



Europe is falling behind its targets for electricity trade, and a new Brexit deal could help – Centre for European Reform report

More electricity trade is urgently needed to curtail Europe’s risky dependence on gas imports – from Russia, the US and the Gulf – and to speed the transition to net zero. UK offshore wind will be an increasingly important source of European power, but trade is being hampered by post-Brexit arrangements, according to a new [Centre for European Reform analysis](#).

During the 2022-23 gas crisis, the integrated European grid kept the lights on, by allowing electricity to flow to countries with severe power shortages. But, as intermittent renewables rise in the power mix, more cables will have to be built to allow power to flow from sunny and windy areas to cloudy, becalmed ones.

One-third more interconnectors between national markets need to be built than are currently planned by 2030 to optimise the European grid. More interconnectors are in the pipeline, but even by 2040, one-fifth more will be needed than are currently planned.

The North Sea will be a key source of offshore wind power for Europe, and because the UK owns by far the biggest share of the basin, easing post-Brexit trade frictions would reduce electricity costs in the UK and the EU. According to the CER analysis, the UK’s share of all European offshore wind will be 30 per cent by 2050. Recoupling the UK and EU electricity markets would allow electricity to flow more efficiently between Britain and the EU, reducing prices and carbon emissions in both jurisdictions.

The EU’s new carbon border adjustment mechanism (CBAM) threatens to impose more frictions on UK-EU power trading. The charges that will be paid on electricity imports from the UK will be determined by the historical carbon intensity of the UK’s electricity sector and the difference between the UK and EU carbon prices. But the UK’s electricity mix is being decarbonised too rapidly for the CBAM’s method of calculating carbon intensity to be accurate. And because of the UK’s growing offshore wind capacity, it is forecast to be a flip from being a net electricity importer to an exporter. Linking the emissions trading schemes, so that the carbon prices in the two jurisdictions are identical, would mean that the trade losses as a result of CBAM would be eliminated.

Commenting, the report’s author, John Springford said:

“The cost of the decision to decouple the British market from the EU will grow in the future, as intermittent renewable power rises in the power mix, and CBAM imposes additional costs on trade. The North Sea is forecast to be the site for the bulk of European offshore wind investment.

The UK could link its emissions trading scheme to that of the EU, in order to eliminate CBAM charges, and the EU could allow the UK to recouple its electricity market to that of the EU, to reduce the cost of importing North Sea wind power.”

Notes for editors:

To discuss the policy brief or request an interview with John Springford [@JohnSpringford](#) and [@johnspringford.bsky.social](#) please contact Kate Mullineux in the CER press office on pressoffice@cer.eu or +44 (0) 20 7233 1199.

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