exceptional hydro output** and therefore not analysed separately here.

Why this matters for what follows

Under pre-CBAM conditions, the WB hydro surplus would typically have been absorbed by higher-priced EU markets through cross-border trade. **CBAM made exporting it commercially less attractive, so it remained within the WB region, pulling WB prices further down than hydrology alone would explain.**

Average DA prices: Q1 2026 vs Q4 2025 vs Q1 2025



Source: ENTSO-E Day-Ahead Prices (API via EntsoePandasClient), https://newtransparency.entsoe.eu/
Aggregation: Data aggregated and plotted by the Energy Community Secretariat

What to read off the chart

Bidding zones are sorted by Q1 2026 average price (highest on top). The three columns compare Q1 2026 with Q4 2025 (previous quarter) and Q1 2025 (previous year).

Albania-Kosovo (ALPEX) day-ahead market data are not included, as no such data are published on the ENTSO-E Transparency Platform, while Bosnia and Herzegovina does not have an operational day-ahead market.*

Finding 1 of 5 — Emerging price divergence between EU and non-EU bidding zones

Headline

Q1 2026 broke from the regional price convergence seen in Q4 2025 and Q1 2025, opening an **EU–WB6 spread of over 30 EUR/MWh on average**.

EU side: stable with slight decrease

HU (127.5 EUR/MWh) and IT-CSUD (130.3 EUR/MWh) held close to Q1 2025 levels. HR, BG, RO clustered around 120 EUR/MWh, slightly below Q1 2025 but still well above any WB6 zone.

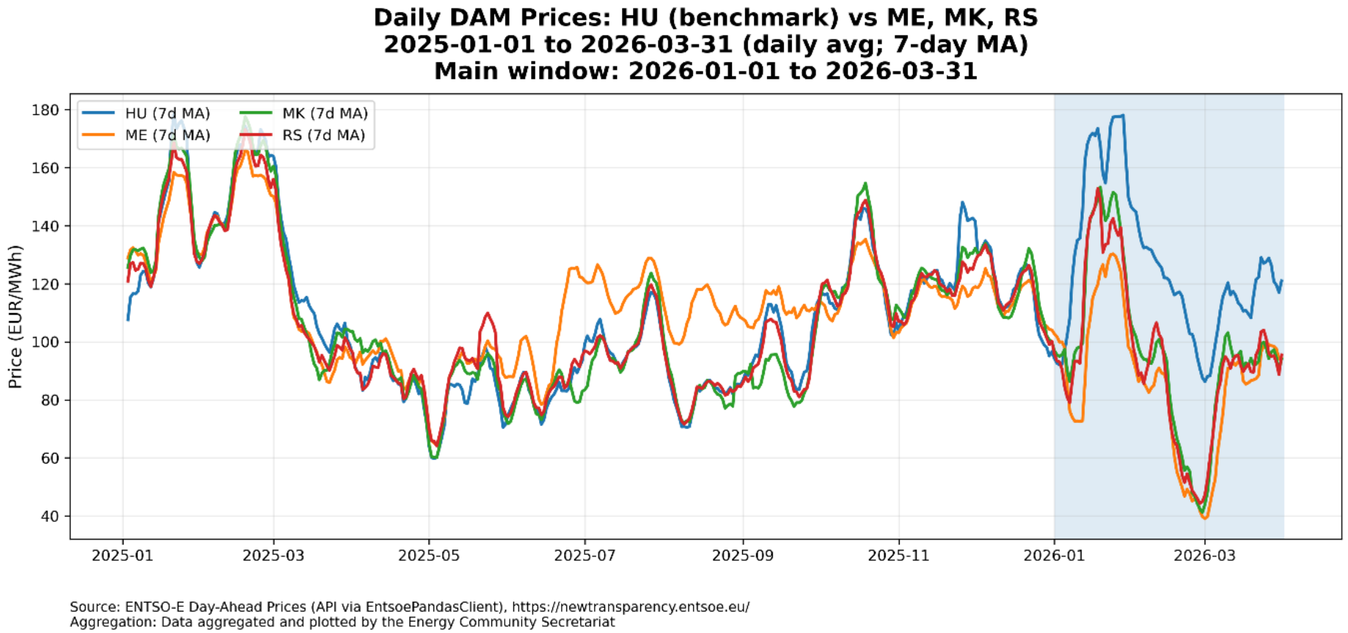
WB6 side: a sharp year-on-year fall

ME, RS, MK all fell roughly 25–35% year-on-year (ME 85.8 vs 129.3 EUR/MWh, RS 94.7 vs 131.1 EUR/MWh, MK 96.7 vs 134.3 EUR/MWh). Greece (94.6 EUR/MWh) joined the WB6 range, reflecting its strong hydro output.

Why this matters

In Q4 2025 prices across the region were tightly clustered (~11 EUR/MWh range). In Q1 2026 they widened out to ~45 EUR/MWh. **The divergence emerged as of beginning of Q1 2026, coinciding with CBAM entry into force.**

Daily DA prices: the Q1 2026 decoupling



Source: ENTSO-E Day-Ahead Prices (API via EntsoePandasClient), https://newtransparency.entsoe.eu/
Aggregation: Data aggregated and plotted by the Energy Community Secretariat

What to read off the chart

7-day moving averages of daily DA prices for HU (benchmark) and the three WB6 zones (ME, MK, RS), Jan 2025 – Mar 2026. The shaded band marks Q1 2026.

Finding 1 of 5 — Emerging price divergence between EU and non-EU bidding zones

Headline

From January 2026, daily WB6 prices broke decisively below the Hungarian benchmark, a divergence with no equivalent in the prior 12 months.

Throughout 2025: tight co-movement

HU, ME, MK and RS prices tracked each other closely all year, with average HU–WB spreads of only **5–15 EUR/MWh**. The four series moved as effectively one market.

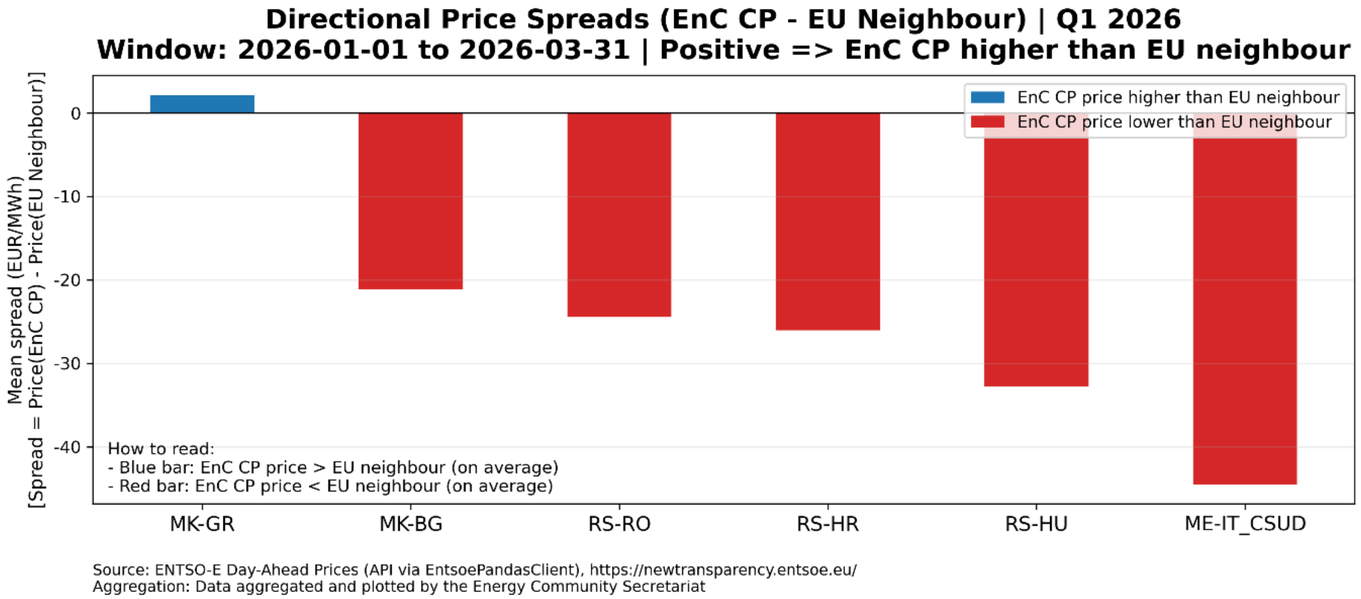
From January 2026: a sharp break

Alignment **broke down sharply**. HU rose toward **170 EUR/MWh by mid-January**, while WB6 prices plummeted **to ~40 EUR/MWh** and recovered only to a notably lower level than HU.

Why this matters

On average across Q1 2026, the HU–WB6 spread widened to **over 30 EUR/MWh, approximately 2–3× the level seen throughout 2025**. A sudden break, coinciding with CBAM entry into force, not a gradual shift.

Directional price spreads: WB CP – EU neighbour



Source: ENTSO-E Day-Ahead Prices (API via EntsoePandasClient), https://newtransparency.entsoe.eu/
Aggregation: Data aggregated and plotted by the Energy Community Secretariat

What to read off the chart

Mean Q1 2026 spread = price(WB6 zone) − price(EU neighbour). Red bars: WB6 cheaper. Blue bars: WB6 more expensive.

Finding 1 of 5 — Emerging price divergence between EU and non-EU bidding zones

Headline

On every WB6–EU border except one, WB6 prices were 20–43 EUR/MWh below the EU neighbour in Q1 2026, yet the cheaper electricity largely stayed in WB6.

Border-by-border picture

- **ME–IT-CSUD: ~43 EUR/MWh,** by far the widest, reflecting Italian gas-driven prices against Montenegrin hydro.
- **RS–HU: ~31 EUR/MWh.**
- RS–HR, RS–RO, MK–BG: all in the **20–25 EUR/MWh** range.
- **MK–GR is the only exception,** MK marginally above GR, reflecting Greece's strong hydro output.

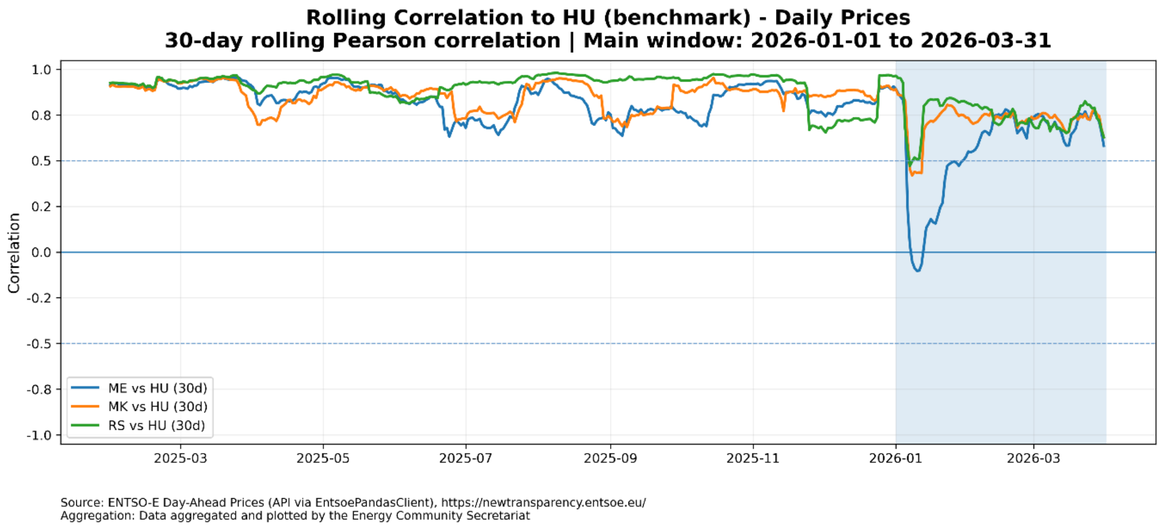
What should have happened

Spreads of this size would normally trigger arbitrage: traders buy cheap in WB6, sell into the higher-priced EU market, and the two prices converge. Cross-border capacity was available on every one of these borders.

What actually happened

The arbitrage didn't fully take place. The cheaper WB6 electricity largely stayed in WB6, and the spreads persisted across the whole quarter. **The CBAM surcharge on imports from WB6 into the EU is the most direct explanation,** it offsets enough of the price advantage to suppress the trade that would otherwise have closed the gap.

Rolling correlation and power-exchange volumes



Source: ENTSO-E Day-Ahead Prices (API via EntsoePandasClient), https://newtransparency.entsoe.eu/
Aggregation: Data aggregated and plotted by the Energy Community Secretariat

What to read off the chart

30-day rolling Pearson correlation of daily DA prices: ME, MK and RS each against the Hungarian benchmark. The shaded band marks Q1 2026.

Pearson correlation measures how closely two data series move together. A value of 1 means the two series move in perfect lockstep; a value of 0 means no systematic relationship; a negative value means they tend to move in opposite directions. In well-integrated electricity markets, day-ahead prices in neighbouring zones typically show correlations above 0.80.

Finding 2 of 5 — Weakening of price stability and price signal

Headline

Two parallel signals point to weakened price formation in Q1 2026: the WB6–HU price coupling collapsed in early January, and power-exchange trading volumes diverged sharply across the region.

Throughout 2025: tightly price coupled markets

WB–HU correlations sat consistently **above 0.80** all year, frequently approaching **0.95** — typical of well-integrated markets sharing a common price signal.

Early January 2026: the price coupling broke

ME–HU correlation collapsed to **near zero, briefly turning negative** — Montenegrin and Hungarian prices stopped moving together, and at moments moved in opposite directions. MK and RS also fell, though less sharply. By late Q1 2026: partial recovery to **0.70–0.80**, but stayed below the 2025 baseline.

Power-exchange volumes tell the same story

Combined WB6 power-exchange volumes grew **11% YoY (2.16 → 2.39 TWh)**, but when individually analysed two trends observed:

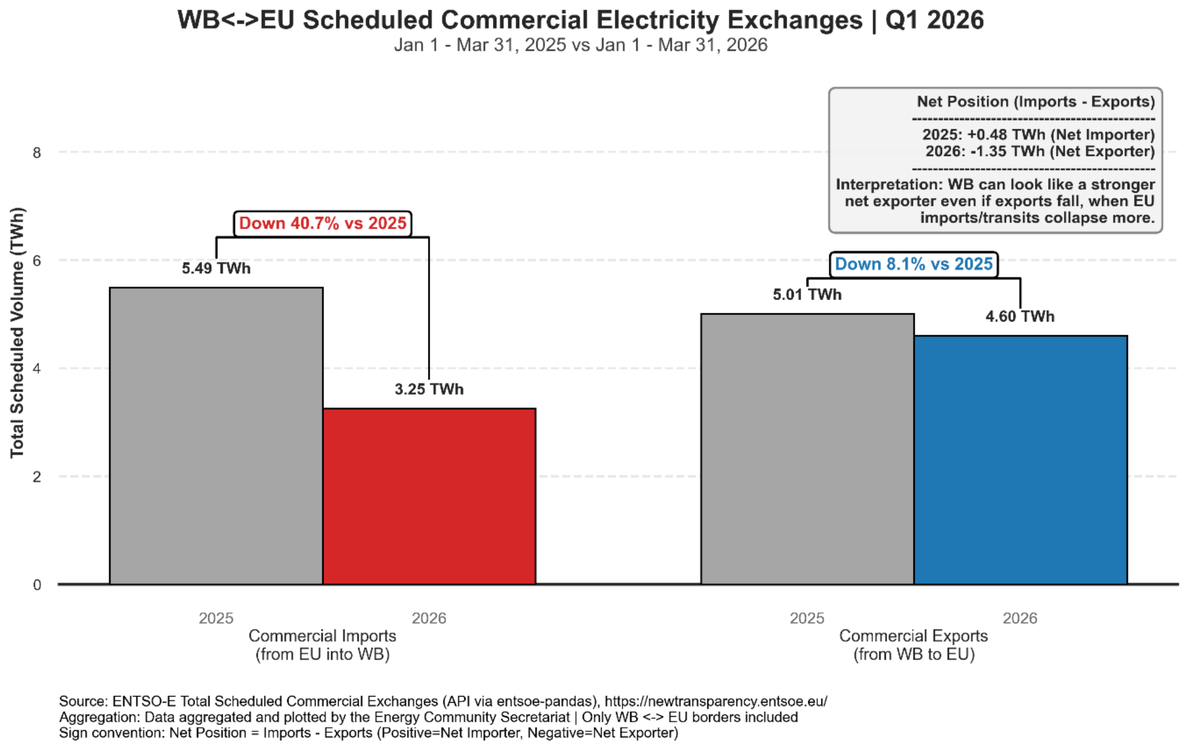
- **Hydro-driven liquidity:** ALPEX (Albania) ≈ doubled, MEPX (Montenegro) +49%, MEMO (North Macedonia) +19%.
- **Transit-driven decline:** SEEPEX (Serbia, the largest WB6 exchange) −11%.

The split mirrors the two structural forces of Q1 2026: where hydro generation supported domestic liquidity, exchanges grew; where trading depended on transit through WB6, **CBAM-related uncertainty pushed volumes down**.

Why this matters

The price spread stayed wide throughout Q1 2026, the change reads as structural, not a short-term adjustment. Cross-border capacity auction prices also showed reduced forward contracting, a parallel signal of more cautious cross-border trading.

WB ↔ EU scheduled commercial electricity exchanges



Source: ENTSO-E Total Scheduled Commercial Exchanges (API via entsoe-pandas), https://newtransparency.entsoe.eu/
Aggregation: Data aggregated and plotted by the Energy Community Secretariat | Only WB <-> EU borders included
Sign convention: Net Position = Imports - Exports (Positive=Net Importer, Negative=Net Exporter)

What to read off the chart

Total scheduled commercial volumes between WB6 and EU, Q1 2025 vs Q1 2026 (1 Jan – 31 Mar). Left pair: imports from EU into WB6. Right pair: exports from WB6 to EU.
Inset box: net position (imports minus exports).

Finding 3 of 5 — Reduction of WB6–EU trade and redirection along CBAM-free routes

Headline

WB6 became a “net exporter” to the EU in Q1 2026: the shift was driven almost entirely by EU imports collapsing, not by WB6 exports rising.

WB6 net position

- **Exports from EU → WB6 fell from 5.49 to 3.25 TWh, down 40.7%.**
- Exports from WB6 → EU fell from 5.01 to 4.60 TWh, down only 8.1%.
- Net position flipped: WB6 was a net importer (+0.48 TWh) in 2025, a net exporter (−1.35 TWh) in Q1 2026.

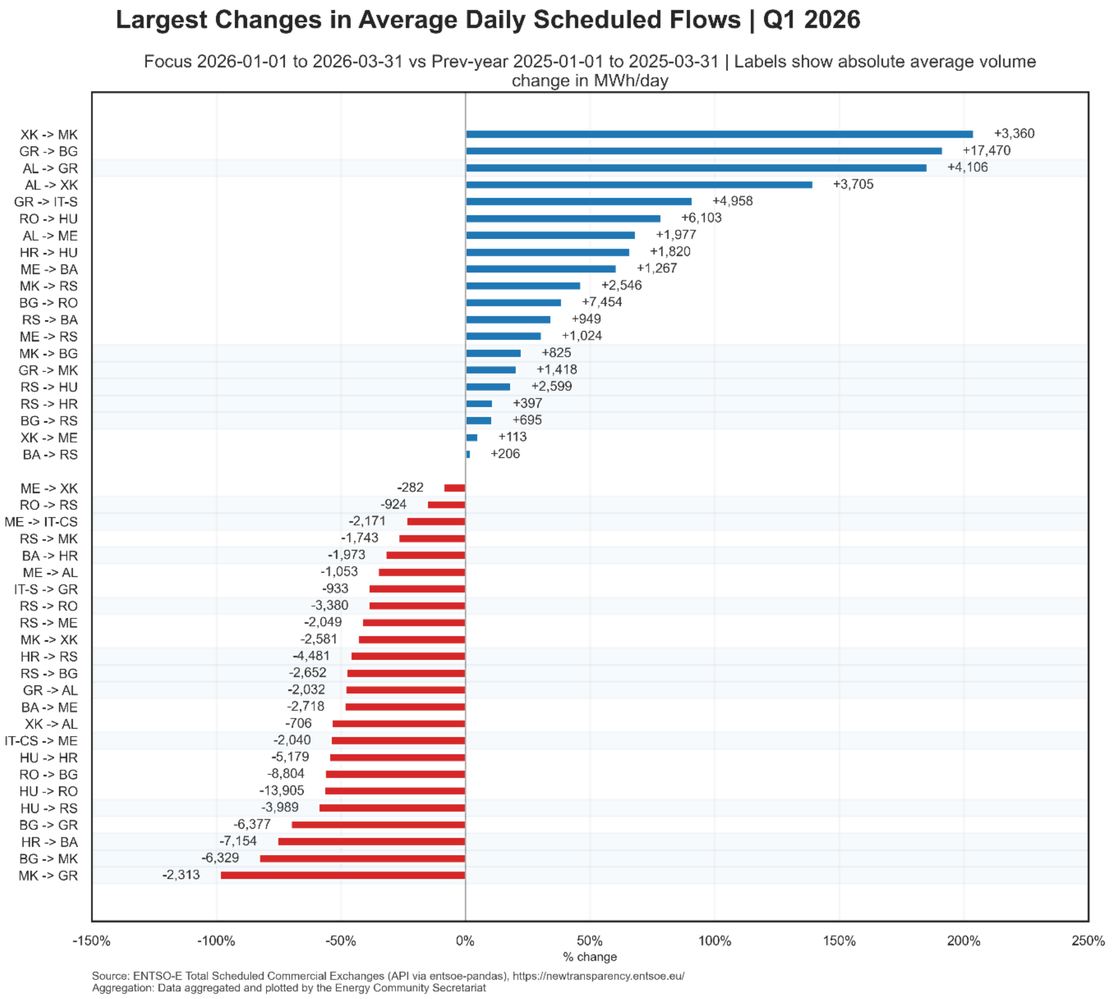
Underused interconnection capacity

The shift in net position came from imports falling, not exports rising. Total trade across the WB6–EU border fell by ~25%, meaning that available interconnection capacity was underutilised.

The transit story behind the import collapse

Much of the electricity flow recorded between the WB6 and the EU reflects transit through the WB6, rather than trade with the region. In Q1 2026, these transit chains largely collapsed. This is consistent with traders avoiding routes that pass through WB6 jurisdictions, as CBAM’s treatment of transit flows remains unclear and may expose them to a surcharge risk on electricity that, in principle, should not be subject to such costs.

Reconfiguration of scheduled commercial flows



What to read off the chart

Each row is one cross-border corridor (direction matters). Bars show the change in average daily scheduled flow, Q1 2026 vs Q1 2025. Blue: more flow; red: less. Sorted top-to-bottom by % change.

Finding 3 of 5 — Reduction of WB6–EU trade and redirection along CBAM-free routes

Headline

Q1 2026 saw a wholesale reconfiguration of trade across South-East Europe: WB6-as-transit corridors collapsed, while CBAM-free routes — EU–EU pairs, intra-WB6 chains, and Albania as an exit point — picked up the volume.

Where flows surged: hydro and CBAM-free routing

- Albania's +70% hydro pushed exports out across all three borders: **AL → GR +4,100 MWh/day**; AL → XK, AL → ME also up.
- The Greek–Albanian surplus moved north and west: **GR → BG +17,400 MWh/day** (largest single increase) and GR → IT-S +5,000.
- Albania's **zero CBAM default emission factor** makes AL → EU a CBAM-free entry, visible in the AL → GR surge feeding GR → BG and GR → IT-S.

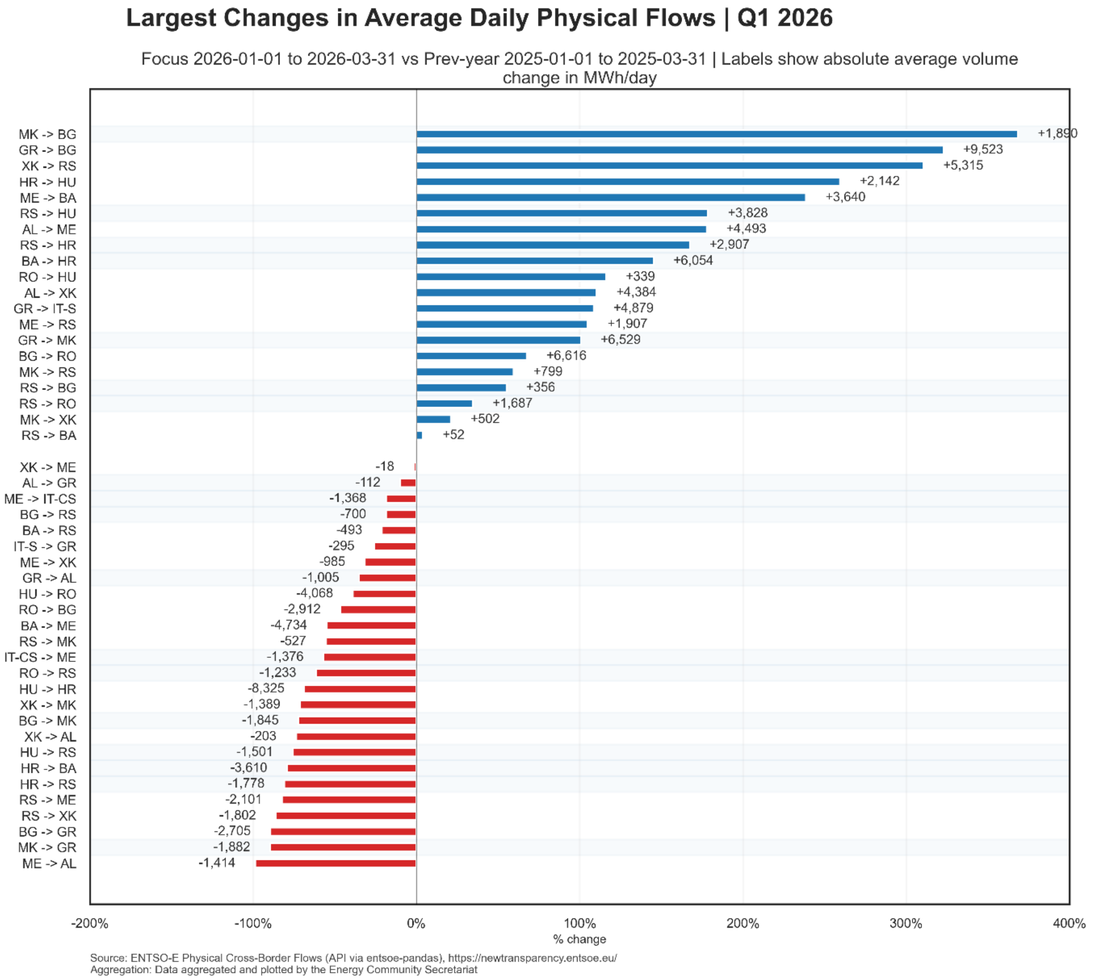
Where flows collapsed: EU → WB6 borders

- Sharp declines across most major corridors: **HR → BA −7,154 MWh/day**, **BG → MK −6,329**, HR → RS −4,481, HU → RS −3,989, IT-CSUD → ME −2,040.
- Mirrors the **−40.7% drop in EU imports into WB6**.
- These are routes where **unclear CBAM treatment of transit** exposes traders to a surcharge risk on electricity that should not, in principle, be penalised.

The pattern

Trade didn't fall overall, it's rerouted around WB6 to a large extent, along free-CBAM routes, WB6 internal flows intensified, and Albania, exempt from CBAM costs, emerged as the regional exit point. Hydrology contributed (strong WB6 hydro reduced import needs), but the rerouting of transit flows more reads as a CBAM signal, rather than a hydrology signal.

Physical flows: divergence from commercial schedules



What to read off the chart

Change in average daily *physical* flow per corridor (Q1 2026 vs Q1 2025). Read against the previous slide, the gap between commercial and physical flows is the point.

Finding 4 of 5 — Growing divergence between commercial schedules and physical flows

Headline

Physical flows in Q1 2026 followed network physics, not commercial schedules — most strikingly on **AL → GR**, where +4,100 MWh/day was scheduled but physical flows actually fell.

AL → GR: traded heavily, but not flowing

- **Commercial: +4,100 MWh/day** — the largest WB6→EU increase, driven by Albanian hydro and Albania's **zero CBAM default emission factor** (a CBAM-free entry into the EU).
- **Physical: −112 MWh/day** — essentially flat.
- Albanian electricity was scheduled into Greece in unprecedented volumes, but the network sent it north instead — via AL → ME, then onward through BA → HR/HU/RO.

Where physical flows surged: the south–north corridor

- **BA → HR: +6,054 physical vs only +206 commercial** — the network carried 30× more electricity than was traded.
- **GR → MK: +6,529 physical vs +1,418 commercial** (4.6×).
- **RS → HU: +3,828 physical vs +2,599 commercial.**
- Fed internally by **AL → ME (+4,493 / +1,977)** and **ME → BA (+3,640 / +1,267)**.
- Electricity moved south to north — Greece and Albania, through the Western Balkans, into Croatia and Hungary — along the **path of least electrical resistance**, regardless of how it was scheduled.

Why this matters for system operation

A widening schedule–physics gap in both directions reduces predictability for TSOs, increases the risk of unscheduled and loop flows, and lowers the efficiency of cross-border capacity allocation. The **south–north corridor (GR → AL → ME → BA → onwards)** has been particularly stressed: the **21 June 2024 blackout** was triggered by near-simultaneous 400 kV outages on this same corridor, where flow patterns are now increasingly diverging from schedules. If the gap persists, the **risk is twofold: higher network costs and degraded operational security and a higher chance of cascading failures, in both WB6 and EU**.

CBAM default emission factors: Albania vs Montenegro

Finding 5 of 5 — Increased role of CBAM default emission factors in cross-border arbitrage

Two contrasting cases, both visible in Q1 2026 data

CBAM applies an emission-factor surcharge to electricity imports from non-EU systems based on the carbon intensity of the exporting country's generation mix. With country-specific default factors in early implementation, the same physical kilowatt-hour can carry very different CBAM costs depending on its country of origin.

The financial gap is concrete

At the Q1 2026 EU ETS weighted average price of **75.36 EUR/tCO_2eq**:

- **Albania:** default emission factor 0 → CBAM cost: **0 EUR/MWh** imported.
- **Montenegro:** default emission factor 0.979 tCO_2eq/MWh → CBAM cost: **73.78 EUR/MWh** imported.

For comparison, the Q1 2026 average ME–IT day-ahead price spread was ~43 EUR/MWh — meaning the **CBAM surcharge on Montenegrin imports exceeded the entire commercial arbitrage opportunity**.

Albania: hydro-dominated, zero default emission factor

Albania's generation mix is dominated by hydro, giving it a **zero CBAM default emission factor**. Exports from Albania into the EU therefore carry no CBAM surcharge — making AL → EU a CBAM-free entry route. The Q1 2026 data show this directly:

- AL → GR was the largest single WB6→EU commercial increase in Q1 2026 (+4,100 MWh/day).
- Greece, in turn, expanded exports onward to Bulgaria (+17,400) and Italy-South (+5,000) — effectively rerouting Western Balkan electricity into the EU through the CBAM-free Albanian gateway.

Montenegro: coal-inclusive default factor, suppressed exports despite the widest spread

Montenegro's generation mix includes the Pljevlja coal plant, so its CBAM default factor reflects this carbon intensity. Exports from Montenegro into the EU carry a meaningful CBAM surcharge.

- ME–IT-CSUD had the **widest day-ahead price spread in the region (43 EUR/MWh)** in Q1 2026, favouring exports from Montenegro into Italy.
- Yet ME → IT commercial flows **declined**, and physical flows on the HVDC interconnector also fell. **The CBAM surcharge offset enough of the price advantage to suppress the trade.**

A second layer of uncertainty: EU ETS volatility

The CBAM surcharge tracks the EU ETS allowance price, which **rose into mid-January then declined sharply through end-March** amid political discussion on EU ETS reform. Effective CBAM costs are therefore not stable, adding price-volatility risk to cross-border arbitrage decisions.

The structural risk

If these dynamics persist, default emission factors will continue to shape investment signals as well as trade flows. **Markets with already low-carbon mixes attract stronger investment in renewable generation and flexibility, while carbon-intensive systems face structural disadvantages, risking intra-regional fragmentation and an uneven energy transition** across the Western Balkans.

Causality and looking ahead

Why these observations are preliminary, and what's at stake if they persist.

Causality: hydrology and CBAM jointly shaped Q1 2026

Strong hydro increased WB6 supply, exerting downward pressure on prices. Under pre-CBAM conditions this surplus would typically have been absorbed by higher-priced EU markets through cross-border trade. **CBAM made it largely unattractive to export this surplus to the EU,** so the additional generation remained within Western Balkan markets, and domestic prices fell further than they would have under hydrology alone. **Isolating CBAM's specific contribution from hydrology and other factors is not possible from a single quarter alone.**

Two categories of implication, both already visible

- **Market operation:** weakening of price convergence and cross-border trade, emerging market fragmentation, reduced reliability of price signals, and reduced forward contracting.
- **System operation:** rising risk of unscheduled and loop flows, higher balancing and redispatch needs, and less efficient use of cross-border transmission capacity — with the south–north corridor already historically stressed.

What are the consequences if these patterns persist

- **Upward pressure on electricity prices**, as inefficient capacity allocation and redispatch costs ultimately filter through to consumers.
- **Market integration** of Contracting Parties into the EU internal energy market, the foundational policy objective of the Energy Community framework, could slow or stall.
- **Investment signals distort**: low-carbon mixes attract stronger signals, carbon-intensive systems face structural disadvantages, risking **an uneven and more costly energy transition** across the region.

Indicators to monitor in subsequent quarters

- **Price spread:** does the EU–WB6 spread narrow as hydrology normalises, or persist as a structural feature?
- **Price correlation:** does the partial recovery to 0.70–0.80 continue toward the 2025 baseline above 0.80?
- **Trade volumes:** does the −25% contraction in EU–WB6 commercial trade reverse, or solidify?
- **Capacity auction prices:** do EnC→EU clearing prices begin to track day-ahead spreads, indicating arbitrage is being priced back in?
- **Schedule–physics gap:** does the divergence between commercial schedules and physical flows narrow as traders adapt?
- **EU ETS / CBAM cost:** how does CBAM-certificate price volatility affect cross-border arbitrage stability?

Looking ahead

Q1 2026 conditions will not persist. **In periods of weaker hydrology, common in H2, WB6 typically imports from the EU and observed patterns may reverse**. Growing solar capacity may produce renewed surplus conditions in spring/summer even as hydro availability declines.

The Energy Community Secretariat will continue to monitor these developments and report on them in subsequent editions of this quarterly series.

Energy Community Secretariat

THANK YOU!

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