CBAM IMPACT ON BALKAN POWER MARKETS

Q1 2026 | January – March 2026

Contents

1. INTRODUCTION

The Carbon Border Adjustment Mechanism (CBAM), established under EU Regulation 2023/956, entered its full enforcement phase in January 2026. CBAM was designed to address carbon leakage by imposing a carbon cost on electricity imports from non-EU countries based on their embedded carbon content. For EU importers, this means surrendering CBAM certificates equal to the carbon content of imported electricity, with the certificate price linked to the quarterly EU ETS auction average.

Under this mechanism, EU importers are required to surrender CBAM certificates corresponding to the carbon intensity of imported electricity. The price of these certificates is linked to the quarterly average of the EU Emissions Trading System (EU ETS) auctions.

For the first quarter of 2026, the reference carbon price published by the European Commission was 75,36 €/tCO_2eq Based on default emission values (excluding any domestic carbon pricing adjustments), estimated CBAM costs for electricity imports into the EU are as follows:

- Albania: 0 €/MWh
- Bosnia and Herzegovina: 86,5 €/MWh
- Kosovo*[1]: 74,2 €/MWh
- Montenegro: 73,8 €/MWh
- North Macedonia: 66,8 €/MWh
- Serbia: 78,5 €/MWh

1.1 SCOPE OF THE ANALYSIS

This report analyses electricity market data for January through March 2026, with a focus on the Western Balkans (WB6) region and the EU markets that are directly interconnected with it. The analysis covers day-ahead prices, traded volumes, physical cross-border flows, commercial cross-border flows, and capacity auction clearing prices. Comparisons are made against the equivalent period of 2025 unless stated otherwise.

Markets included:

- WB6: Serbia (RS), North Macedonia (MK), Montenegro (ME), Albania (AL), Kosovo* (XK), Bosnia and Herzegovina (BA)[2]
- EU neighbours: Hungary (HU), Croatia (HR), Bulgaria (BG), Romania (RO), Greece (GR), Italy, IT-Centre-South zone (IT)

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1 This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

2 Bosnia and Herzegovina is not included as a separately monitored market because it does not operate a day-ahead electricity exchange. Its electricity trade is conducted primarily through bilateral arrangements, and no comparable price and volume data is publicly available. Bosnia does however appear in the cross-border flow and capacity auction data as a corridor counterpart.

All prices are in €/MWh. Volumes are in GWh unless stated otherwise. Year-on-year comparisons refer to Q1 2026 versus Q1 2025.

1.2 DATA SOURCES

Market data is sourced from the exchanges trading data and monthly reports. Physical and commercial flow data is sourced from the ENTSO-E Transparency Platform. Capacity auction data is from JAO for EU-related corridors and SEECAO for non-EU corridors.

1.3 ANALYTICAL FOCUS

The report identifies and quantifies market changes that can be associated with the full enforcement of CBAM. The analysis focuses on four areas:

(1) Changes in price formation: how day-ahead prices diverged between EU and non-EU markets and whether the divergence is consistent with the CBAM cost differential
(2) Shifts in cross-border flows: which corridors changed direction, magnitude, or the relationship between physical delivery and formal scheduling
(3) Market behaviour: whether price formation in EU and non-EU markets remained synchronised or showed signs of structural separation from January 2026.
(4) Relative competitiveness: how the cost position of different generation sources and import routes shifted across the region as carbon costs were applied at EU borders, and which markets gained or lost commercial advantage as a result.

1.4 EXTERNAL DRIVERS

CBAM is the central subject of this report, but market outcomes in Q1 2026 were shaped by a combination of factors. The analysis does not assert that CBAM alone caused any specific outcome; it documents the patterns observed and notes where those patterns are consistent with CBAM as a contributing driver.

Hydrological conditions

Hydropower availability was unusually high across the Western Balkans in Q1 2026. Albania, Montenegro, and parts of Greece recorded above-average reservoir levels and run-of-river generation. This contributed to lower marginal costs in hydro dominated markets and increased the commercial value of surplus hydro output. The zero CBAM rate that applies to Albanian hydroelectricity amplified this effect by giving Albanian generation competitive edge in both the domestic and export markets without any carbon cost adjustment.

Regional hydropower output increased by approximately 33% year-on-year, with Greece up around 275% and Bulgaria up around 155% from unusually low 2025 bases. This surplus would under pre-CBAM conditions typically have been absorbed by higher-priced EU markets through cross-border trade. CBAM made that commercially less attractive, so the additional generation remained within Western Balkan markets, pushing non-EU prices further down than hydrology alone would explain.[3]

3 The following paragraph draws on insights from the Energy Community Secretariat CBAM Quarterly report.

Geopolitical and structural factors

The Western Balkans electricity market operates under a mix of bilateral arrangements, Energy Community obligations and emerging market-coupling frameworks. Some corridors do not operate with formal day-ahead scheduling, which affects how physical flows are recorded relative to commercial schedules. Market structure differences of this kind are noted where they affect interpretation of the flow and capacity data.

Seasonal demand patterns and fuel price movements also influenced absolute price levels in Q1 2026. The analysis focuses on year-on-year comparisons of the same quarter to minimise the effect of seasonality, but residual seasonal factors cannot be fully excluded from the observed changes.

2. SERBIA

Serbia is the largest electricity market in the Western Balkans by traded volume and carries the highest default CBAM rate in the dataset at 78,50 €/MWh, reflecting its coal-dominated generation mix. It borders four EU member states directly, making it the primary point of contact between the EU and non-EU WB electricity networks.

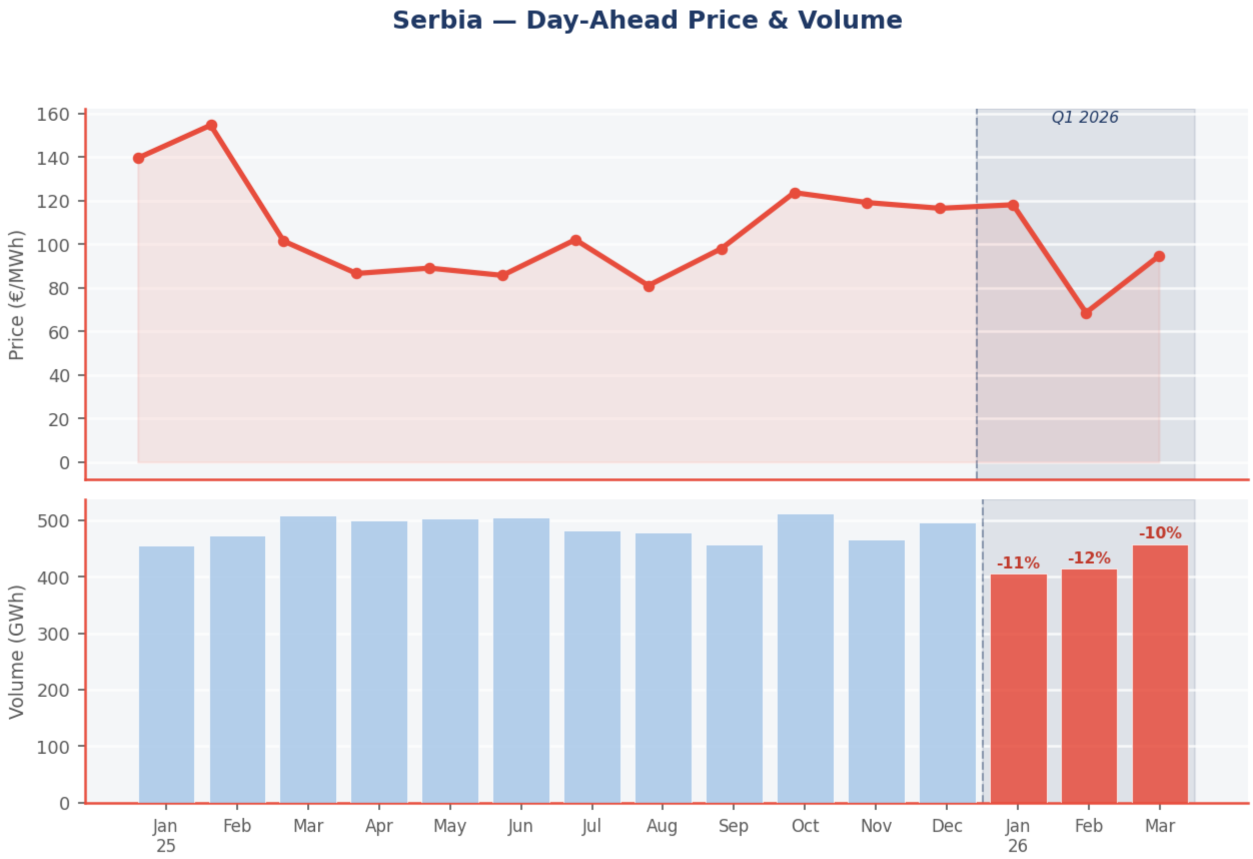


Figure: Serbia — Day-ahead price and monthly volume, Jan 2025–Mar 2026.

2.1 PRICE TRENDS

Serbian day-ahead prices tracked EU market levels closely throughout 2025. January 2026 marked a clear inflection point. The SEEPEX monthly average fell to 118,1 €/MWh in January (down 15,3% year-on-year), then dropped sharply to 68,6 €/MWh in February (down 55,6% against February 2025), before recovering partially to 94,6 €/MWh in March (down 6,8%). Across Q1 2026 as a whole, the average was 93,8 €/MWh, compared with 131,9 €/MWh in Q1 2025, a decline of 28,9%.

Month	2025	2026	YoY Change
January	139,5	118,1	-15,3%
February	154,7	68,6	-55,6%
March	101,5	94,6	-6,8%
Q1 average	131,9	93,8	–28,9%

Table: Serbia — Monthly average day-ahead prices, Q1 2025 vs Q1 2026 (€/MWh).

2.2 VOLUME TRENDS

Despite falling prices, cleared volumes at SEEPEX contracted in Q1 2026. January came in at 405,0 GWh (down 11,1% from 455,8 GWh), February at 414,5 GWh (down 12,4%), and March at 457,9 GWh (down 10,1%). The Q1 total of 1.277,4 GWh was 11,2% below the prior year. This apparent paradox of falling prices alongside falling exchange volumes is explained by the physical flow data: a significant share of electricity entering and leaving Serbia in Q1 2026 was routed outside the formal day-ahead market settlement mechanism, consistent with the broader pattern of physical-commercial divergence documented below.

Month	2025	2026	YoY Change
January	455,8	405,0	-11,1%
February	473,1	414,5	-12,4%
March	509,3	457,9	-10,1%
Q1 total	1.438,2	1.277,4	–11,2%

Table: Serbia — Monthly cleared volumes, Q1 2025 vs Q1 2026 (GWh).

2.3 PHYSICAL FLOWS

The physical flow data reveals Serbia's transformation from a regional price-setter and exporter into a redistribution corridor in Q1 2026. On its EU borders, the direction of net flow reversed on the Croatia and Hungary corridors, with Serbia becoming a net exporter toward both markets. On its non-EU borders, Serbia became a substantial net importer from Montenegro, North Macedonia, and Kosovo* simultaneously, all three markets sending electricity into Serbia at prices well below EU levels.

Croatia shifted from a net importer from Serbia in Q1 2025 to a net exporter: flows from Serbia into Croatia averaged 89 to 185 GWh per month across Q1 2026. Hungary similarly shifted, with Serbia sending 127 GWh to 246 GWh toward Budapest. Romania's corridor showed Serbia exporting up to 237 GWh in February. Bulgaria was the exception among EU neighbours, remaining a net physical supplier into Serbia throughout.

On the non-EU side, Montenegro exported 104 GWh to 151 GWh into Serbia each month, Kosovo* exported 110 GWh to 257 GWh, and North Macedonia contributed 104 GWh to 144 GWh. These are the energy flows of a hub market absorbing surplus hydro-origin electricity from the south and passing it northward into the EU.

2.3.1 EU Member State Borders

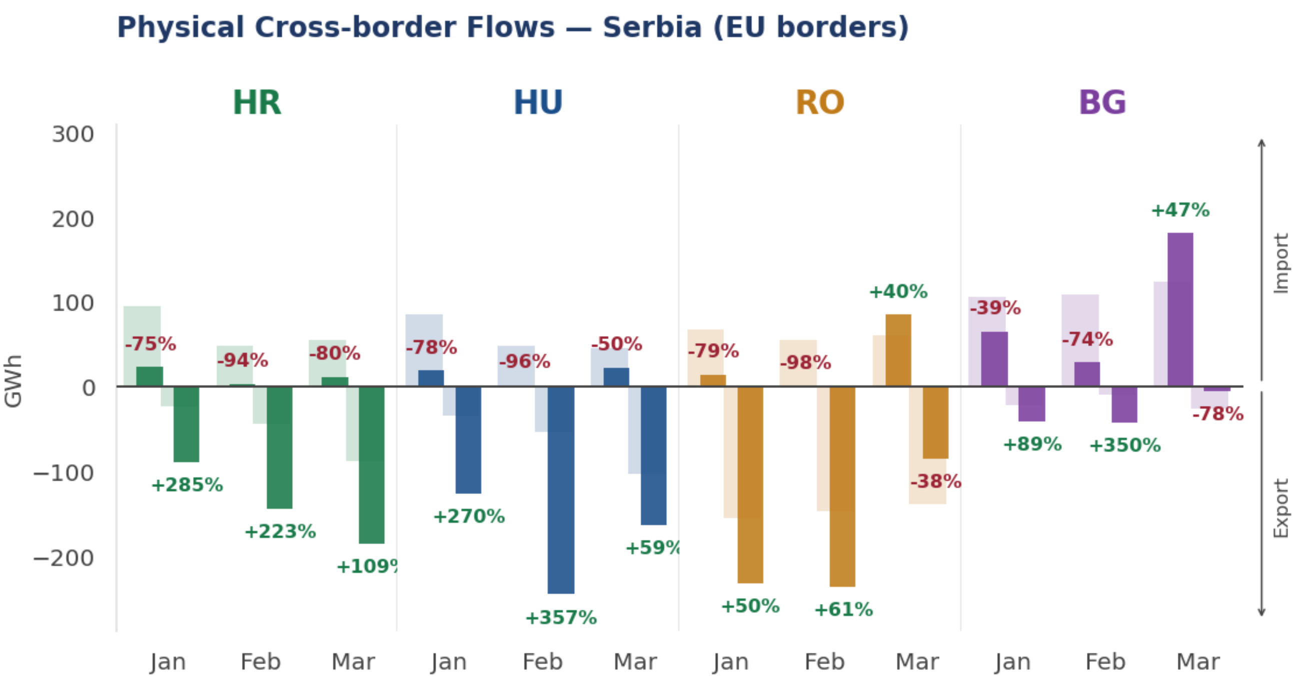


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
HR→RS	95,1	23,4	-75%	48,2	2,9	-94%	54,2	11,1	-80%
RS→HR	23,2	89,4	285%	44,6	144,2	223%	88,5	185,3	109%
HU→RS	84,5	18,3	-78%	48,2	1,7	-96%	44,5	22,2	-50%
RS→HU	34,3	127,0	270%	53,8	245,7	357%	103,6	164,4	59%
RO→RS	66,4	13,9	-79%	54,5	1,3	-98%	60,0	84,3	41%
RS→RO	155,5	232,6	50%	147,2	237,3	61%	138,7	85,4	-38%
BG→RS	105,3	64,7	-39%	108,2	28,6	-74%	123,2	180,6	47%
RS→BG	21,8	41,1	89%	9,6	43,2	350%	26,9	5,9	-78%

Table: Serbia — Physical flows on EU borders (GWh).

2.3.2 WB6 Borders

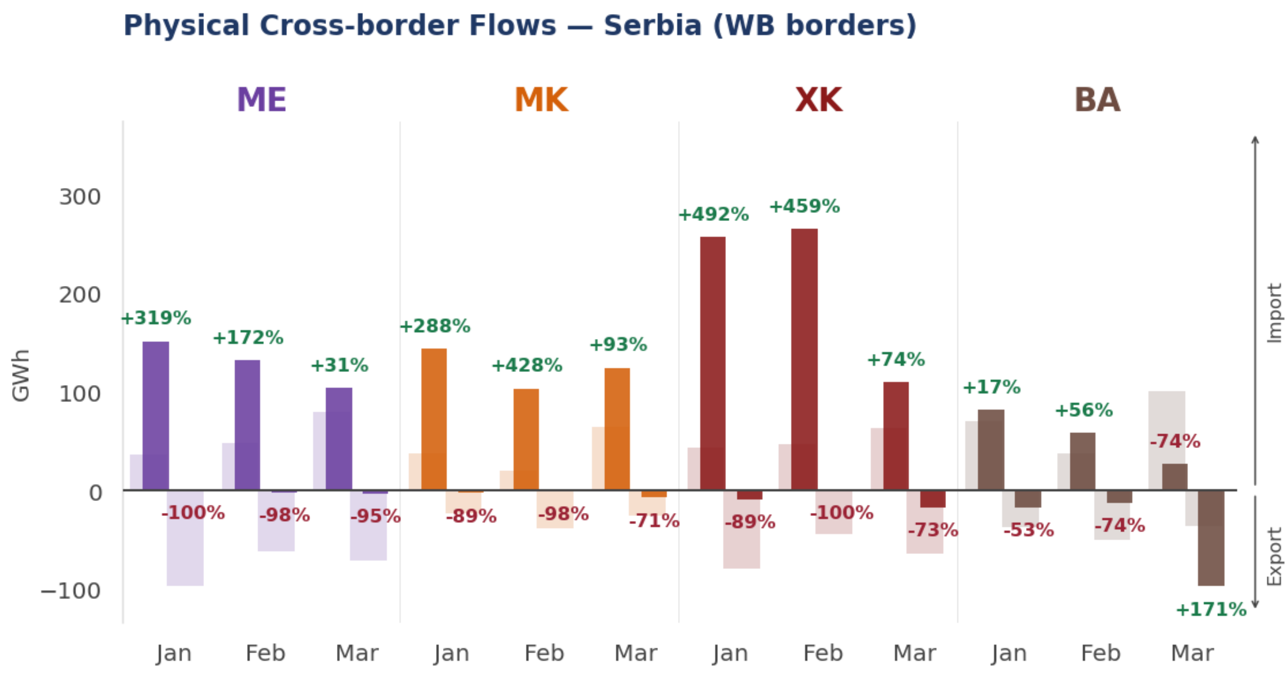


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
ME→RS	36,1	151,4	319%	48,6	132,1	172%	79,1	103,9	31%
RS→ME	96,9	0,1	-100%	61,2	1,5	-98%	71,0	3,3	-95%
MK→RS	37,1	143,9	288%	19,6	103,5	428%	64,5	124,4	93%
RS→MK	22,9	2,6	-89%	37,8	0,9	-98%	24,9	7,3	-71%
XK*→RS	43,4	256,8	492%	47,4	264,8	459%	63,2	111,1	74%
RS→XK*	79,2	8,6	-89%	44,6	0	-100%	64,0	17	-73%
BA→RS	70,1	81,8	17%	37,6	58,8	56%	101,2	26,6	-74%
RS→BA	37	17,3	-53%	49,7	12,9	-74%	35,9	97,2	171%

Table: Serbia — Physical flows on non-EU borders (GWh).

2.4 COMMERCIAL FLOWS

Formally scheduled commercial flows on EU corridors fell sharply despite rising physical delivery. Croatia's scheduled imports from Serbia dropped 45% in January and 69% in February. Hungary's fell 77% in January and 89% in February. Romania's declined 68% in January. This means that large volumes of electricity physically crossed Serbia's EU borders without corresponding commercial schedules, a pattern concentrated precisely on the corridors where CBAM documentation obligations arise. On Serbia's non-EU borders, commercial schedules and physical flows moved in the same direction and were broadly aligned.

2.4.1 EU Member State Borders

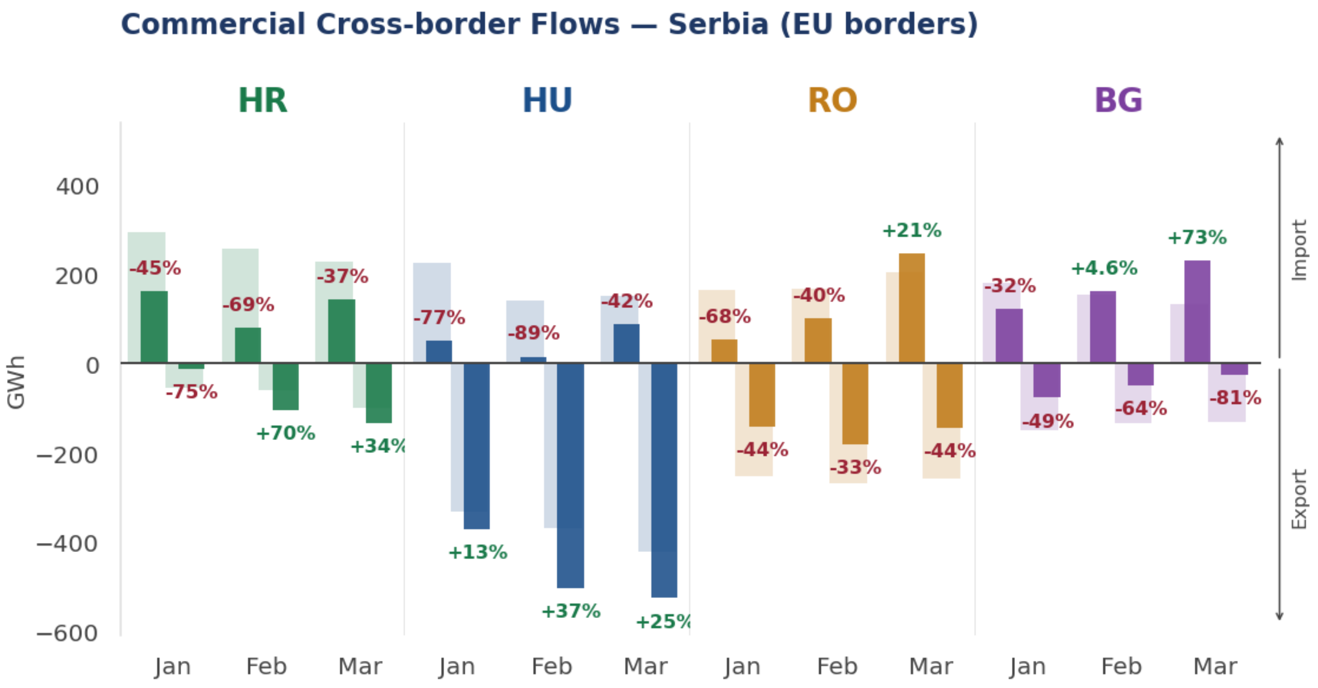


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026.

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
HR→RS	292,7	161,5	-45%	257,2	79,8	-69%	227,4	143	-37%
RS→HR	53,2	13,2	-75%	61	103,9	70%	99,7	134	34%
HU→RS	225,2	51,8	-77%	140,7	15,1	-89%	151,1	87,2	-42%
RS→HU	330,5	371,9	13%	368,4	503,4	37%	420,1	525,1	25%
RO→RS	164,4	52,9	-68%	166,3	100,3	-40%	203,6	245,8	21%
RS→RO	253,3	141,2	-44%	269,2	181,6	-33%	256,6	143,7	-44%
BG→RS	181,2	122,9	-32%	154,4	161,5	5%	133,3	230,9	73%
RS→BG	149	76,7	-49%	134,7	48,6	-64%	131,1	25,2	-81%

Table: Commercial schedules on EU borders (GWh).

2.4.2 WB6 Borders

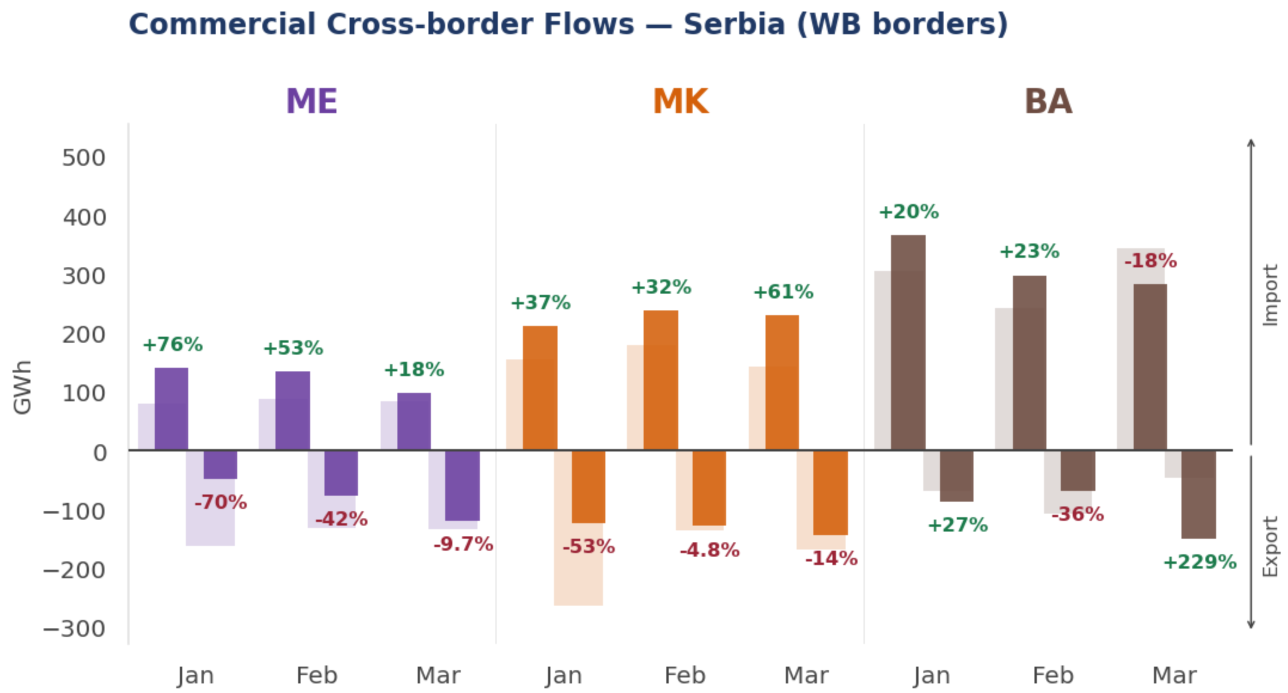


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
ME→RS	79,7	140	76%	87,4	134	53%	82,7	97,3	18%
RS→ME	161,3	47,8	-70%	132	76,2	-42%	133,3	120,4	-10%
MK→RS	154,2	211,6	37%	179,9	237,8	32%	143,1	230,2	61%
RS→MK	264,9	124,1	-53%	135,2	128,7	-5%	167,8	144,1	-14%
BA→RS	305,6	365,2	20%	242,3	297,6	23%	343,7	282,8	-18%
RS→BA	68,6	87	27%	108,1	68,8	-36%	45,5	149,8	229%

Table: Commercial schedules on non-EU borders (GWh).

2.5 CAPACITY AUCTIONS

Capacity auction clearing prices reflected the structural change in trade direction. The Croatia import corridor (HR→RS) averaged 4,97 €/MW in Q1 2025 and fell to 2,21 €/MW in Q1 2026, reaching its lowest at 1,01 €/MW in March as the Croatian price premium over Serbia essentially disappeared. The Hungary import corridor (HU→RS) fell from 2,24 €/MW to 0,50 €/MW. Romania's import corridor (RO→RS) collapsed to near zero at 0,05 €/MW on average. Conversely, the reverse corridors, in particular RS→HU, saw strong demand: the March clearing price reached 5,27 €/MW, the highest in that direction since the dataset began.

Four new WB6 corridors appeared for the first time in Q1 2026. Montenegro into Serbia (ME→RS) averaged 6,52 €/MW and peaked at 8,55 €/MW in February, the highest clearing price of any new corridor. North Macedonia into Serbia

(MK→RS) averaged 2,28 €/MW. The reverse directions, RS→ME and RS→MK, cleared at 2,05 and 0,58 €/MW respectively.

2.5.1 EU Member State Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
HR→RS	6,97	3,60	4,82	2,03	3,13	1,01	4,97	2,21	-55,5%
RS→HR	0,88	0,48	0,75	0,51	0,55	1,75	0,73	0,91	+25,7%
HU→RS	3,30	0,81	2,11	0,35	1,31	0,33	2,24	0,50	-77,8%
RS→HU	2,88	1,42	2,90	1,43	3,11	5,27	2,96	2,71	-8,7%
RO→RS	0,43	0,09	0,21	0,03	0,10	0,03	0,25	0,05	-79,7%
RS→RO	0,57	0,13	0,22	0,03	0,16	0,07	0,32	0,08	-75,8%
BG→RS	1,71	0,90	2,10	0,61	2,03	2,42	1,95	1,31	-32,7%
RS→BG	1,68	0,61	1,26	0,43	0,80	0,53	1,25	0,52	-58,0%

Table: Capacity auction clearing prices on EU corridors (€/MW).

2.5.2 WB6 Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
ME→RS	—	4,90	—	8,55	—	6,10	—	6,52	—
RS→ME	—	1,88	—	1,75	—	2,51	—	2,05	—
MK→RS	—	1,70	—	2,40	—	2,75	—	2,28	—
RS→MK	—	0,63	—	0,44	—	0,66	—	0,58	—

Table: Capacity auction clearing prices on WB6 corridors (€/MW).

2.6 FINDINGS

(1) Day-ahead prices fell 28,9% to an average of 93,8 €/MWh in Q1 2026.

(2) Volumes contracted 11,2% despite a substantial increase in physical throughput, reflecting off-exchange routing.

(3) Physical flows reversed on Croatia and Hungary corridors: Serbia became a net exporter toward both EU markets.

(4) From Montenegro, North Macedonia, and Kosovo*, Serbia absorbed large volumes of low-price hydroelectric surplus.

(5) Formally scheduled commercial flows on EU borders fell sharply while physical delivery surged, concentrated on CBAM-regulated corridors.

(6) Four new WB6 capacity corridors appeared, with ME→RS peaking at 8,55 €/MW in February.

2.7 CONCLUSION

Serbia in Q1 2026 operated as a redistribution node rather than as a self-sufficient price-setting market. It absorbed low-price hydroelectric surplus from its WB6 neighbours and directed that energy northward into EU markets at prices that, even after the CBAM cost is applied by EU importers, were commercially viable. The divergence between physical flows and commercial schedules on its EU borders remains the most analytically significant finding: it is systematic, corridor-specific, and absent from Q1 2025.

3. NORTH MACEDONIA

North Macedonia operates a relatively small day-ahead market with a generation mix that includes coal, hydro, and growing renewables. It borders EU member states Greece and Bulgaria, and Serbia and Kosovo* within the WB6 network. Its default CBAM rate of 66,80 €/MWh is the lowest among coal-dependent WB6 markets.

North Macedonia — Day-Ahead Price & Volume

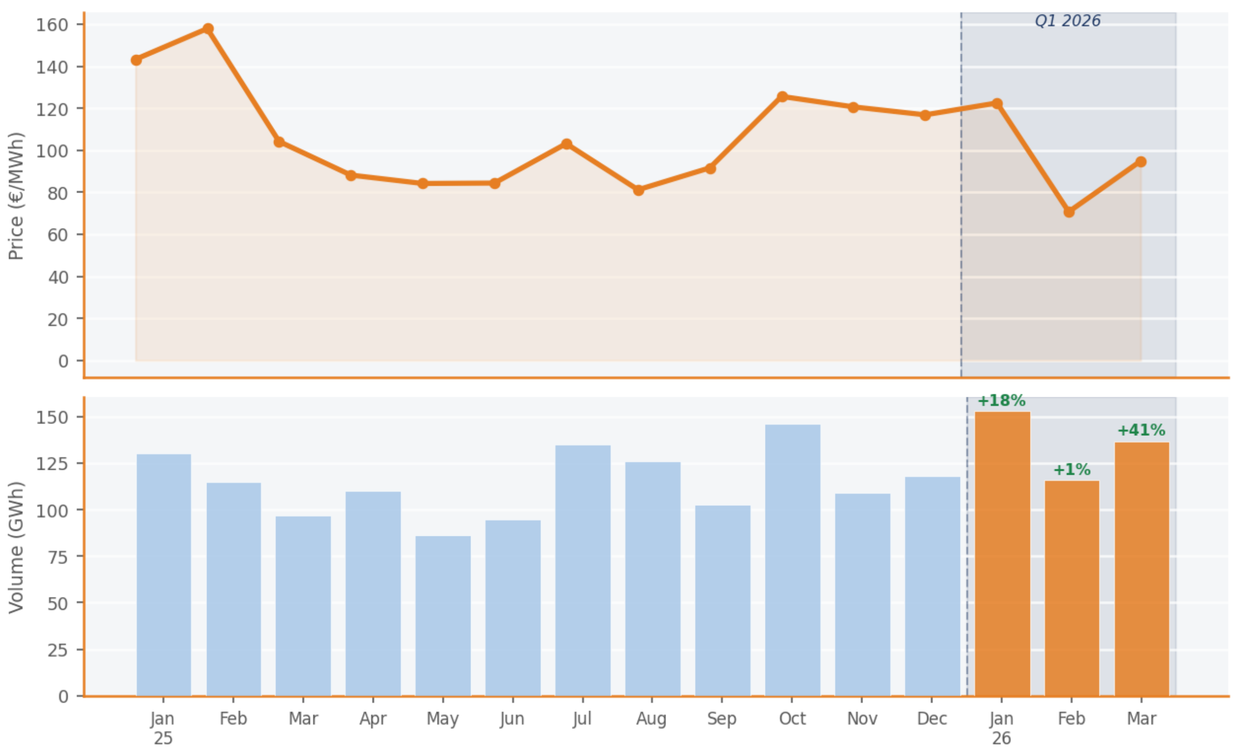


Figure: Day-ahead price and monthly volume, Jan 2025–Mar 2026.

3.1 PRICE TRENDS

Macedonian prices moved in close parallel with Serbian levels throughout Q1 2026. January averaged 122,5 €/MWh (down 14,5% year-on-year), February collapsed to 70,8 €/MWh (down 55,2%), and March recovered to 94,9 €/MWh (down 9,0%). The Q1 average was 96,1 €/MWh against 135,2 €/MWh in Q1 2025, a decline of 28,9%.

Month	2025	2026	YoY Change
January	143,3	122,5	-14,5%
February	157,9	70,8	-55,2%
March	104,2	94,9	-9,0%
Q1 average	135,2	96,1	−28,9%

Table: Monthly average day-ahead prices, Q1 2025 vs Q1 2026 (€/MWh).

3.2 VOLUME TRENDS

In contrast to Serbia, North Macedonia's exchange volumes grew in Q1 2026. January rose to 153,0 GWh (up 17,6%), February to 115,8 GWh (up 1,0%), and March to 136,9 GWh (up 41,0%). The Q1 total was 405,7 GWh, up 18,6% from 342,0 GWh a year earlier. The market is clearing more volume at lower prices, consistent with the arrival of large import flows from Greece and the broader regional redistribution dynamic.

Month	2025	2026	YoY Change
January	130,2	153,0	+17,6%
February	114,7	115,8	+1,0%
March	97,1	136,9	+41,0%
Q1 total	342,0	405,7	+18,6%

Table: Monthly cleared volumes, Q1 2025 vs Q1 2026 (GWh).

3.3 PHYSICAL FLOWS

The dominant physical flow change in Q1 2026 was the dramatic surge in Greek imports. Physical flows from Greece into North Macedonia rose from 231 GWh, 222 GWh, and 129 GWh in Q1 2025 to 495 GWh, 333 GWh, and 343 GWh respectively. Greece, which recorded exceptional hydro output in Q1 2026, effectively replaced Bulgaria as North Macedonia's primary physical supplier. Bulgarian physical flows into North Macedonia fell from 86 GWh, 51 GWh, and 92 GWh to just 9 GWh, 3 GWh, and 48 GWh Reflecting its position as a receiving market for the region's southward redistribution, North Macedonia also received growing volumes from Serbia via the MK→RS corridor reversing: Serbia sent 144, 104, and 124 GWh into Macedonia in the three months of Q1 2026, compared with 37, 20, and 65 GWh a year earlier. Kosovo's* physical flows into North Macedonia declined.

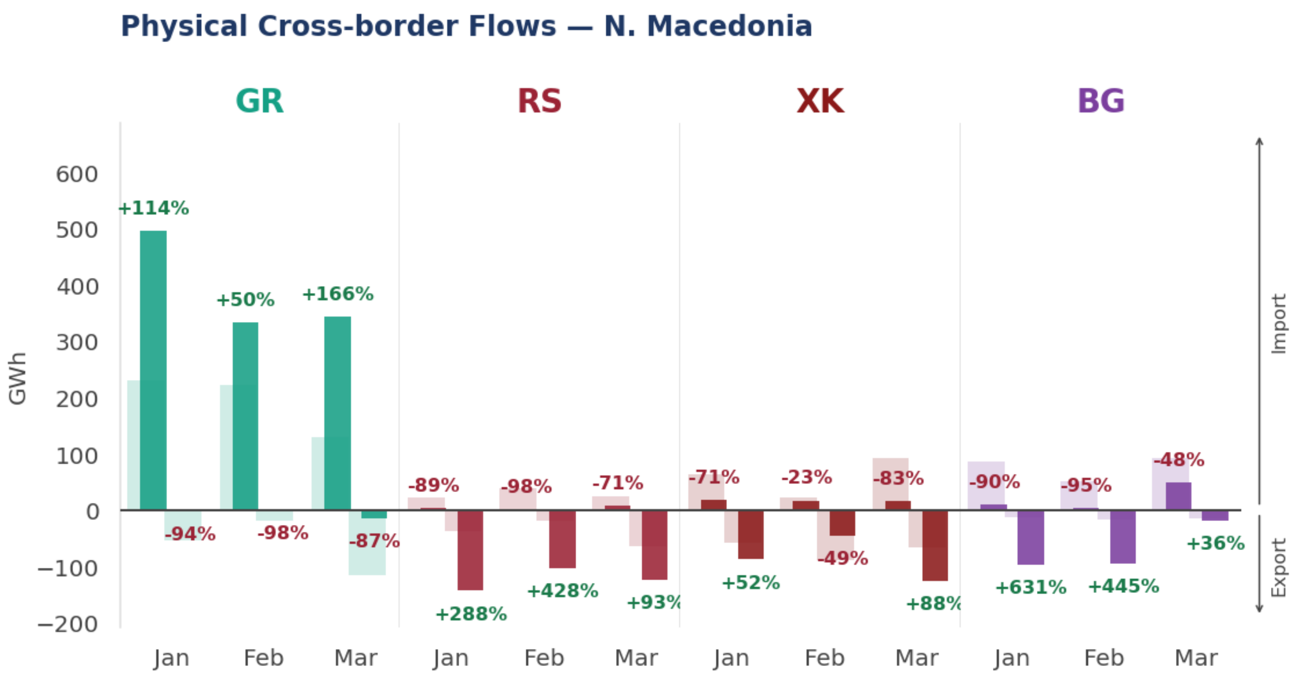


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

3.3.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
GR→MK	230,9	495,1	114%	221,9	332,7	50%	129,0	342,7	166%
MK→GR	53,4	3,2	-94%	18,3	0,4	-98%	115,3	14,8	-87%
BG→MK	85,7	8,7	-90%	50,5	2,5	-95%	92,3	48,2	-48%
MK→BG	13,4	97,9	631%	17,4	94,8	445%	14,3	19,5	36%

Table: Physical flows on EU borders (GWh).

3.3.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
RS→MK	22,9	2,6	-89%	37,8	0,9	-98%	24,9	7,3	-71%
MK→RS	37,1	143,9	288%	19,6	103,5	428%	64,5	124,4	93%
XK*→MK	62,2	18,1	-71%	21,3	16,4	-23%	92,7	15,7	-83%
MK→XK*	58,2	88,2	52%	90,1	46,0	-49%	67,5	126,7	88%

Table: Physical flows on non-EU borders (GWh).

3.4 COMMERCIAL FLOWS

Commercial schedules on the Greece corridor increased substantially, rising from 228 GWh, 218 GWh, and 181 GWh in Q1 2025 to 339 GWh, 291 GWh, and 264 GWh in Q1 2026. The reverse, MK toward Greece, collapsed to near zero, consistent with the physical data. Bulgarian commercial flows into North Macedonia fell by over 80%, mirroring the collapse in physical supply. Serbia's commercial position toward North Macedonia increased, consistent with the new transit pattern. Kosovo's* commercial schedules into North Macedonia tripled, from 50 GWh, 42 GWh, and 47 GWh to 150 GWh, 144 GWh, and 128 GWh.

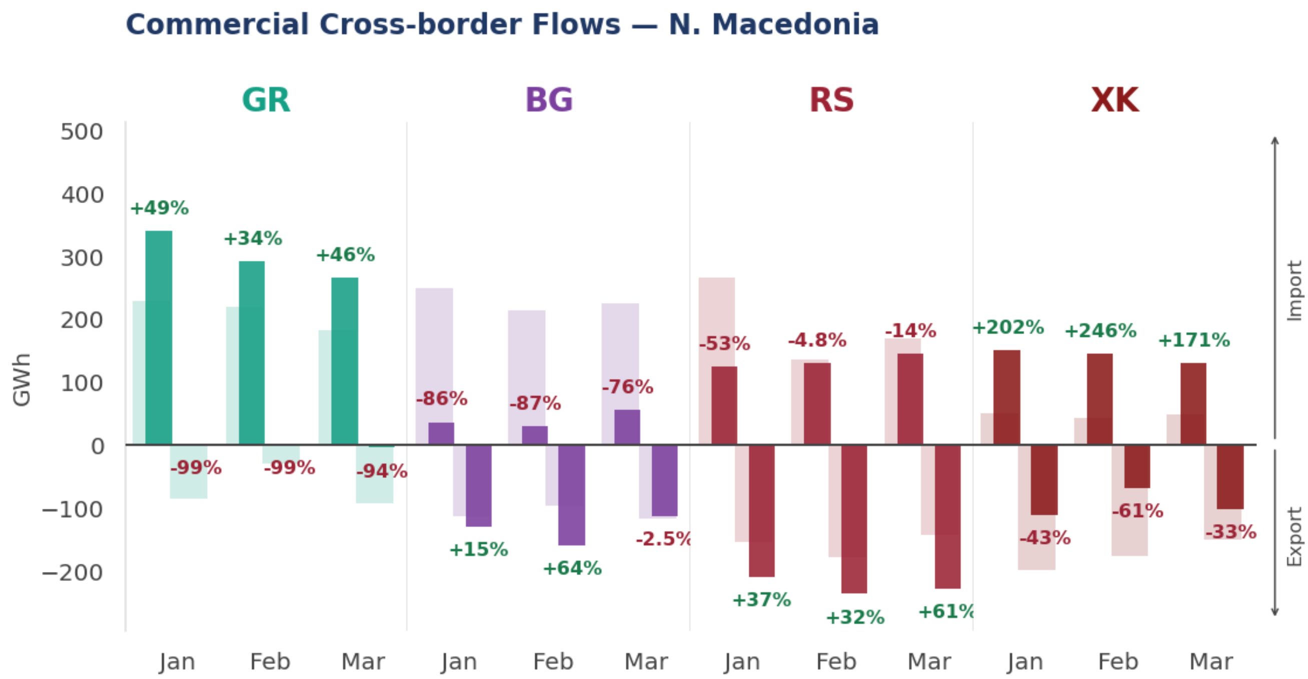


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026

3.4.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
GR→MK	227,7	338,5	49%	217,9	291,4	34%	180,9	264,1	46%
MK→GR	86,8	1	-99%	31,5	0,3	-99%	92,9	5,4	-94%
BG→MK	248,2	35,2	-86%	213,6	28,1	-87%	224,9	54,9	-76%
MK→BG	114,3	131,1	15%	97,4	160	64%	117,7	114,8	-3%

Table: Commercial schedules on EU borders (GWh).

3.4.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
RS→MK	264,9	124,1	-53%	135,2	128,7	-5%	167,8	144,1	-14%
MK→RS	154,2	211,6	37%	179,9	237,8	32%	143,1	230,2	61%
XK*→MK	49,7	150,1	202%	41,6	144,1	246%	47,3	128,4	171%
MK→XK*	199	113	-43%	177,1	69,7	-61%	151,8	102,4	-33%

Table: North Commercial schedules on WB6 borders (GWh).

3.5 CAPACITY AUCTIONS

The Greece into North Macedonia corridor (GR→MK) averaged 4,61 €/MW in Q1 2025 and rose to 7,67 €/MW in Q1 2026, peaking at 10,10 €/MW in February. This is the largest percentage increase among all established WB6 corridors in the dataset and reflects strong commercial pressure for Greece-to-Macedonia capacity driven by the Greek hydro surplus. The reverse corridor (MK→GR) fell from 1,72 €/MW to near-zero at 0,05 €/MW. New JAO corridors BG→MK and MK→BG appeared in Q1 2026 for the first time, clearing at 0,58 and 1,11 €/MW respectively. New WB6 corridors RS→MK and MK→RS also appeared: RS→MK cleared at 0,58 €/MW and MK→RS at 2,28 €/MW.

3.5.1 EU Member State Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
GR→MK	5,03	3,66	5,40	10,10	3,40	9,25	4,61	7,67	+66,4%
MK→GR	2,11	0,00	1,25	0,10	1,80	0,05	1,72	0,05	-97,1%
BG→MK	—	0,77	—	0,40	—	0,58	—	0,58	—
MK→BG	—	0,66	—	1,16	—	1,50	—	1,11	—

Table: North Macedonia — Capacity auction clearing prices on EU corridors (€/MW).

3.5.2 WB6 Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
RS→MK	—	0,63	—	0,44	—	0,66	—	0,58	—
MK→RS	—	1,70	—	2,40	—	2,75	—	2,28	—
XK*→MK	0,18	0,35	0,22	2,20	0,31	1,95	0,24	1,50	+533,8%
MK→XK*	1,92	2,01	4,00	3,07	2,99	1,31	2,97	2,13	-28,3%

Table: North Macedonia — Capacity auction clearing prices on WB6 corridors (€/MW).

3.6 FINDINGS

(1) Prices fell 28,9% to an average of 96,1 €/MWh in Q1 2026.

(2) Volumes grew 18,6% to 405,7 GWh, driven by import-led market clearing.

(3) Physical imports from Greece rose from 581 GWh in Q1 2025 to 1.171 GWh in Q1 2026, a 101% increase.

(4) The GR→MK capacity corridor rose 66,4% to 7,67 €/MW, the largest percentage gain among established corridors.

(5) Four new corridors appeared in Q1 2026 with no Q1 2025 precedent: BG→MK, MK→BG, RS→MK, MK→RS.

3.7 CONCLUSION

North Macedonia's Q1 2026 results are dominated by the shift in its supply structure. Greek hydroelectric surplus replaced Bulgarian coal-fired electricity as the primary source of imports, and the capacity auction clearing prices confirm that market participants priced this shift in. Volume growth alongside falling prices reflects the arrival of low-cost imports rather than domestic demand expansion.

4. MONTENEGRO

Montenegro has a predominantly hydroelectric generation base, which gives it a structurally lower carbon intensity than its neighbours. Its default CBAM rate of 73,80 €/MWh reflects the presence of the Pljevlja coal plant in its generation mix. It is the only WB6 market with a direct HVDC connection to the EU, through the Montenegro-Italy cable, and it borders Serbia, Albania, Bosnia, and Kosovo* in the non-EU network.

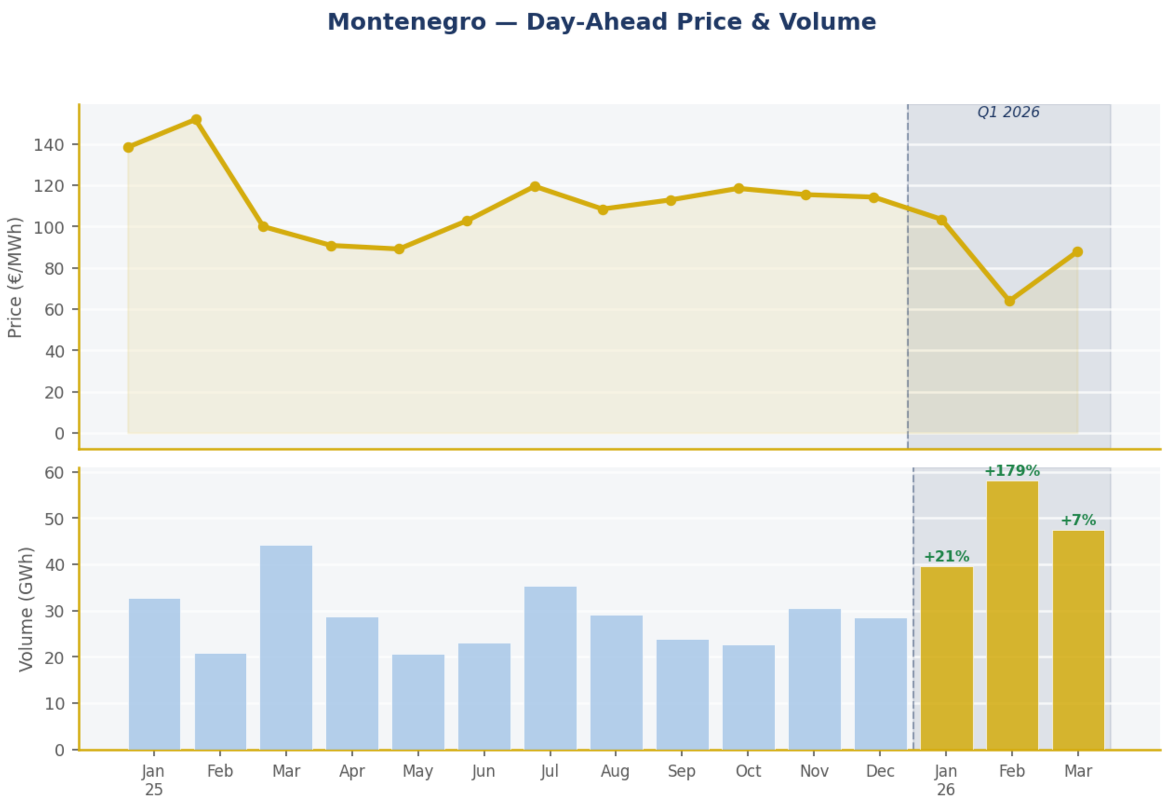


Figure: Day-ahead price and monthly volume, Jan 2025–Mar 2026.

4.1 PRICE TRENDS

Montenegro recorded the largest price decline among the directly monitored non-EU markets. The MEPX monthly average was 103,5 €/MWh in January 2026 (down 25,2% year-on-year), then plunged to 63,9 €/MWh in February (down 57,9%), the lowest monthly average in the dataset across any market in Q1 2026. March recovered to 87,8 €/MWh (down 12,2%). The Q1 average was 85,1 €/MWh, down 34,6% from 130,1 €/MWh in Q1 2025.

Month	2025	2026	YoY Change
January	138,4	103,5	-25,2%
February	151,8	63,9	-57,9%
March	99,9	87,8	-12,2%
Q1 average	130,1	85,1	−34,6%

Table: Montenegro — Monthly average day-ahead prices, Q1 2025 vs Q1 2026 (€/MWh).

4.2 VOLUME TRENDS

MEPX volumes grew substantially despite the price collapse. January reached 39,6 GWh (up 21,1% from 32,7 GWh), February surged to 58,1 GWh (up 180,0% from 20,8 GWh, the strongest monthly percentage increase in the WB6 dataset), and March reached 47,4 GWh (up 7,1%). The Q1 total was 145,1 GWh, up 48,4% from 97,8 GWh in Q1 2025. The February surge coincides with the period of lowest prices and the largest physical inflows from Albania.

Month	2025	2026	YoY Change
January	32,7	39,6	+21,1%
February	20,8	58,1	+180,0%
March	44,3	47,4	+7,1%
Q1 total	97,8	145,1	+48,4%

Table: Montenegro — Monthly cleared volumes, Q1 2025 vs Q1 2026 (GWh).

4.3 PHYSICAL FLOWS

The transformation of Montenegro's physical flow pattern in Q1 2026 reflects both its role as a conduit for Albanian hydroelectric surplus and its reversal on the Serbia corridor. Albania became the dominant physical supplier, delivering 176 GWh, 202 GWh, and 254 GWh into Montenegro across the three months, up from 56 GWh, 89 GWh, and 75 GWh in Q1 2025. In the opposite direction, Montenegro's own exports toward Albania fell to zero in all three months.

Montenegro's net position toward Serbia reversed completely. In Q1 2025, Serbia sent around 97 GWh, 61 GWh, and 71 GWh into Montenegro. In Q1 2026, those flows collapsed to near zero (0,1 GWh, 1,6 GWh, and 3,3 GWh), while Montenegro exported 151 GWh, 132 GWh, and 104 GWh back toward Serbia. This reversal coincides with the emergence of the new ME→RS capacity corridor.

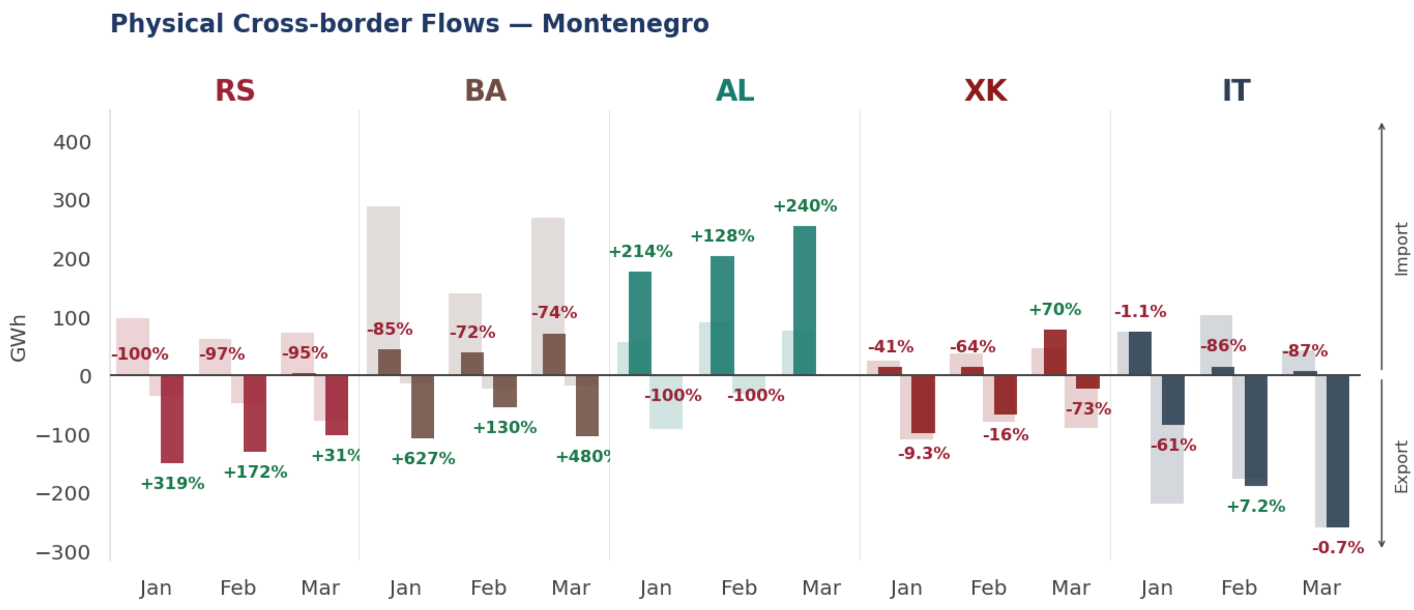


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

Bosnia's physical exports into Montenegro fell sharply from 287 GWh, 139 GWh, and 269 GWh to 44 GWh, 38 GWh, and 71 GWh. Italian physical flows on the HVDC cable remained broadly stable in January but fell in February and March, with Montenegro exporting 85 GWh, 190 GWh, and 260 GWh toward Italy and Italy sending 73 GWh, 14 GWh, and 6 GWh in the other direction.

4.3.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
IT→ME	74	73,2	-1,1%	101,3	14,3	-85,9%	41,6	5,6	-87%
ME→IT	219,1	85	-61,2%	177,4	190,1	7,2%	261,5	259,8	-1%

Table: Physical flows on EU borders (GWh).

4.3.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
RS→ME	96,9	0,1	-99,9%	61,2	1,6	-97,4%	71,0	3,3	-95%
ME→RS	36,1	151,4	319,4%	48,6	132,1	171,8%	79,1	103,9	31%
BA→ME	287	43,8	-84,7%	138,5	38,2	-72,4%	268,9	70,9	-74%
ME→BA	15,0	109,1	627,3%	23,7	54,6	130,4%	18,1	104,9	480%
AL→ME	56	176,1	214,5%	88,8	202,4	127,9%	74,7	254,2	240%
ME→AL	92,3	0,0	-100,0%	32,3	0	-100,0%	0	0	_

XK*→ME	23,8	14	-41,2%	36,2	13,1	-63,8%	45,2	76,7	70%
ME→IT	219,1	85	-61,2%	177,4	190,1	7,2%	261,5	259,8	-1%

Table: Physical flows on non-EU borders (GWh).

4.4 COMMERCIAL FLOWS

Commercial schedules on the Serbia corridor moved broadly in line with physical flows, with Montenegro's schedules toward Serbia rising from 80 GWh, 87 GWh, and 83 GWh to 140 GWh, 134 GWh, and 97 GWh. Serbia's scheduled imports from Montenegro declined from 161 GWh, 132 GWh, and 133 GWh to 48 GWh, 76 GWh, and 120 GWh, consistent with the physical reversal. Albania's commercial schedules into Montenegro remained robust, rising from 89 GWh, 72 GWh, and 91 GWh to 132 GWh, 142 GWh, and 143 GWh. On the Italy cable, commercial schedules for Montenegro exports fell substantially: from 275 GWh, 228 GWh, and 319 GWh to 125 GWh, 212 GWh, and 290 GWh, a reduction consistent with the narrowing of the commercial arbitrage opportunity once CBAM costs are applied.

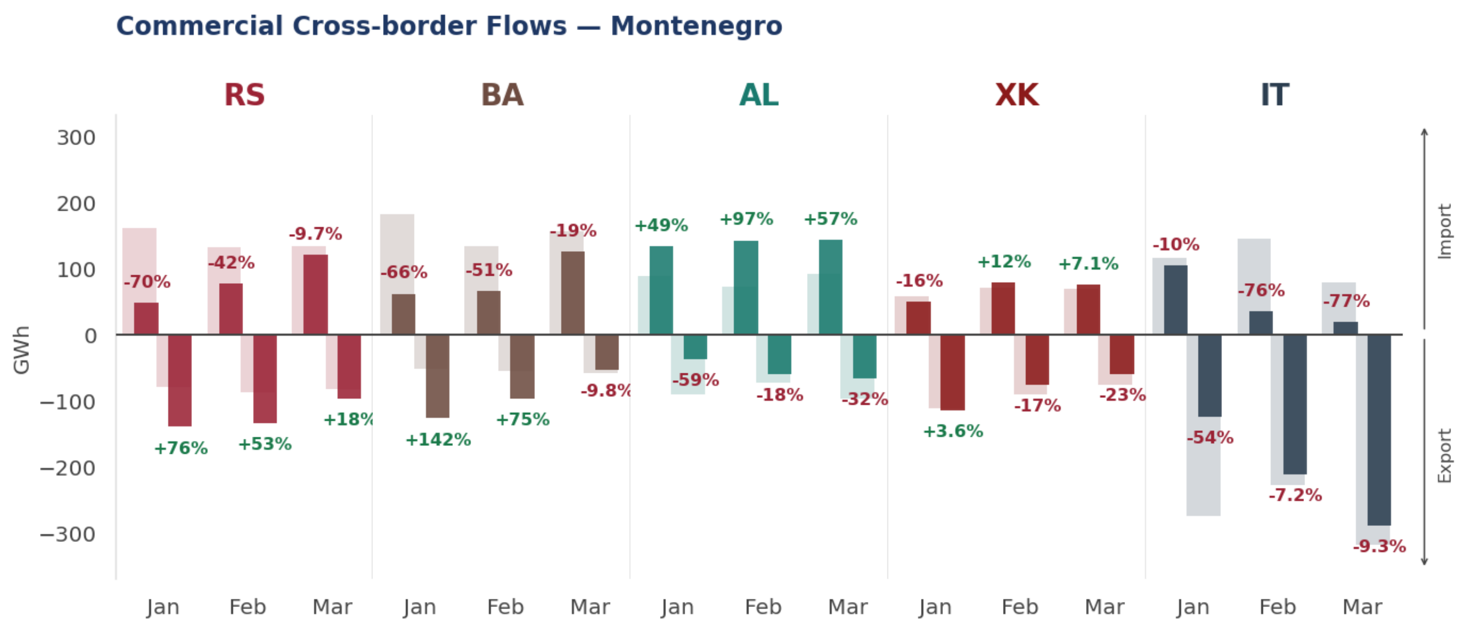


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026

4.4.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
IT→ME	115,8	104	-10,2%	145,1	34,2	-76,4%	78,9	17,9	-77%
ME→IT	274,9	125,4	-54,4%	227,9	211,6	-7,2%	319,1	289,5	-9,3%

4.4.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
RS→ME	161,3	47,8	-70,4%	132,0	76,2	-42,3%	133,3	120,4	-10%
ME→RS	79,7	140	75,7%	87,4	134,1	53,4%	82,7	97,3	18%
BA→ME	180,9	61,3	-66,1%	133,5	64,8	-51,5%	155,2	125	-19%
ME→BA	52,5	127,2	142,3%	55,8	97,8	75,3%	59,3	53,5	-9,8%
AL→ME	88,6	132,4	49,4%	71,9	141,9	97,4%	90,6	142,5	57%
ME→AL	91,3	37,4	-59,0%	73,5	60,4	-17,8%	97,6	66	-32%

Table: Commercial schedules on WB6 borders (GWh).

4.5 CAPACITY AUCTIONS

The Montenegro-Italy HVDC cable is the most commercially significant corridor in the dataset because it is the only direct physical link between the non-EU WB6 network and the EU. In Q1 2025, ME→IT cleared at an average of 9,56 €/MW (including the inflated annual auction price of 11,88 €/MW for 2025). In Q1 2026, monthly JAO clearing prices for ME→IT were 1,72 €/MWh, 0,55 €/MWh, and 3,55 €/MW, averaging 1,94 €/MW. The collapse is stark: the ME–IT day-ahead price spread averaged 44,7 €/MWh across Q1 2026, ranging from 28,6 €/MWh in January to 55,9 €/MWh in March — while the 73,78 €/MWh CBAM cost on Montenegrin electricity exceeded the full spread in every month, eliminating the commercial case for exporting on the cable. New corridors ME→RS and RS→ME appeared in Q1 2026, reflecting the new Serbia relationship.

4.5.1 EU Member State Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
IT→ME	—	3,55	—	2,88	—	0,48	—	2,30	—
ME→IT	—	1,72	—	0,55	—	3,55	—	1,94	—

Table: Capacity auction clearing prices on EU corridors (€/MW).

4.5.2 WB6 Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
BA→ME	3,45	1,65	3,39	1,24	4,79	1,99	3,88	1,63	-58,5%
ME→BA	4,11	1,10	2,53	4,01	0,72	1,46	2,45	2,19	-11,3%
AL→ME	0,00	0,00	0,00	0,00	2,16	0,00	0,72	0,00	-100,0%
ME→AL	0,00	0,50	0,00	1,03	1,89	0,62	0,63	0,72	+13,8%

XK*→ME	0,43	0,37	0,31	0,45	0,66	0,36	0,47	0,39	-15,7%
ME→XK*	6,36	2,83	5,76	4,00	3,00	1,95	5,04	2,93	-41,9%
ME→RS	—	4,90	—	8,55	—	6,10	—	6,52	—
RS→ME	—	1,88	—	1,75	—	2,51	—	2,05	—

Table: Montenegro — Capacity auction clearing prices on WB6 corridors (€/MW).

4.6 FINDINGS

(1) Montenegro recorded the largest price decline at 34,6%, with February price the lowest at 63,9 €/MWh.

(2) Volumes grew 48,4% to 145,1 GWh, driven by Albanian hydroelectric inflows.

(3) Albania replaced all other suppliers as Montenegro's dominant physical source.

(4) Serbia corridor reversed: Montenegro became a net exporter into Serbia rather than a receiver.

4.7 CONCLUSION

Montenegro's Q1 2026 dynamics were shaped primarily by forces external to the market itself. Albanian hydropower arrived in large volumes, Serbian demand for Montenegrin electricity surged, and the Italy cable became commercially unattractive for exports once CBAM costs are factored in. The market cleared more electricity at much lower prices, with volume growth driven by redistribution rather than by domestic consumption. Montenegro's position in the regional system shifted materially during the quarter.

5. ALBANIA

Albania generates almost exclusively from hydropower, which results in a default CBAM rate of zero. It is the only market in the Western Balkans that faces no carbon cost adjustment on electricity exports to the EU. Market liquidity is relatively low in absolute terms, but Albania's generation profile gives it a structural commercial advantage under CBAM that is unique in the region.

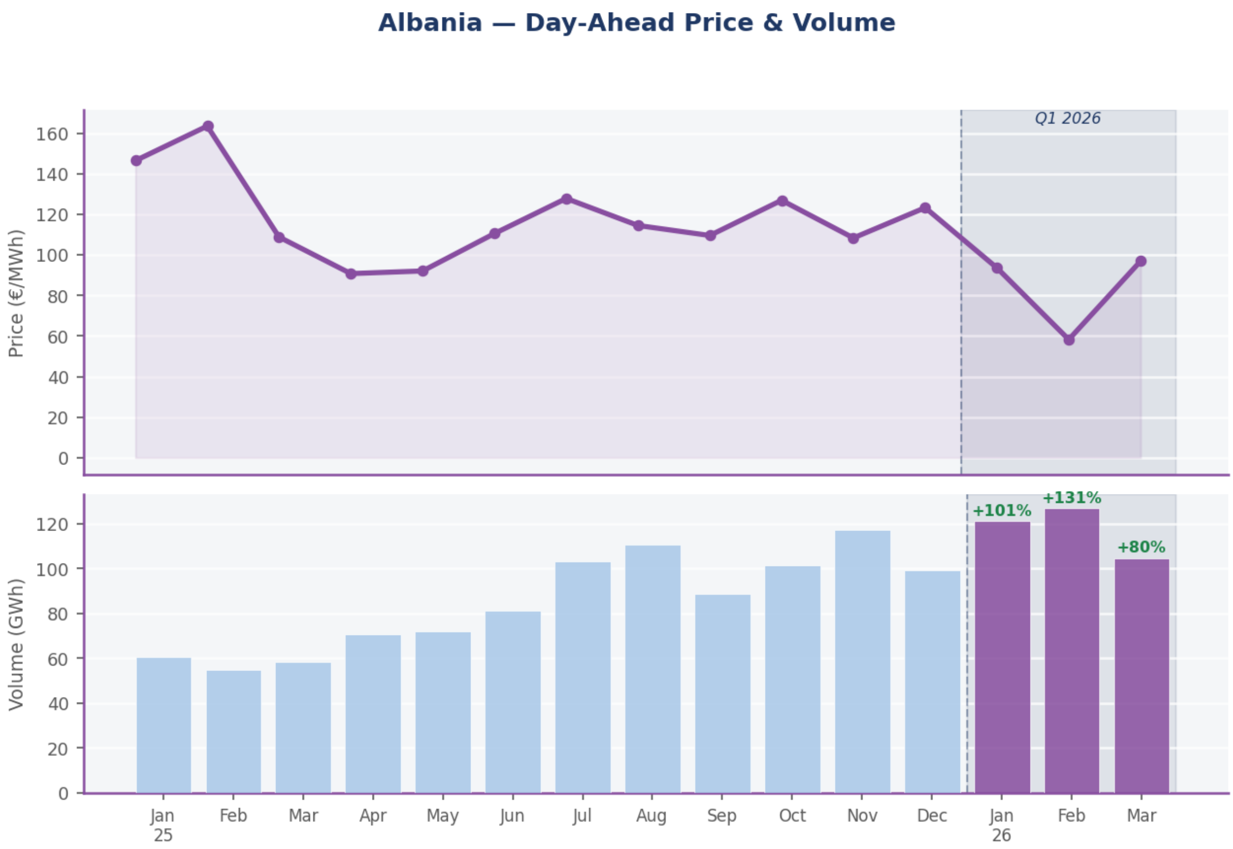


Figure: Day-ahead price and monthly volume, Jan 2025–Mar 2026. Q1 2026

5.1 PRICE TRENDS

ALPEX monthly averages fell sharply in Q1 2026. January was 93,5 €/MWh (down 36,1% from 146,4 €/MWh), February dropped to 58,2 €/MWh (down 64,4%), and March recovered to 96,9 €/MWh (down 10,9%). The Q1 average was 82,9 €/MWh, down 40,6% from 139,6 €/MWh in Q1 2025.

Month	2025	2026	YoY Change
January	146,4	93,5	-36,1%
February	163,5	58,2	-64,4%
March	108,8	96,9	-10,9%
Q1 average	139,6	82,9	−40,6%

Table: Monthly average day-ahead prices, Q1 2025 vs Q1 2026 (€/MWh).

5.2 VOLUME TRENDS

ALPEX volumes more than doubled in Q1 2026. January reached 121,2 GWh (up 100,6% from 60,4 GWh), February surged to 126,8 GWh (up 131,4% from 54,8 GWh), and March came in at 104,5 GWh (up 80% from 58,1 GWh). The Q1 total of 352,4 GWh represents a 103,4% increase over Q1 2025's 173,3 GWh. Albania recorded the second-highest volume growth rate among WB6 markets in Q1 2026, with only Kosovo* showing a larger percentage increase

Month	2025	2026	YoY Change
January	60,4	121,2	+100,6%
February	54,8	126,8	+131,4%
March	58,1	104,5	+80%

Table: Monthly cleared volumes, Q1 2025 vs Q1 2026 (GWh).

5.3 PHYSICAL FLOWS

Albania's physical flow pattern in Q1 2026 reflects a hydroelectric system with abundant output and no CBAM constraint. It became the dominant physical supplier to both Montenegro and Kosovo*, while ceasing to export toward Montenegro in the opposite direction and reducing imports from Greece to near-zero in January and February.

Exports from Albania to Montenegro rose from 56 GWh, 89 GWh, and 75 GWh in Q1 2025 to 176 GWh, 202 GWh, and 254 GWh. Exports to Kosovo* rose from 135 GWh, 133 GWh, and 90 GWh to 300 GWh, 285 GWh, and 168 GWh. Imports from Greece into Albania fell from 118 GWh, 139 GWh, and 0 GWh to 18 GWh, 15 GWh, and 67 GWh, while Albania's own commercial schedules toward Greece expanded substantially (discussed in the commercial flows section).

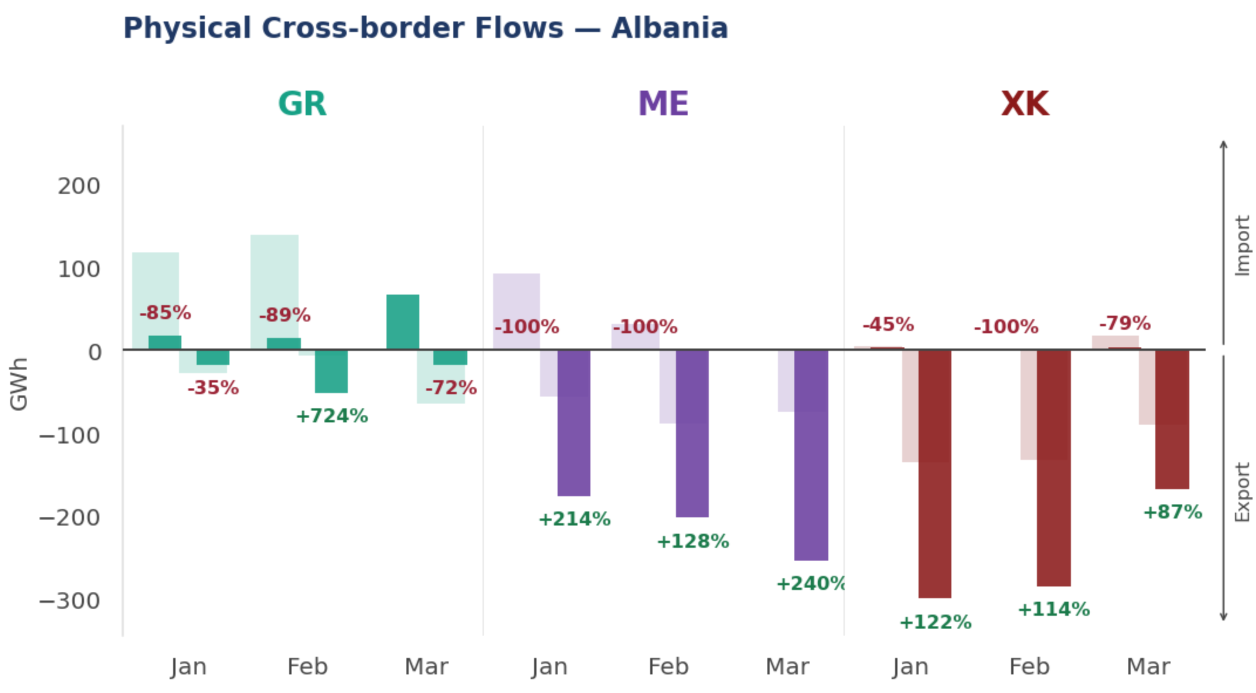


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

5.3.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
GR→AL	118,4	17,6	-85%	138,6	14,9	-89%	0,0	66,8	_
AL→GR	28	18,3	-35%	6,2	51,1	724%	64,3	17,7	-72%

Table: Physical flows on EU borders (GWh).

5.3.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
ME→AL	92,3	0,0	-100%	32,3	0,0	-100%	0,0	0,0	_
AL→ME	56	176,1	214%	88,8	202,4	128%	74,8	254,2	240%
XK*→AL	4,9	2,7	-45%	1,5	0,0	-100%	18,2	3,8	-79%
AL→XK*	135,3	300	122%	132,9	284,7	114%	89,6	167,6	87%

Table: Physical flows on WB6 borders (GWh).

5.4 COMMERCIAL FLOWS

Albania's commercial schedules show a striking pattern: large scheduled exports toward Greece in Q1 2026 (179 GWh, 272 GWh, and 118 GWh against 80 GWh, 49 GWh, and 70 GWh in Q1 2025) that were not matched by corresponding physical flows. Albanian electricity was scheduled into Greece in large volumes, exploiting its zero CBAM rate to access the EU price level, but the physical flows followed network physics rather than commercial schedules, routing northward

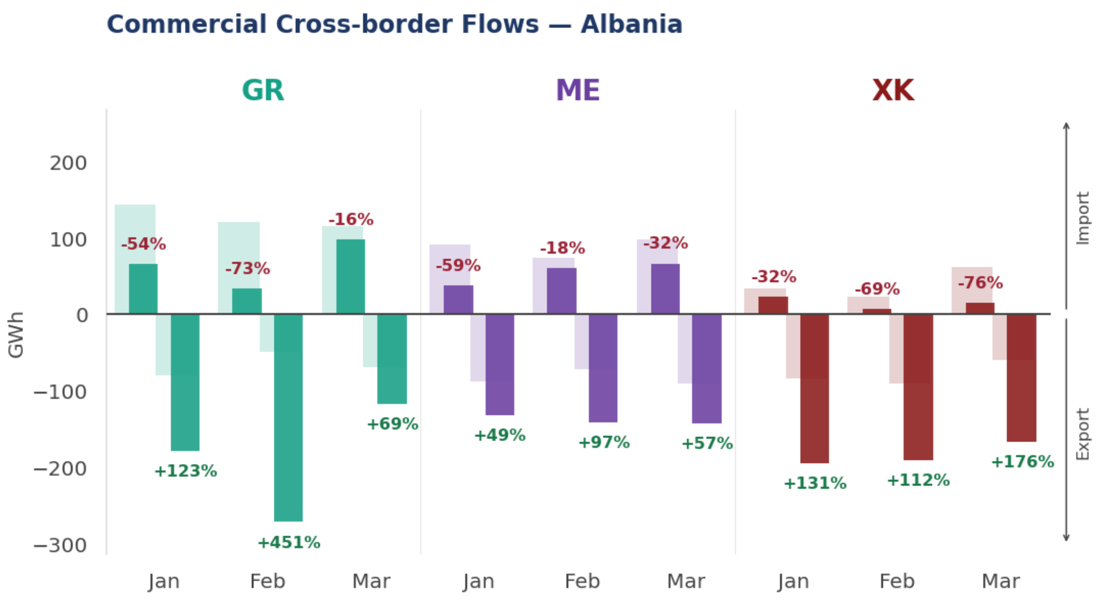


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026 through Montenegro and Bosnia. This commercial-physical divergence on the AL→GR corridor is the clearest example in the dataset of the gap between formal scheduling and actual physical routing.

5.4.1 EU Member State Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
GR→AL	142,6	65,5	-54%	120,7	33,1	-73%	115,4	97,2	-16%
AL→GR	80,2	179	123%	49,4	272,0	451%	69,8	117,9	69%

Table: Commercial schedules on EU borders (GWh).

5.4.2 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
ME→AL	91,3	37,4	-59%	73,5	60,4	-18%	97,6	66	-32%
AL→ME	88,6	132,4	49%	71,9	141,9	97%	90,6	142,5	57%
XK*→AL	33,8	23	-32%	23,2	7,1	-69%	61,1	14,7	-76%
AL→XK*	84,2	194,9	131%	90,3	191,6	112%	60,6	167	176%

Table: Commercial schedules on WB6 borders (GWh).

5.5 CAPACITY AUCTIONS

The GR→AL corridor averaged 5,69 €/MW in Q1 2025 and fell to 2,23 €/MW in Q1 2026, reflecting reduced commercial pressure for Greek imports into Albania as Albanian domestic generation was abundant. The AL→GR corridor rose from 1,43 €/MW to 2,35 €/MW on average, consistent with Albanian commercial interest in exporting toward Greece. The AL→XK* corridor saw the sharpest increase among all SEECAO corridors: it more than tripled from 1,25 €/MW to 4,07 €/MW, peaking at 5,46 €/MW in February, reflecting intense commercial competition for capacity to export Albanian electricity into Kosovo*.

5.5.1 EU Member State Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
GR→AL	5,21	0,00	6,00	5,19	5,86	1,50	5,69	2,23	-60,8%
AL→GR	1,50	0,36	1,70	2,61	1,10	4,09	1,43	2,35	+64,2%

Table: Capacity auction clearing prices on EU corridors (€/MW).

5.5.2 WB6 Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
ME→AL	0,00	0,50	0,00	1,03	1,89	0,62	0,63	0,72	+13,8%
AL→ME	0,00	0,00	0,00	0,00	2,16	0,00	0,72	0,00	-100,0%
XK*→AL	0,29	0,40	0,22	0,25	0,33	0,11	0,28	0,25	-9,5%
AL→XK*	1,53	1,44	1,80	5,46	0,41	5,32	1,25	4,07	+226,7%

Table: Capacity auction clearing prices on WB6 corridors (€/MW).

5.6 FINDINGS

(1) Albania is the only WB6 market with a zero CBAM default rate, giving it unique structural commercial advantage.

(2) Volumes more than doubled to 352,4 GWh (up 103,4%), driven by abundant hydro output and strong export demand.

(3) Physical exports to Montenegro and Kosovo* surged; imports from Greece fell to near zero.

(4) Commercial schedules toward Greece grew sharply but were not matched by physical flows, which routed northward through the network.

(5) AL→XK* capacity corridor tripled to 4,07 €/MW, the highest gain among SEECAO corridors.

5.7 CONCLUSION

Albania is the standout market of Q1 2026. Its zero CBAM rate, combined with exceptional hydroelectric availability, gave it a structural cost advantage that translated directly into market outcomes: doubled volumes, surging exports, and capacity corridors repricing sharply upward. The divergence between its commercial schedules toward Greece and actual physical flows is analytically significant, showing how market participants used Albania's CBAM-exempt status to establish commercial positions toward the EU while the electricity itself took a different physical path

6. KOSOVO*

Kosovo* has a heavily coal-dependent generation mix with a default CBAM rate of 74,20 €/MWh. It operates without formal day-ahead scheduling on several cross-border corridors, which affects the comparability of commercial flow data. It has no direct border with any EU member state and relies on Serbia, Montenegro, North Macedonia, and Albania for its cross-border connectivity.

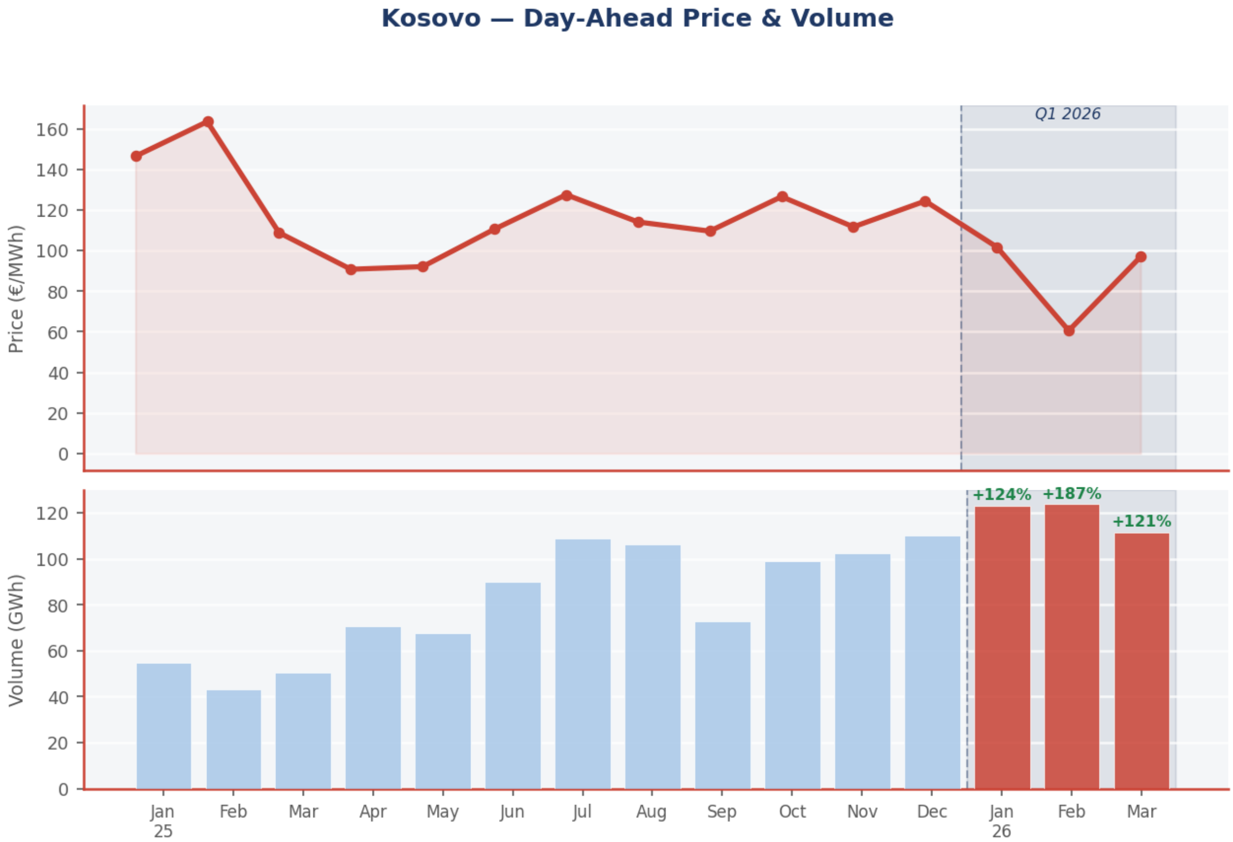


Figure: Day-ahead price and monthly volume, Jan 2025–Mar 2026.

6.1 PRICE TRENDS

Kosovo's* ALPEX-reported prices matched Albanian levels exactly throughout the period, as the two markets operate on the same platform. January 2026 averaged 101,7 €/MWh (down 30,6%), February dropped to 60,5 €/MWh (down 63,0%), and March recovered to 96,9 €/MWh (down 10,9%). The Q1 average was 86,4 €/MWh, down 38,1% from 139,6 €/MWh in Q1 2025.

Month	2025	2026	YoY Change
January	146,4	101,7	-30,6%
February	163,5	60,5	-63,0%
March	108,8	96,9	-10,9%
Q1 average	139,6	86,4	−38,1%

Table: Monthly average day-ahead prices, Q1 2025 vs Q1 2026 (€/MWh).

6.2 VOLUME TRENDS

Monthly volumes in Q1 2025 were 54,9 GWh, 43,1 GWh, and 50,5 GWh. January surged to 123,0 GWh (up 124.2% year-on-year), February to 123,7 GWh (up 186,9%), and March to 111,4 GWh (up 120,8%). All three months recorded growth well above 100%, confirming that Kosovo* absorbed a very large share of Serbia's southbound power redistribution throughout the quarter.

Month	2025	2026	YoY Change
January	54,9	123,0	+124,1%
February	43,1	123,7	+186,9%
March	50,5	111,4	+120%
Q1 total	148,4	358,1	+141,2%

Table: Monthly cleared volumes, Q1 2025 vs Q1 2026 (GWh).

6.3 PHYSICAL FLOWS

Kosovo's* physical flow data shows a market that absorbed large increases of Albanian electricity while exporting growing volumes toward Serbia. Albanian physical exports to Kosovo* rose from 135 GWh, 133 GWh, and 90 GWh in Q1 2025 to 300 GWh, 285 GWh, and 168 GWh in Q1 2026. Kosovo's* own exports toward Serbia also surged: from 43 GWh, 47 GWh, and 63 GWh to 257 GWh, 265 GWh, and 110 GWh, reflecting the broader northward redistribution dynamic. Serbian exports into Kosovo*, which ran at 79 GWh, 45 GWh, and 64 GWh in Q1 2025, fell to near zero.

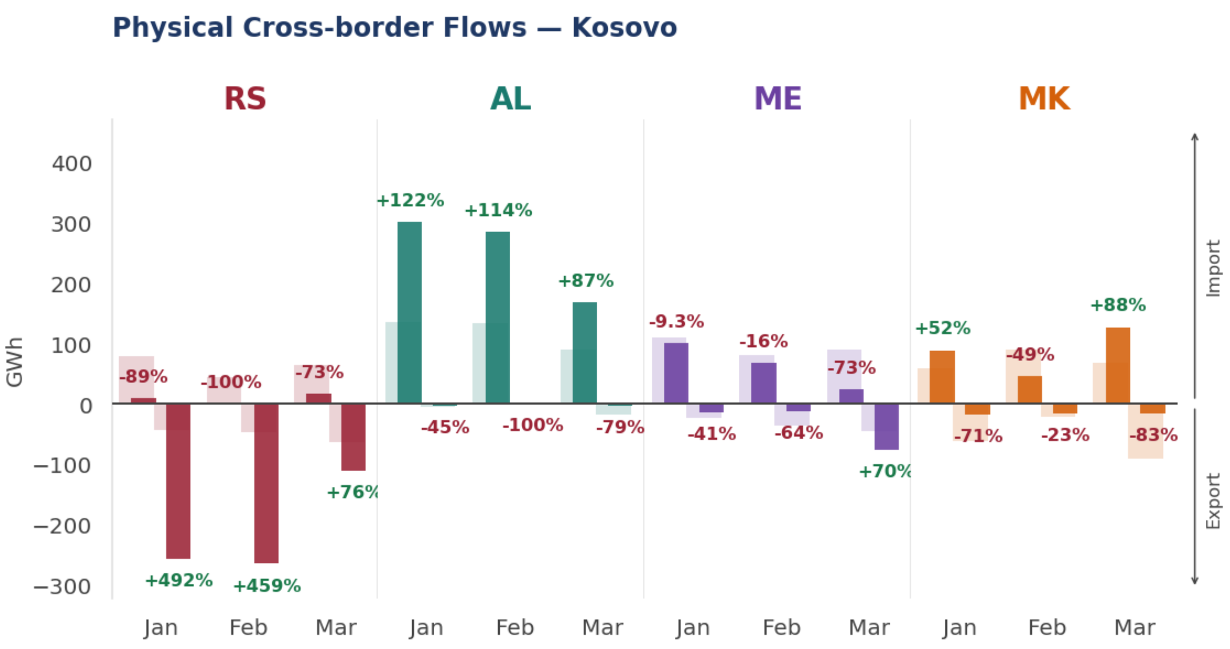


Figure: Physical Cross-border Flows Q1 2025 vs Q1 2026

6.3.1 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
RS→ME	96,9	0,1	-99,9%	61,2	1,6	-97,4%	71,0	3,3	-95,4%
ME→RS	36,1	151,4	319,4%	48,6	132,1	171,8%	79,1	103,9	31,4%
BA→ME	287	43,8	-84,7%	138,5	38,2	-72,4%	268,9	70,9	-73,6%
ME→BA	15,0	109,1	627,3%	23,7	54,6	130,4%	18,1	104,9	479,6%
AL→ME	56	176,1	214,5%	88,8	202,4	127,9%	74,7	254,2	240,3%
ME→AL	92,3	0,0	-100,0%	32,3	0	-100,0%	0	0	-
XK→ME	23,8	14	-41,2%	36,2	13,1	-63,8%	45,2	76,7	69,7%
ME→XK	110,2	100	-9,3%	80,3	67,7	-15,7%	90,2	24,3	-73,1%
IT→ME	74	73,2	-1,1%	101,3	14,3	-85,9%	41,6	5,6	-86,5%
ME→IT	219,1	85	-61,2%	177,4	190,1	7,2%	261,5	259,8	-0,7%

Table: Physical flows on non-EU borders (GWh).

6.4 COMMERCIAL FLOWS

Kosovo's* commercial schedule data is limited by the absence of formal day-ahead scheduling on several corridors. The RS→XK* direction shows zero commercial schedules throughout Q1 2026 despite significant physical flows, which is a structural feature of how that corridor operates rather than evidence of deliberate avoidance of reporting obligations. Commercial flows from Albania to Kosovo* rose from 84 GWh, 90 GWh, and 61 GWh to 195 GWh, 192 GWh, and 167 GWh, broadly in line with the physical flows. Montenegro's commercial schedules into Kosovo* were relatively stable.

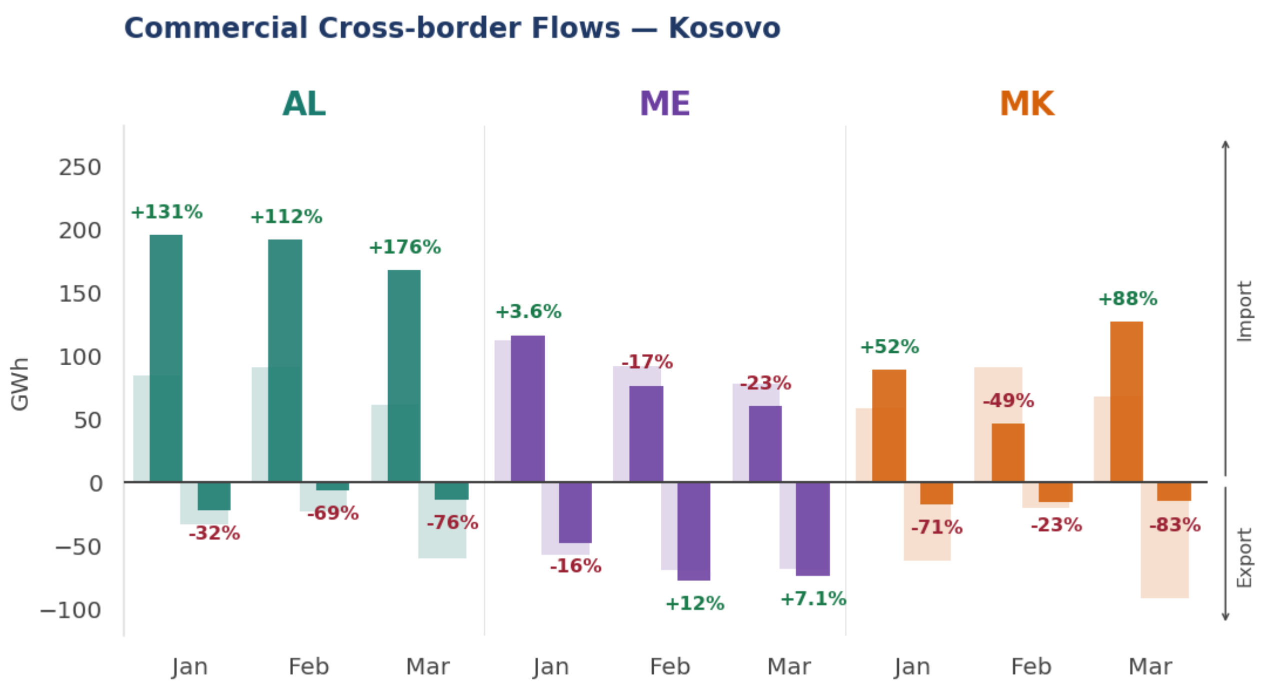


Figure: Commercial Cross-border Flows Q1 2025 vs Q1 2026

6.4.1 WB6 Borders

Country / Direction	January			February			March		
(GWh)	2025	2026	Δ%	2025	2026	Δ%	2025	2026	Δ%
AL→XK*	84,2	194,9	131%	90,3	191,6	112%	60,6	167	176%
XK*→AL	33,8	23	-32%	23,2	7,1	-69%	61,1	14,7	-76%
ME→XK*	111,8	115,8	4%	91,6	75,9	-17%	77,1	59,6	-23%
XK*→ME	58	49	-16%	70	78,2	12%	69,4	74,3	7%
MK→XK*	58,2	88,2	52%	90,1	46,0	-49%	67,5	126,7	88%
XK*→MK	62,2	18,1	-71%	21,3	16,4	-23%	91,7	15,7	-83%

Table: Commercial schedules on WB6 borders (GWh).

6.5 CAPACITY AUCTIONS

The corridor from Montenegro into Kosovo* (ME→XK*) averaged 5,04 €/MW in Q1 2025 and fell to 2,93 €/MW in Q1 2026 as Albanian competition displaced some of Montenegro's role as a Kosovo* supplier. The AL→XK* corridor more than tripled from 1,25 €/MW to 4,07 €/MW, reflecting the surge in Albanian exports. The corridor from Kosovo* toward North Macedonia (XK*→MK) more than sextupled from 0,24 €/MW to 1,50 €/MW, reaching 2,20 €/MW in February, consistent with Kosovo's* growing role as a transit market.

6.5.1 WB6 Corridors

Corridor	January		February		March		Q1 avg		YoY Δ%
(€/MW)	2025	2026	2025	2026	2025	2026	2025	2026	Δ%
ME→XK*	6,36	2,83	5,76	4,00	3,00	1,95	5,04	2,93	-41,9%
XK*→ME	0,43	0,37	0,31	0,45	0,66	0,36	0,47	0,39	-15,7%
AL→XK*	1,53	1,44	1,80	5,46	0,41	5,32	1,25	4,07	+226,7%
XK*→AL	0,29	0,40	0,22	0,25	0,33	0,11	0,28	0,25	-9,5%
MK→XK*	1,92	2,01	4,00	3,07	2,99	1,31	2,97	2,13	-28,3%
XK*→MK	0,18	0,35	0,22	2,20	0,31	1,95	0,24	1,50	+533,8%

Table: Capacity auction clearing prices on WB6 corridors (€/MW).

6.6 FINDINGS

(1) Kosovo* recorded the highest volume growth in the dataset at 141,2%, reaching 358,1 GWh.

(2) Albanian physical exports to Kosovo* more than doubled, rising to 300 GWh, 285 GWh, and 168 GWh.

(3) Kosovo's* own exports toward Serbia surged, from 43-63 GWh to 110-257 GWh per month.

(4) Serbian physical exports to Kosovo* fell to near zero in January and February.

(5) AL→XK* capacity corridor tripled; XK*→MK rose 533%.

(6) Settlement structure limits commercial flow comparability on the RS→XK* direction.

6.7 CONCLUSION

Kosovo* in Q1 2026 received large volumes of Albanian hydroelectric electricity and simultaneously exported growing volumes toward Serbia, functioning as an intermediate market in the southward hydro-surplus redistribution chain. Its exceptional volume growth reflects absorption of regional surplus rather than domestic demand expansion.

7. COMPARATIVE MARKET ANALYSIS

7.1 PRICE TRENDS

7.1.1 Day-ahead prices: HUPX vs non-EU markets

Throughout 2025, day-ahead prices across the Western Balkan region moved closely together. Hungary served as the effective regional price reference, with Serbia, North Macedonia, and Montenegro clearing within a band of 10 €/MWh to 20 €/MWh in most months. Seasonal patterns were broadly synchronised, and spreads showed no persistent directional bias.

January 2026 marked a clear break. Hungarian prices remained elevated at 150,4 €/MWh while Serbia fell to 118,1 €/MWh and Montenegro to 103,5 €/MWh. The divergence widened in February, when Serbia reached 68,6 €/MWh and Montenegro 63,9 €/MWh — declines of more than 55% year-on-year — while Hungary held at 113,3 €/MWh.

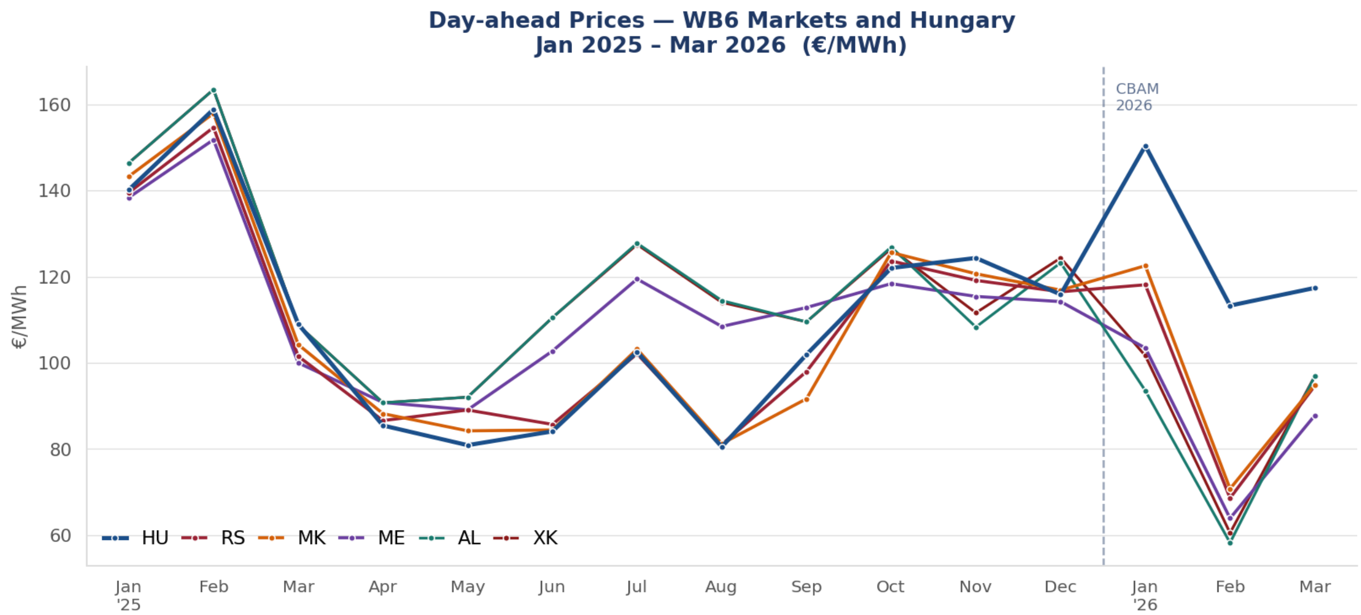


Figure: Day-ahead prices, WB6 markets and Hungary, Jan 2025 – Mar 2026 (€/MWh).

7.1.2 EU versus non-EU average price divergence

Aggregating across Hungary, Croatia, Bulgaria, Romania, and Greece and comparing with Serbia, North Macedonia, and Montenegro confirms the divergence was structural. In Q1 2025 the two averages tracked each other within a few euros. "In Q1 2026 the EU average exceeded the non-EU average by 25,5 €/MWh in January 31,9 €/MWh in February, and 13,8 €/MWh in March, averaging 23,8 €/MWh across the quarter.

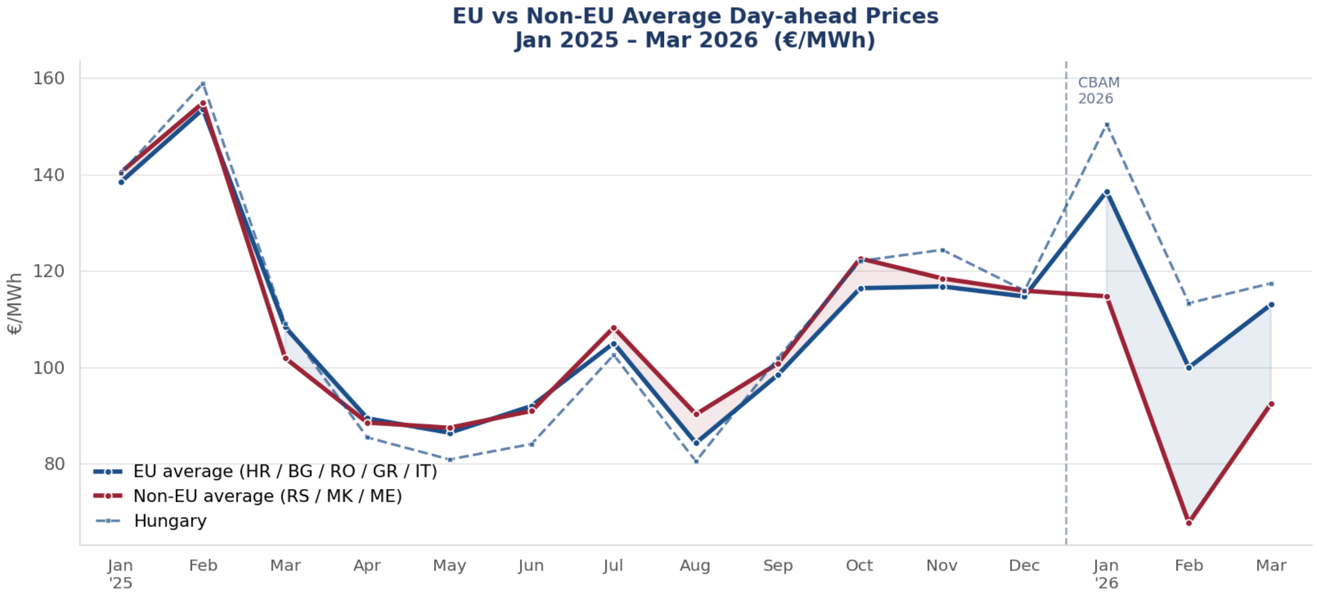


Figure: EU average vs non-EU WB6 average prices, Jan 2025 – Mar 2026 (€/MWh).

7.1.3 Hungary–Serbia spread

The daily HU–RS spread in Q1 2025 was centred near zero with a median of 3,4 €/MWh. In Q1 2026 the seven-day moving average of the spread shifted decisively upward from the first week of January and held there through March. The monthly averages of the moving average were +33,4 €/MWh in January, +44,7 €/MWh in February, and +22,9 €/MWh in March, with the raw daily spread reaching 92,7 €/MWh at its peak.

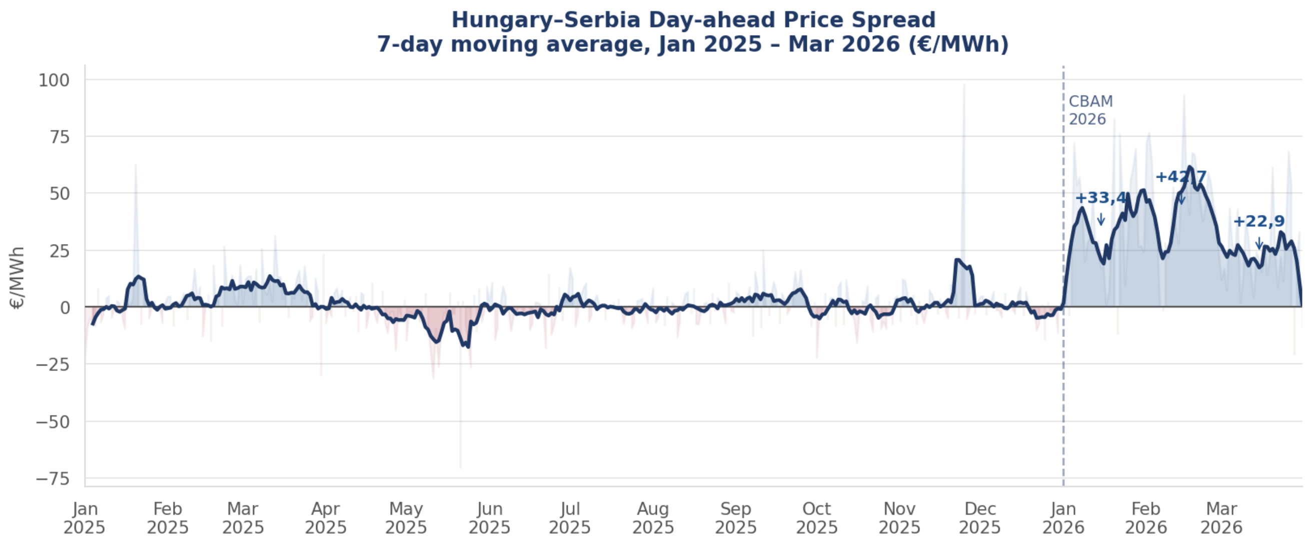


Figure: Hungary–Serbia price spread, 7-day moving average, Jan 2025 – Mar 2026 (€/MWh).

7.2 ROLLING 30-DAY CORRELATION: HUNGARY VERSUS NON-EU MARKETS

In 2025, the rolling 30-day correlation between Hungary and each non-EU market held between 0,92 and 0,93. From January 2026 correlations fell simultaneously across all three pairs. Hungary–Serbia averaged 0,74 in Q1 2026. Hungary–Montenegro reached a minimum of –0,11, meaning the two markets briefly moved in opposite directions.

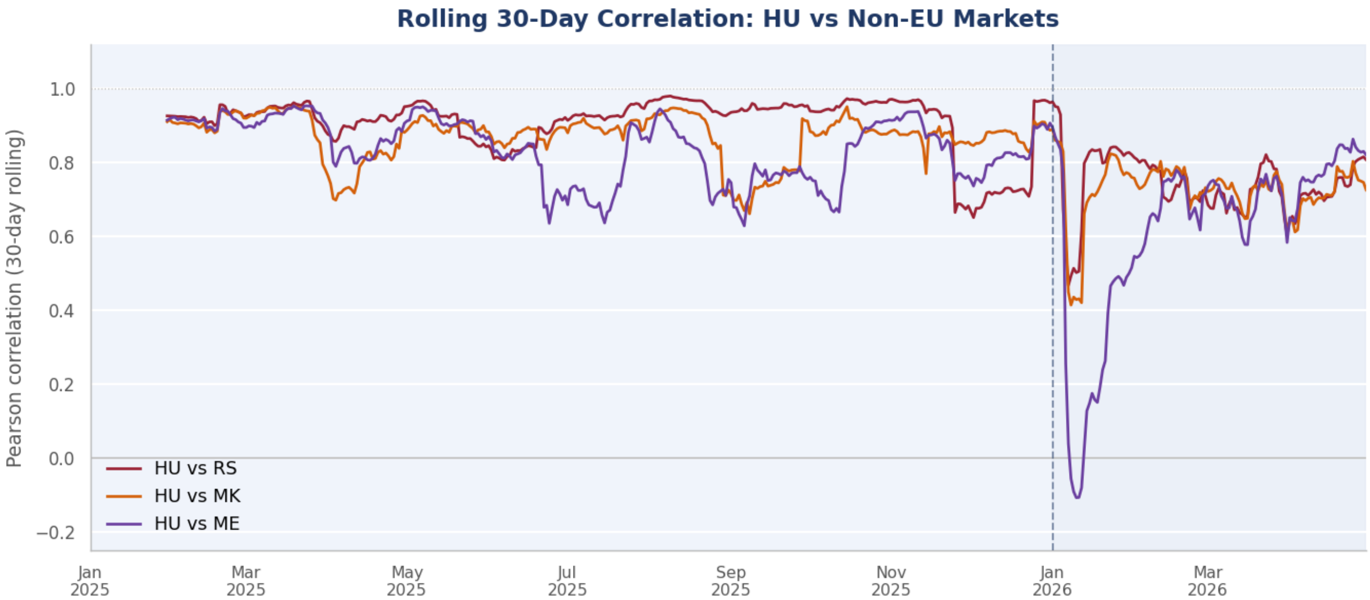


Figure: Rolling 30-Day Correlation: HU vs Non-EU Markets

7.3 VOLUME ANALYSIS

Kosovo* grew 124%, 187%, and 121% year-on-year across the three months of Q1 2026 to reach 358 GWh for the quarter. Albania expanded 101%, 131%, and 80% to reach 353 GWh. Montenegro grew 21%, 180%, and 7% to 145 GWh. North Macedonia rose 18%, 1%, and 41% to 406 GWh. Serbia was the only contracting market, falling 11% to 1.277 GWh despite substantially expanded physical throughput across its borders.

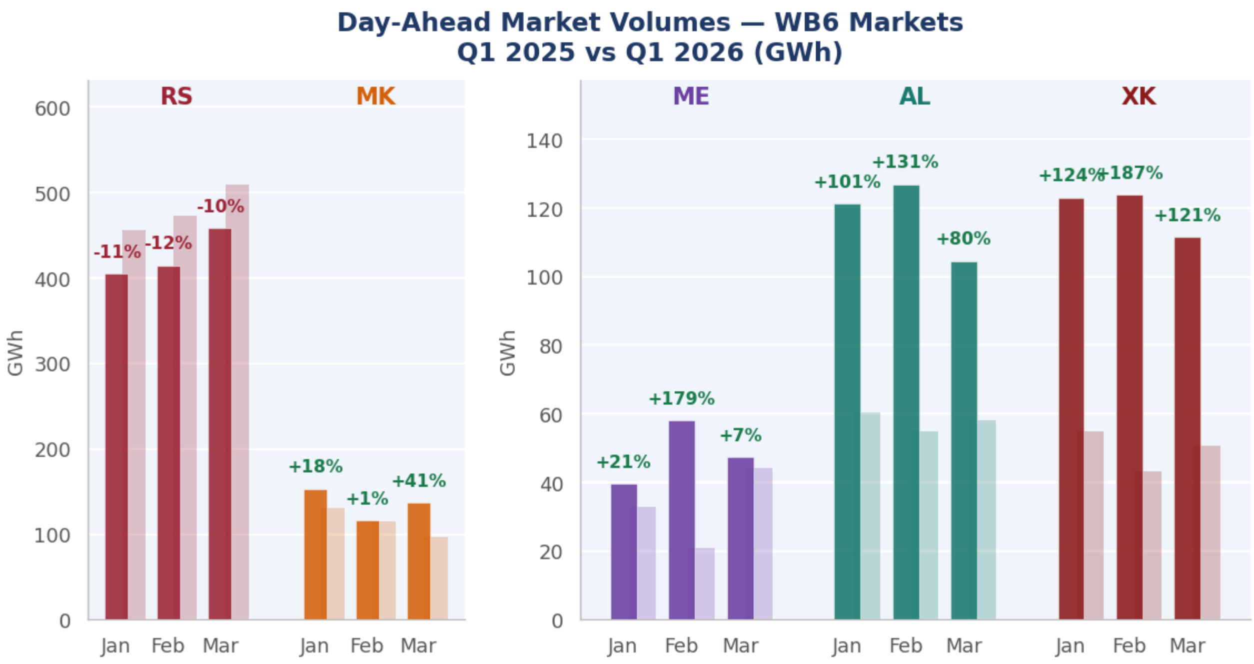


Figure: Day-ahead Market Volumes – WB6 Markets, Q1 2025 vs Q1 2026 (GWh)

The volume index, with January 2025 as the common base, shows Kosovo* reaching 224, Albania 201, Montenegro 121, and North Macedonia 118 by January 2026, while Serbia fell to 89, below its own starting level. Serbia's volume contraction alongside physical expansion reflects throughput moving outside the formal day-ahead settlement mechanism, consistent with the physical-commercial divergence documented below.

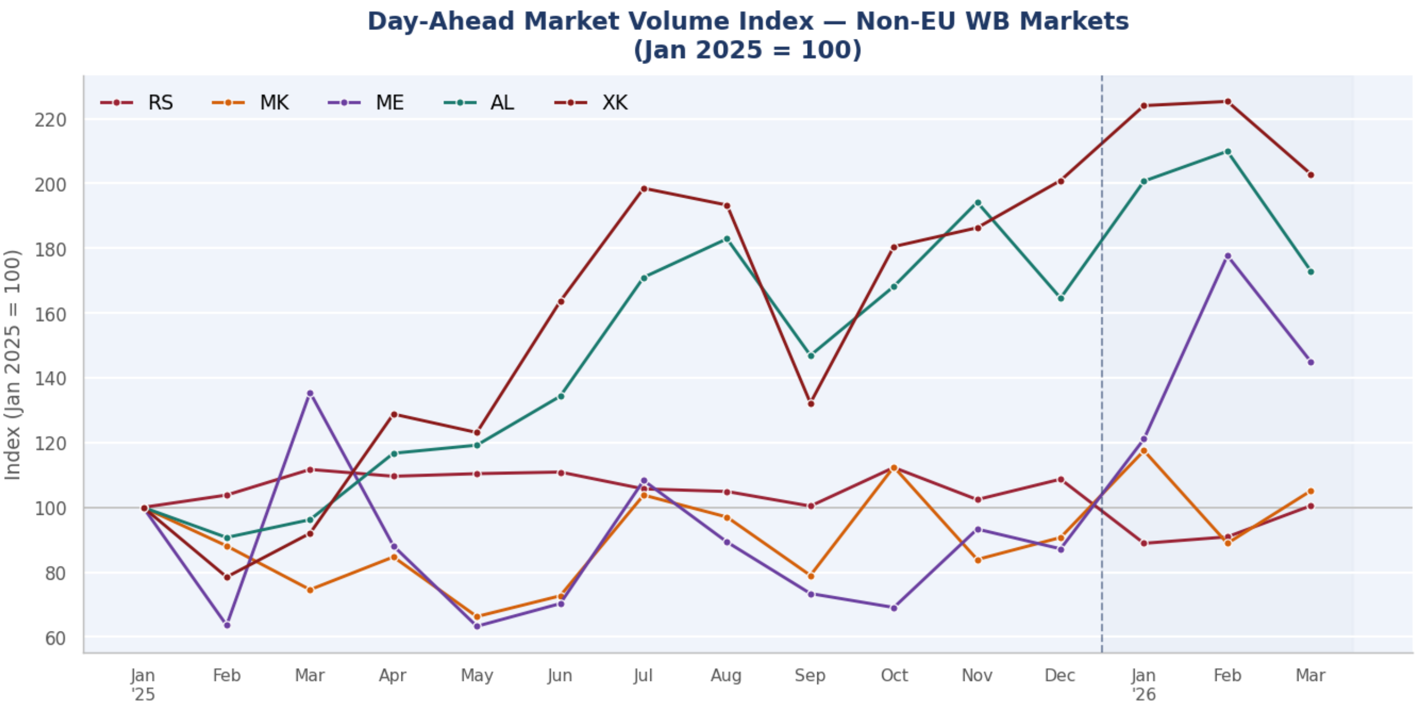


Figure: Day-ahead Market Volume Index – Non-EU WB Markets (jan 2025 = 100)

7.4 CROSS-BORDER FLOWS

7.4.1 Physical Flows

The Greece–North Macedonia corridor recorded the largest single physical increase at +588 GWh across Q1 2026 relative to Q1 2025, rising from 582 to 1.170 GWh as Greece's exceptional hydro surplus found its way southward. BG→MK fell 169 GWh in the same period. The second largest increase was Kosovo* into Serbia at +479 GWh, a corridor that had been broadly balanced in Q1 2025 and became one of the dominant physical flows in the region. Albania into Kosovo* rose +394 GWh, driven by Albanian hydroelectric availability and the zero CBAM default rate that made Albanian electricity commercially attractive at EU prices without certificate cost. Serbia into Hungary grew +345 GWh and Serbia into Croatia +263 GWh, electricity moving northward from the WB6 surplus pool into EU markets.

The largest physical decrease was Bosnia into Montenegro at −541 GWh, as Albanian imports displaced Bosnian supply as Montenegro's primary energy source. Serbia into Montenegro fell −224 GWh for the same reason. MK→GR and BG→MK each declined around 169 GWh, consistent with Greece and Albania replacing Bulgaria and Serbia as supply base for North Macedonia and Kosovo*.

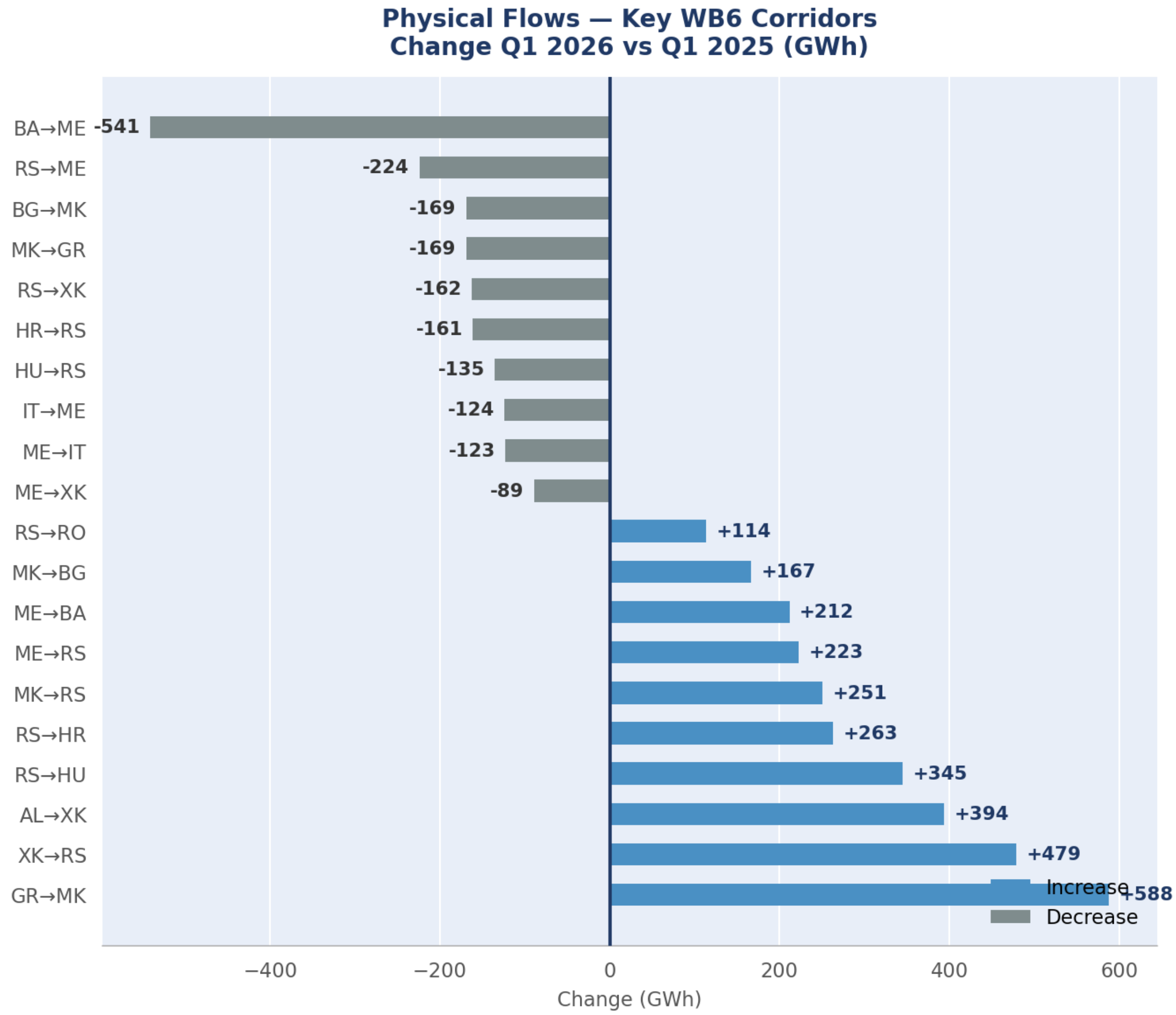


Figure: Physical flows — key WB6 corridors, change Q1 2026 vs Q1 2025 (GWh).

7.4.2 Commercial Flows

The largest commercial increase — Albania into Greece at +370 GWh — is analytically significant precisely because the corresponding physical change was negligible. Albanian electricity was scheduled into Greece commercially, exploiting the zero CBAM rate to access EU price levels, but physical delivery followed network physics northward through Montenegro. Albania into Kosovo* rose +319 GWh broadly in line with physical flows. Serbia into Hungary grew +281 GWh, Greece into North Macedonia +268 GWh, and North Macedonia into Serbia +203 GWh.

Bulgaria into North Macedonia collapsed −569 GWh as Greek electricity replaced Bulgarian supply both physically and commercially. Croatia into Serbia fell −393 GWh and Hungary into Serbia −363 GWh — both corridors where commercial schedules for EU imports into Serbia dropped sharply even as physical flows from Serbia into those same markets grew. Serbia into Romania fell −313 GWh commercially despite growing physical exports in that direction.

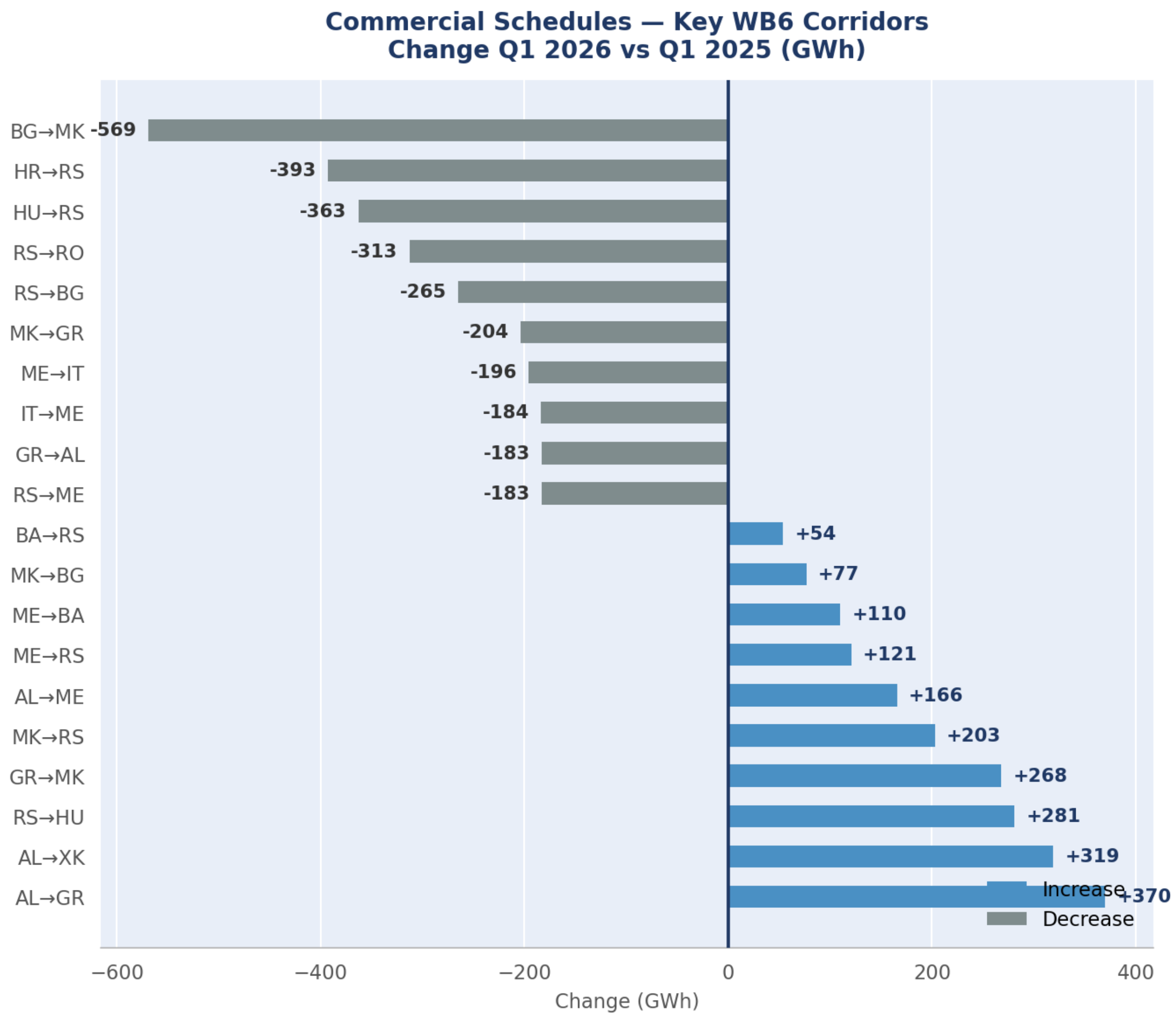


Figure: Commercial schedules — key WB6 corridors, change Q1 2026 vs Q1 2025 (GWh

7.5 PHYSICAL VERSUS COMMERCIAL DIVERGENCE

The chart below compares physical delivery against formal commercial scheduling on the same corridor for Q1 2026 in total. A positive value means more electricity was physically delivered than scheduled; a negative value means the commercial schedule exceeded physical delivery.

XK*→RS is the most extreme case of physical exceeding commercial: 633 GWh physically transited from Kosovo* into Serbia across Q1 2026 against zero formally scheduled commercial volume. GR→MK shows physical delivery of 276 GWh more than the commercial schedule, consistent with unscheduled physical transit accompanying a large formal position. RS→HR shows 168 GWh more physical than commercial in the export direction, partly reflecting flows that physically crossed the border without matching day-ahead nominations.

On the commercial-over-physical side, RS→HU is the largest entry at –863 GWh: 1.400 GWh was formally scheduled while 537 GWh was physically delivered. BA→RS shows 946 GWh scheduled against 167 GWh physically delivered, a gap of 779 GWh. AL→GR shows 569 GWh commercially scheduled against only 87 GWh physically delivered — the clearest case of commercial positions toward the EU not being matched by physical delivery in the same direction. HR→RS, MK→RS, and RO→RS all show commercial imports from EU into Serbia substantially exceeding physical delivery, on corridors where physical flow actually ran in the opposite direction.

This group of mismatched corridors shares a common feature: they all sit at or immediately adjacent to the EU-to-non-EU boundary. On WB6-to-WB6 corridors, physical and commercial flows were broadly aligned. The divergence was concentrated precisely where CBAM documentation obligations apply to cross-border electricity trade.

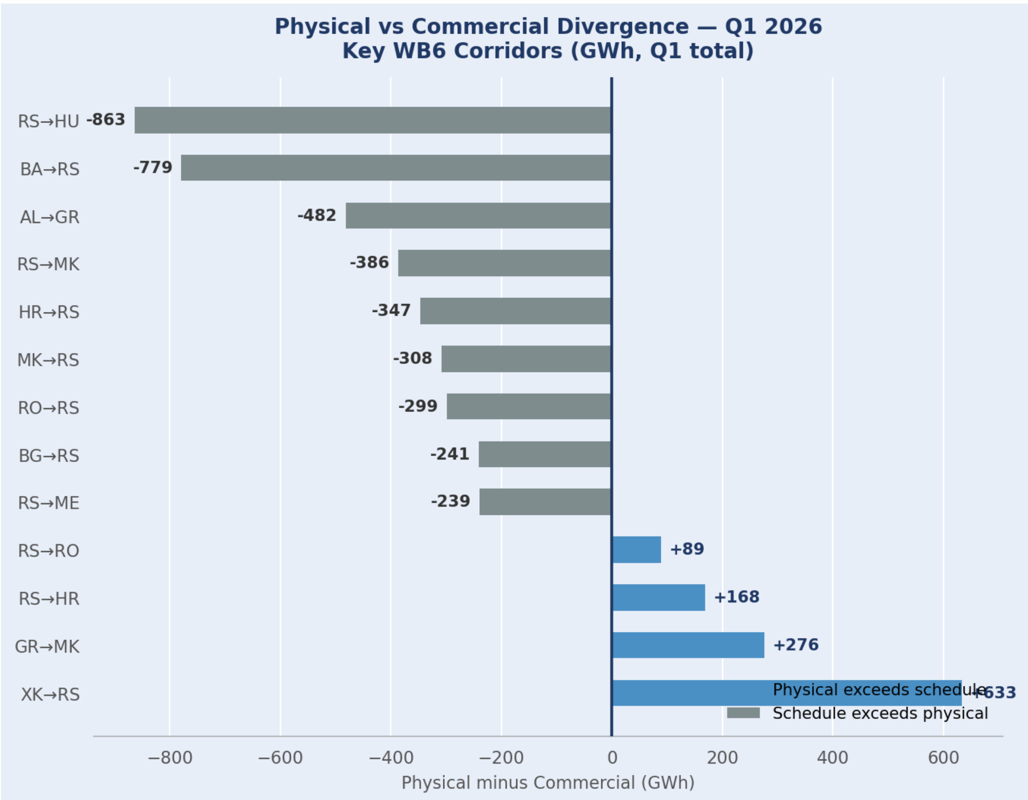
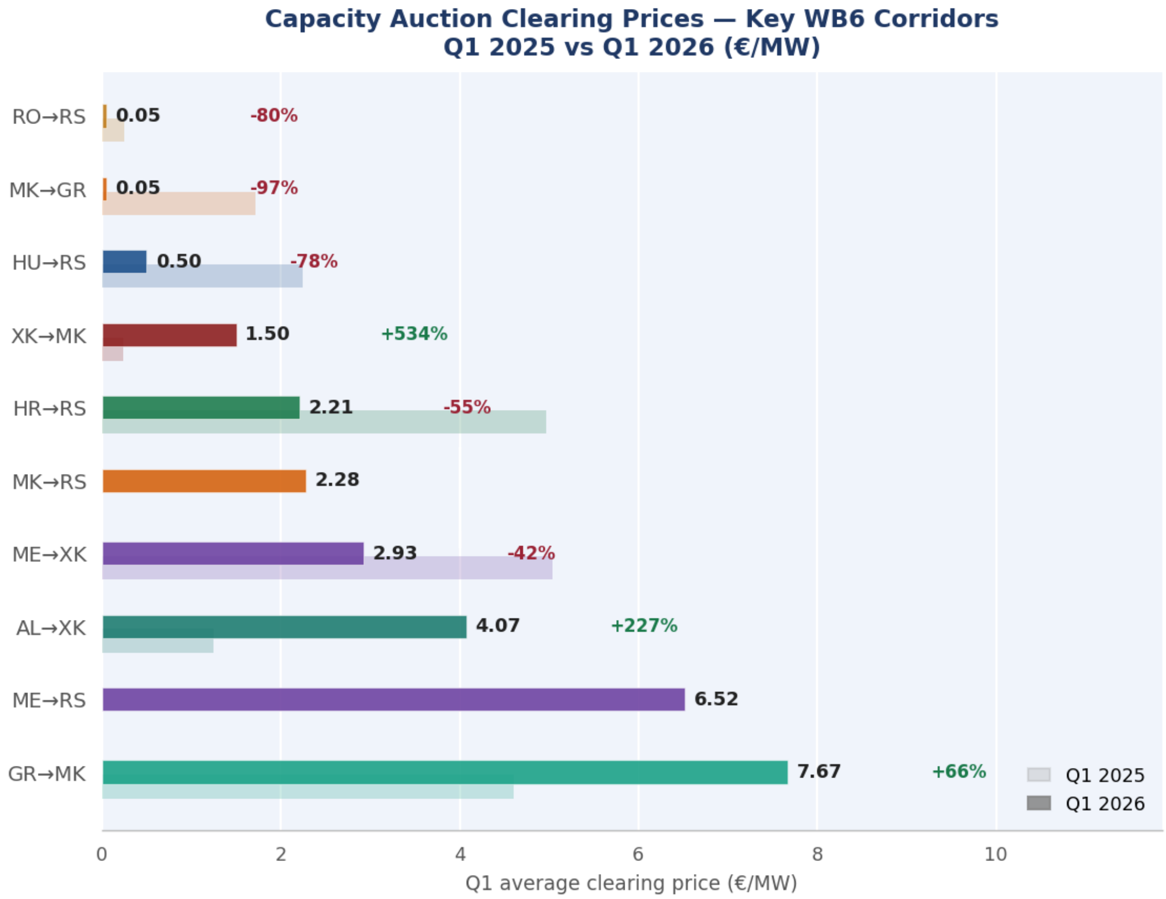


Figure: Physical vs Commercial Divergence — key WB6 corridors (GWh, Q1 total)

7.6 CAPACITY AUCTIONS

GR→MK rose 66% from 4,61 €/MW to 7,67 €/MW. AL→XK* more than tripled from 1,25 €/MW to 4,07 €/MW, reaching 5,46 €/MW in February. XK*→MK quintupled from 0,24 to 1,50 €/MW. Two corridors (ME→RS at 6,52 €/MW and MK→RS at 2,28 €/MW) appeared for the first time in Q1 2026, reflecting new commercial interest in northward routing through Serbia.

On Serbia's EU borders, clearing prices moved against physical flows. HU→RS fell 78% to 0,50 €/MW and RO→RS fell 80% to near zero despite large physical inflows, indicating capacity was utilised without competitive bidding through the formal auction. The annual Hungary–Serbia auction allocated zero megawatts in both 2025 and 2026 despite oversubscription of 14x and 9,5x respectively, leaving monthly prices to absorb the full adjustment without an annual anchor.



8. KEY OUTCOMES

Q1 2026 produced a set of structural changes across the WB6 region that were not present in Q1 2025. The table below summarises the principal findings before the sections that follow discuss their implications.

Price divergence	The EU average price exceeded the non-EU WB average by approximately 24,8 €/MWh across Q1 2026. In Q1 2025 the same differential was near zero.
Volume growth	Non-EU market volumes expanded strongly across the region. Kosovo* +141%, Albania +103%, Montenegro +48%, North Macedonia +19%. These markets are at an earlier stage of exchange development, where growth rates naturally reflect a smaller base. Serbia, the most liquid market in the group, contracted 11%.
Physical flow reversal	Serbia shifted from net importer from EU markets to net exporter toward Croatia and Hungary. Montenegro and Kosovo* became net exporters toward Serbia.
Albania advantage	Albania's zero CBAM default rate, combined with abundant hydro, gave it a structural commercial advantage visible across prices, volumes, and capacity corridor repricing.
Commercial-physical gap	Physical delivery and formal commercial scheduling diverged on Serbia's EU borders and on Albania's commercial schedule toward Greece. The pattern is concentrated on CBAM-regulated corridors.

9. CONCLUSIONS

A structural price boundary emerged at the EU–non–EU interface

The 23,8 €/MWh average EU-to-non-EU price spread in Q1 2026 did not exist in Q1 2025. It appeared in January 2026, the first month of CBAM full enforcement, held through February and March, and was consistent across all monitored EU-to-non-EU market pairs except Greece. The magnitude is broadly consistent with the CBAM cost differentials implied by EU ETS prices and default emission intensities, though hydrological factors compressed non-EU prices further. The timing and cross-market consistency of the divergence are difficult to attribute to factors other than CBAM.

The WB6 region redistributed hydroelectric surplus via Serbia

Albanian and Montenegrin hydroelectric surplus did not flow directly into the EU through existing corridors in Q1 2026, even though the physical price differential was large enough to make such trade commercially attractive under pre-CBAM conditions. Instead, the surplus was absorbed within the non-EU WB6 network and moved northward through Serbia, which then exported toward Croatia and Hungary. Serbia's role shifted from a regional price-setting exporter to a redistribution hub for below-EU-price electricity.

Physical flows and commercial schedules diverged on CBAM-regulated corridors

The most analytically significant finding is the divergence between physical electricity delivery and formal commercial scheduling on Serbia's EU borders and on Albania's commercial positions toward Greece. Physical volumes crossed the borders; formal schedules did not match them. This pattern is corridor-specific, absent in Q1 2025, and concentrated precisely on the connections where CBAM documentation obligations arise. Whether this reflects deliberate avoidance of CBAM documentation, technical differences in market settlement, or network physics overriding commercial positions cannot be determined from the data alone. It merits attention from both market and regulatory authorities.

Albania's zero rate is commercially significant

Albania is the only WB6 market whose electricity carries no CBAM cost at the EU border. This structural advantage is already visible in Q1 2026 data: doubled exchange volumes, surging physical exports to Montenegro and Kosovo*, growing commercial positions toward Greece, and capacity corridors repricing sharply upward. As renewables capacity in other WB6 markets expands, the effective CBAM cost differential will narrow, but Albania's hydro advantage is structural in the medium term.

10. FORWARD OUTLOOK

Several factors will determine whether the patterns observed in Q1 2026 persist, intensify, or moderate over the coming quarters.

Hydrological normalisation

The exceptional hydro conditions of Q1 2026 are unlikely to persist through the year. As reservoir levels normalise and run-of-river flows decline in Q2, the additional downward pressure on non-EU prices from the hydro surplus will ease. The CBAM-driven component of the price divergence, however, should remain as long as EU ETS prices stay at current levels and default emission values apply. The spread may narrow in absolute terms, but the structural direction should hold.

Regulatory clarity on transit and scheduling

The commercial-physical divergence documented in this report raises questions that EU CBAM implementing authorities have not yet addressed in detail: how is electricity treated under CBAM when it physically transits a non-EU country before reaching an EU importer, or when commercial schedules cross the EU border, but physical flows do not? The routing patterns observed in Q1 2026 are consistent with market participants acting in the absence of clear guidance on these points. Regulatory clarification will directly affect the commercial incentives that produced the patterns documented here.

Energy Community integration

WB6 countries are at various stages of aligning their market rules with the EU internal electricity market under the Energy Community Treaty. Faster market coupling with EU price zones, would structurally compress the EU-to-non-EU price gap and reduce the scope for the transit and arbitrage patterns observed in Q1 2026. The pace of integration will shape the medium-term commercial environment for cross-border electricity trade in the region.

EU ETS price volatility

The CBAM certificate price is tied to the EU ETS quarterly auction average. The EU ETS price rose into mid-January 2026 and then declined through end-March amid political discussion around ETS reform. Effective CBAM costs are therefore not stable from week to week, adding a layer of price-volatility risk to cross-border arbitrage decisions that did not exist under the pre-CBAM market structure. How this volatility affects forward contracting and capacity auction demand will become clearer over the coming quarters.

In short

Q1 2026 data provides clear early evidence that CBAM has created measurable structural changes in Western Balkan electricity markets. Prices, volumes, flows, and capacity prices all moved in directions consistent with the cost differentials CBAM introduces. Hydrology amplified the effects in Q1 2026, but the structural CBAM signal is present independently. The most immediate regulatory question concerns transit and scheduling treatment. The most significant medium-term variable is the rate of decarbonisation in WB6 generation and its effect on applicable CBAM costs.