

Policy Innovation is Required:

Western Balkans accession to the European Union with application of the CBAM Regulation

Beginning of November 2025, European Commission published its Communication on EU enlargement policy that comprises Report for each economy in the Western Balkans. These Reports call for (1) urgent alignment with and implementation of the monitoring, reporting, verification and accreditation (MRVA) acquis for (2) the purpose of introducing carbon pricing and (3) aligning with the EU Emissions Trading System (ETS). EU CBAM Regulation acknowledges that “Contracting Parties to the Treaty establishing the Energy Community concluded by Council Decision 2006/500/EC(14) and, Parties to Association Agreements, including Deep and Comprehensive Free Trade Areas, are committed to decarbonization processes that should eventually result in the adoption of carbon pricing mechanisms similar or equivalent to the EU ETS or in their participation in the EU ETS”. These accession economies are also committed to the Green Agenda for the Western Balkans and deep integration into EU customs union through enlargement process. For 20 years, Energy Community Treaty provides for free trade in electricity and natural gas that benefits both EU and the Western Balkans both in commercial terms and the energy security.

Therefore, economies with an ambition to EU membership should aim to be listed in point 1 of Annex III to the CBAM Regulation that implies irrevocable exemption from CBAM. For that purpose, these economies need to conclude, under Article 25 of the EU ETS Directive, an agreement with the EU fully linking their emission trading system with the EUETS with appropriate price compatibility. Such emission trading system needs to be realistic, affordable and suitable to support investments into decarbonization, as the optimal way to phase out harmful emissions and support energy security within given geo-political realities, as well as to support economic growth.

Unfortunately, there is a shortage of ambition, and there are policy initiatives aiming for partial and revocable exemptions from CBAM, which create policy uncertainty, reduce economic growth, limit investment capability, and increase further geo-political risks and insecurity, as well as risk prolonging their status of “third country”, and slowing progress towards EU alignment. Rather than relying on temporary arrangements, pursuing full CBAM exemption through ETS linkage would ensure that producers in the region operate under the same carbon-pricing conditions as those in the EU. This would remove extra costs on exports, reduce competitiveness risks, offer long-term stability, and significantly improve the region’s ability to attract clean energy investment.

We are calling to political representatives from the Western Balkans and the EU to (1) demonstrate their commitment to the enlargement process, security and decarbonization, (2) prevent application of CBAM to the Western Balkans from January 1, 2026, and (3) urgently initiate decisions to:

1. Grant a one-year period to those WB economies that commit to developing their ETS framework, conducting consultations and entering negotiations, in order to conclude an agreement with the EU, fully linking their emission trading system with the EU ETS, including appropriate price compatibility.
2. Provide Western Balkan economies with an opportunity to innovate and adopt an emission trading system that is affordable and suitable for their current economic conditions, to support both decarbonization and energy security.

3. Facilitate realistic engagement with the newly appointed EU Special Coordinator for the Global Clean Transition toward a new clean trade and investment partnership, with the EU access to the proposed Global Europe instrument (2028-2034).

Civil society, academia, business communities, Chambers of commerce and professional organizations are available both in the Western Balkans and the EU to facilitate such policy innovation. However, ambition and leadership from Western Balkan governments is absolutely needed.