



– Consultation Response –

## **CBAM and Market Coupling: Key Considerations for Electricity Markets**

Brussels, 26 August 2025 | We welcome the opportunity to contribute to the European Commission's call for evidence on the implementation of the Carbon Border Adjustment Mechanism for electricity. As stakeholders actively engaged in the integration and decarbonisation of European electricity markets, we wish to share our insights on the critical interplay between CBAM and implicit market coupling. Our contribution highlights key challenges, unintended consequences and areas requiring further clarification - particularly with respect to electricity pricing, market stability and regulatory certainty. We submit the following considerations and recommendations to support a more effective and coherent implementation of CBAM within the evolving framework of the Internal Energy Market.

**First**, we would like to emphasise the close and direct relationship between CBAM and implicit electricity market coupling. Single Day-ahead Coupling (SDAC) and Single Intraday Coupling (SIDC) in the European electricity markets involve the coordinated implicit allocation of cross-zonal transmission capacities through a single algorithm – applied in either auction or continuous markets - that simultaneously determines cross zonal capacity utilisation, market prices and the volumes of energy bought and sold at the bidding zone level. This mechanism has proven to be the most efficient way to utilise cross-border capacity within the Internal Energy Market, as it integrates capacity allocation with the matching of buy and sell orders. However, all submitted orders and resulting trades are anonymised at the NEMO level, with no distinction made between local and cross-border transactions (i.e., imports, exports or transits). In addition, sell orders are not necessarily linked to electricity generation, just as buy orders are not necessarily tied to electricity consumption.

Beyond the above, in the case of auctions - where the majority of power spot trading occurs - no individual bilateral transactions are established. Instead, results are determined, recorded and published in an aggregated form. Auctions cover the entire SDAC, with Intraday Auctions (IDAs) having been integrated into SIDC since 2024. We conclude that the concept of market coupling is fundamentally incompatible with the obligations under CBAM. Cross-border electricity trading within market coupling relies on a genuine contractual framework, is based on tailor-made obligations for the stakeholders involved and is designed to promote non-discrimination and the optimisation of overall welfare. Applying CBAM obligations to market coupling would introduce substantial additional costs cascading through the market, ultimately distorting trading patterns and undermining the efficiency gains that market coupling is intended to deliver.

We therefore welcome the fact that CBAM foresees a targeted exemption for market coupling to facilitate its implementation and future operation. According to current planning, the first EU-Energy Community bidding zone borders are expected to be coupled as of 2027. However, important questions remain, particularly concerning the interim period before market coupling is established, the stringent criteria for the exemption to apply, which may risk disincentivising its implementation, as well as the way forward once the exemption expires in 2030, pursuant to Article 2(7)(e) of Regulation (EU) 2023/956.

**Second**, independent of market coupling, the introduction of CBAM for electricity is expected to raise electricity prices across the EU, particularly in regions closely interconnected with third countries to which CBAM applies, as market participants factor CBAM-related costs into their bids and generation offers. Given the strong interconnections between Energy Community markets and neighbouring EU Member States, these effects are likely to be especially pronounced in South-Eastern Europe. Ultimately, these additional costs may be passed on to consumers, directly impacting electricity prices for households and industry. This outcome risks undermining the objectives set out in the European Commission's Action Plan for Affordable Energy. Moreover, the current approach - using a country's generation mix to calculate CBAM obligations - may unintentionally increase the cost of renewable electricity generation, without providing corresponding benefits to EU-based producers.

**Third**, CBAM introduces additional complexity into electricity trading and increases uncertainty in price forecasting. We are concerned that its implementation could negatively impact forward market liquidity in both the affected third countries and adjacent EU Member States – a risk already highlighted in specialised media<sup>1</sup>. This development poses a growing threat to price stability, particularly in short-term physical markets, by making price formation more volatile. In addition, transmission capacity will continue to be used suboptimal as long as implicit market coupling is not fully implemented.

**Forth**, we see a clear risk that CBAM could have unintended negative effects on renewable generation in the respective third countries, as electricity produced from renewable sources is not explicitly exempted from CBAM obligations. The absence of a compatible framework for the use guarantees of origin or alternative methods to determine emissions further exacerbates this issue.

**Finally**, we urge that additional considerations be taken into account in the case of Ukraine, carefully balancing the application of CBAM against the need to address unprecedented risks to infrastructure, market stability and generation availability. Failing to do so risks undermining Ukraine's fragile electricity sector integration with the EU – a process that remains a strategic priority both for Ukraine and for Europe's overall energy security.

## Recommendations

We identify several unresolved and critical issues with the implementation of CBAM for electricity, particularly its potential impacts on energy prices, market stability, the decarbonisation of the Energy Community and the EU's global competitiveness.

In light of these concerns, we call on the European Commission to revise and further specify the CBAM rules for electricity. In particular, the potential to link market coupling with the CBAM exemption under clearly defined conditions requires further elaboration. Ideally, SDAC and SIDC market coupling should receive full exemption from CBAM application. The implications for ongoing market coupling implementation projects must also be clarified. Given the current sunset clause for the market coupling exemption by 2030, additional long-term regulatory certainty would be appreciated. Finally, a broader reassessment of whether CBAM is appropriate for the electricity sector may be warranted and should be seriously considered.

---

<sup>1</sup> <https://www.argusmedia.com/en/news-and-insights/latest-market-news/2698750-cbam-to-push-renewable-power-export-price-above-lignite>

## About

Europex is a not-for-profit association of European energy exchanges with 37 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

## Contact

Europex – Association of European Energy Exchanges

Address: Rue Archimède 44, 1000 Brussels, Belgium

Phone: +32 2 512 34 10

Website: [www.europex.org](http://www.europex.org)

Email: [secretariat@europex.org](mailto:secretariat@europex.org)

X: @Europex\_energy

EU Transparency Register: 50679663522-75