The CBAM Bottleneck: Why Brussels Must Hit Pause on the Electricity Carbon Tax

Why the EU Carbon Border Adjustment Mechanism faces a bottleneck on electricity and what Brussels must do to avoid undermining European industrial competitiveness.

THE SHORT ANSWER

Should the EU apply CBAM to electricity imports in 2026?

A new Bruegel report says no. It urges Brussels to delay CBAM on power until at least 2028, because electricity cannot be traced back to its source the way steel or cement can. Applying the tax too early risks a loophole called resource shuffling and could threaten security of supply on the EU grid.

In this briefing

01

Why CBAM works for steel but not for power

- CBAM was built to stop carbon leakage by taxing dirty imports, and it makes sense for steel, cement, and aluminium.
- Bruegel, a well regarded think tank, says applying that same border logic to electricity is different, because power behaves nothing like a shipped good, and the plan to tax it from 2026 is running into trouble.

02

The electron tracing trap

- You cannot stamp a certificate of origin on an electron. The 2026 plan assumes the EU can tax electricity from neighbours like the UK, Turkey, or the Western Balkans based on how carbon intensive it is to produce.
- Bruegel flags a loophole called resource shuffling. A neighbour with a mixed grid could label all its renewable power as EU exports while using its coal and gas power at home. On paper the EU imports green power. In reality nothing changes.

03

The security of supply risk

- Europe leans on interconnectors with the UK, Norway, and the Balkans to balance its own intermittent renewables.
- If CBAM lands poorly or too early, it works like a trade barrier. It could make imports too costly right when the grid needs outside help most, especially in winter, and friction is already building in electricity trading since Brexit.

04

The strategic pivot: wait for market coupling

- The delay is not about giving up on the goal. Bruegel's advice is to wait until the mechanism can catch up with how electricity markets actually work.
- The idea is to hold off until full market coupling exists with these neighbours, or until their own carbon pricing is aligned with the EU's Emissions Trading System, giving time for a more accurate way to account for carbon in power.

05

What executives should watch

- Leadership teams should track how the European Commission responds to the Bruegel report.
- Sticking with 2026 likely means a rush of compliance work and disruption to interconnector flows. Accepting the delay would signal that Brussels is putting security of supply ahead of a rigid timeline.

What matters

01 Bruegel recommends delaying CBAM on electricity until at least 2028.

02 Electricity cannot carry a certificate of origin the way steel or cement can.

03 Resource shuffling lets a neighbour label renewable power as EU exports while burning fossil fuels at home.

04 Early or poorly designed CBAM enforcement could raise import costs and strain the grid during winter demand peaks.

05 The next signal to watch is how the European Commission responds to the delay recommendation.

Continue the analysis

FULL DOSSIER, SOURCES & FAQ:

https://projectfifty4.com/the-cbam-bottleneck-why-brussels-must-hit-pause-on-the-electricity-carbon-tax/

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