

Synthesis Briefing

Policy priorities for Albanian industry in the CBAM era

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Why CBAM matters for Albania

Since the European Union introduced the Carbon Border Adjustment Mechanism (CBAM), the competitive landscape for exporting carbon-intensive goods to the EU has changed drastically. CBAM places a price on carbon similar to that which EU producers pay in the electricity, iron and steel, cement, chemicals, aluminium, and hydrogen industries. Albania's industrial exports are oriented towards the EU, so reducing the carbon intensity of its goods is critical to ensuring Albanian industry remains competitive.

Albania is uniquely placed to benefit from CBAM, given hydropower and solar generate all of the country's electricity. This has a twofold effect. First, direct electricity exports to the EU have a competitive advantage as electricity generated from renewable energy does not face a carbon price under CBAM. Second, industrial products that rely on electricity from the grid are less carbon intensive, meaning Albanian companies pay a lower price under CBAM.

The challenge for Albania now is to set up an administrative and regulatory system that capitalises on its structural advantages, and to reduce process emissions from industrial production. Albania has no carbon pricing system that is deductible under CBAM rules. Introducing a functional carbon pricing system means businesses can offset what they pay domestically from their CBAM charges, while the revenue generated by the government can be directed towards easing the upfront costs of decarbonising production, as is done in the EU.

Likewise, the absence of a fully functional national measurement, reporting, and verification system limits how much companies can benefit from the use of hydroelectricity under CBAM regulations. This is because companies who do not track their emissions must pay CBAM's default values (a pre-set value set by the EU), which are higher than the actual emissions generated. Given the use of low carbon electricity is a huge advantage under CBAM, accurately measuring it is critical to unlock the full benefits of Albania's renewable-heavy grid.

This report synthesises four reports funded by the European Climate Initiative (EUKI).^{1,2,3,4} It highlights the key challenges and opportunities faced by Albania in aligning with CBAM. Priority policies are then identified, which can support alignment with CBAM and unlock Albania's industrial competitiveness.

Electricity

Due to the high share of hydropower, Albanian electricity has a carbon intensity of 25 gCO₂e/kWh. This is far lower than the EU average of 210 gCO₂e/kWh.⁵ This is recognised under CBAM, with Albanian electricity facing no CBAM charges. As Table 1 below highlights, this gives Albania a competitive advantage compared to other Energy Community members who export carbon-intensive electricity to the EU.

Albania's electricity exports to the EU have already increased since CBAM became fully operational at the start of 2026. In Q1 2026, exports between Albania and Greece were three times higher than Q1 2025, at 569 GWh. This was due in part to high hydro output in early 2026 as well as the route's zero CBAM charge. In Q2, when there was no major hydro surplus, Albania's electricity exports to Greece remained 3% higher than the same period in 2025, at 196 GWh.⁶ This indicates that Albania is already benefitting from its grid's clean electricity mix, particularly when there is a surplus of hydro power, while coal-heavy Balkan countries are losing market share.

	Default value (tCO ₂ e/MWh)	CBAM cost per imported MWh (EUR)
Albania	0	0
Bosnia & Herzegovina	1.148	86.421
Kosovo	0.984	74.076
Moldova	0.530	39.898
Montenegro	0.979	73.699
North Macedonia	0.887	66.773
Serbia	1.041	78.366
Ukraine	0.907	68.279

Table 1: CBAM costs for electricity exports to the EU in Q2 2026. Source: Energy Community.⁶

Specific sectoral challenges and enablers

Challenges:

- Heavy dependence on hydro is a risk in a warming world, with dry seasons impacting energy security. Diversification through increased wind and solar supply, backed by energy storage, is a critical component of ensuring consistent supply of low carbon electricity.

- Full market integration with the EU still has not happened. While progress is being made, until Albania transposes EU legislation and achieves day-ahead and intraday market coupling with the EU, it will continue to face administrative hurdles that impede seamless electricity exports/imports.

Enablers:

- Albania's low carbon grid allows it to avoid CBAM charges on electricity exports. Consequently, Albanian electricity is in a stronger competitive position as a result of CBAM.
- Albania's active pursuit of EU accession has led to proactive alignment with EU standards. This involves liberalising the market, enabling more transparent pricing, and establishing rules for cross-border energy markets.
- Competitive auctions for wind and solar have been key in driving up wind and solar investment, with solar supplying almost 6% of generation in 2025.⁵

Cement

Compared to regional competitors, Albania's cement sector is well placed to benefit from CBAM. Although not all companies publish the carbon intensity of their production, Antea Cement, for instance, has reported its emissions at around 0.6 tCO₂e/t,⁷ which is aligned with the EU average of 0.5-0.8 tCO₂e/t.⁸ This means that Albanian cement has the lowest default CBAM value (0.87-0.93 tCO₂e/t) of any Energy Community member, placing it in a strong competitive position compared to other exporters.⁹

The EU is a key trading partner for Albania's cement industry, with exports totalling around EUR 12 million in 2025. To reap the full benefits of its competitive advantage, Albanian producers must accurately account for their emissions so they do not pay excessive CBAM charges.

Specific sectoral challenges and enablers

Challenges:

- Without a fully functioning measurement, reporting, and verification system, it is difficult for Albanian cement producers to effectively track and report their emissions.
- Albania's cement companies are prohibited by law from importing clinker substitutes such as fly ash. This acts as a barrier to minimising clinker's share in the mix. Cutting clinker is central to reducing the industry's emissions, as it requires large quantities of fossil fuels for heating and the calcination of the rock releases huge amounts of CO₂.

Enablers:

- Albanian producers already manufacture cement with diluted shares of clinker and have the technical know-how to develop cement with clinker substitutes. For instance, Antea Cement uses slag to develop cement with a 78% clinker share, as opposed to traditional Portland cement that is made up of around 95% clinker.
- Despite the lack of a national measurement, reporting, and verification system, some of Albania's cement producers have implemented their own emissions monitoring systems.
- While most cement emissions are generated on site during clinker production, for the remaining 10-15% of emissions, the electricity grid's high share of hydro reduces the final product's embedded carbon content.

Iron and steel

Estimates of Albania's overall iron and steel emissions intensity are around 1.2 kgCO₂/USD of product produced, roughly in-line with the EU.¹⁰ Albania's iron and steel sector is centred on the production and finishing of specific steel products, relying on imports of pig iron. Should the CBAM scope for all iron and steel products be expanded to include indirect emissions, Albania's base of hydropower is set to bolster the competitive advantage of its iron and steel industry.

Albania exported around EUR 267 million worth of iron and steel products in 2024 – of which roughly EUR 75 million was to the EU.¹¹ The future of Albania's iron and steel exports to the EU is highly uncertain. The Kurum International Elbasan steel plant was the largest iron and steel complex (with an annual capacity of 700,000 tonnes); production was paused in November 2025 and reopening remains uncertain.¹²

Specific sectoral challenges and enablers

Challenges:

- Significant uncertainty around the Kurum iron and steel complex contributes to overall uncertainty in the sector, impacting regulatory decisions, GDP, and investment.
- Limited scrap availability constrains current production and opportunity for expansion, potentially forcing producers to use inputs with higher embedded emissions, increasing CBAM charges for importers.

Enablers:

- Relatively high shares of scrap in production already mean that many firms have the experience and infrastructure needed to pivot to lower-carbon production methods, with Kurum using scrap as the primary feedstock since 2010.¹³
- Should production at the Kurum complex restart, given all production would use scrap and electric arc furnaces, CBAM charges would be lower due to low scope 1 embedded carbon emissions.
- Albania has successfully transposed key EU regulations on Extended Producer Responsibility, scrap flows, waste management, and ecolabelling.

Aluminium

Albania's aluminium production is relatively low carbon already compared to neighbouring countries. The aluminium sector is primarily concentrated around unwrought aluminium produced from recycled scrap.¹¹ As this is assumed to have no embedded carbon, there are no estimates for carbon intensity.¹⁴ While production of aluminium from scrap is low carbon, there is a lack of data on what emissions remain as they are not tracked or reported on a systematic basis. Albania has introduced legislation to require emissions reporting across the sector, which would apply from 2027 onwards.¹⁵

Much of the scrap used is post-consumer scrap produced domestically, with some imported pre-consumer scrap that may become subject to CBAM in the coming years. Of eight total firms licensed to process aluminium scrap, five make products that are exported abroad, primarily to the EU.¹⁵ Exports in 2025 amounted to roughly EUR 100.5 million.¹¹

Specific sectoral challenges and enablers

Challenges:

- The lack of a domestic carbon pricing system limits the revenue that can be used to support transitioning a factory's production process. Subsidies generated from carbon pricing revenue play a critical part in easing the upfront cost of modernising infrastructure and equipment.
- Lack of an emissions reporting requirement means sectoral emissions are hard to gauge, impacting future planning.
- Higher reliance on scrap means constrained scrap flows are likely to have a significant impact without additional regulation to boost the circular economy.

Enablers:

- Industry is already centred on lower-carbon production methods and has a high share of scrap use.
- Experience in the sector of integrating on-site renewable energy, with some firms producing the exact mounting materials required to install solar panels.

Policy recommendations

Further integrate wind and solar generation

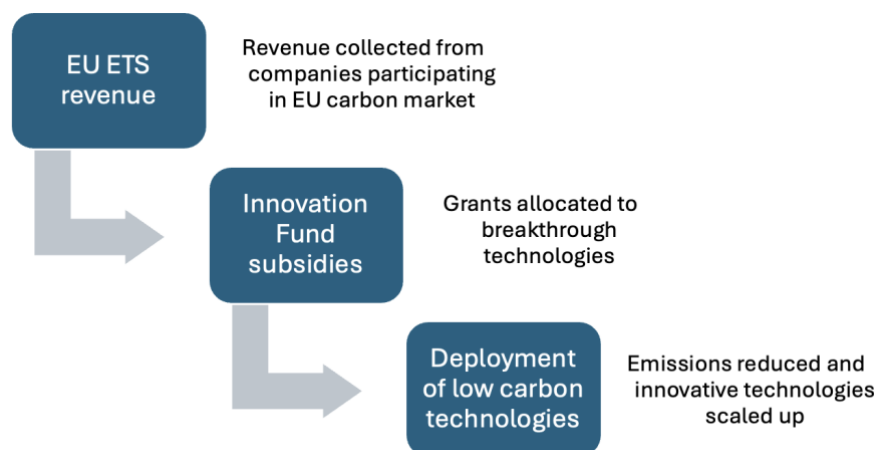
Increasing volatility in water supply levels leaves Albania's hydropower-dependent economy highly vulnerable to electricity disruption. Deep integration of wind and solar is therefore critical to support energy security while maintaining a low-carbon grid. Albania is already making progress in this area and further expansion of its wind and solar generation capacity will support energy security and industry.

Carbon pricing

A carbon tax that places a cost on the carbon content of a material and the fuel used to make it is a key policy step that supports decarbonisation. A simple carbon tax can be a successful precursor to establishing a domestic emissions trading system in line with its EU accession plans and obligations under the EC treaty.

Carbon tax revenues can be used to subsidise emissions reduction initiatives, thereby easing the upfront cost of transitioning a factory's production process. This is done in the EU, where revenue from the Emissions Trading System is distributed as subsidies through the EU's Innovation Fund. This is illustrated in Figure 1 below.

EU carbon tax revenue is directed to the Innovation Fund to drive deployment of low carbon technologies



Monitoring, reporting, verification and accreditation (MRVA)

A functioning domestic MRVA system is essential for credible emissions reporting, CBAM alignment, and transition planning. For all energy intensive sectors, building up a functioning system can reduce CBAM-related costs while increasing credibility and supporting decarbonisation planning.

Green public procurement

Integrating environmental criteria into public tenders can stimulate demand for low carbon products. The CO2 Performance Ladder (CO2PL) from the Netherlands is proven to drive emissions reductions while supporting innovation, without an excessive administration burden.¹⁶ By supporting the domestic market for low carbon products, companies can scale production and stay competitive in international markets.

Green hydrogen production

Albania's strong base of hydropower, expansion of renewables, and significant wind and solar potential offer a strategic opportunity. Investing in green hydrogen production can drive decarbonisation in energy-intensive industries and benefit hydrogen producers. Infrastructure, expertise, and finance are key barriers. While little discussion around hydrogen deployment currently exists in Albania, building a supportive policy arena now can help to drive investment to support infrastructure and develop expertise.

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